

Annual Report 2020

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MLP Group

MLP key figures – multi year overview

	All figures in € million	2020	2019	2018	2017	2016	2015	2014	2013 ¹
Continuing operations									
Total revenue		767.3	708.8	666.0	628.2	610.4	554.3	531.1	499.0
 Revenue		745.5	689.6	642.1	608.7	590.6	535.7	509.7	480.5
Other revenue		21.8	19.2	23.8	19.4	19.8	18.7	21.4	18.5
Pro forma earnings before interest and taxes (Pro forma EBIT) (before acquisitions)		59.4	47.1	46.4	37.6	19.7	32.5	39.0	30.7
Operating Earnings before interest and taxes (Operating EBIT) (before one-off exceptional costs)		59.4	47.1	46.4	46.7	35.1	30.7	39.0	30.7
 Earnings before interest and taxes (EBIT)		59.4	47.1	46.4	37.6	19.7	30.7	39.0	30.7
EBIT margin (in %) ⁴		7.7	6.6	7.0	6.0	3.2	5.5	7.3	6.2
MLP Group									
 Net profit (total)		43.2	36.9	34.5	27.8	14.7	19.8	29.0	23.9
 Earnings per share (diluted/undiluted) (in €)		0.40	0.34	0.32	0.25	0.13	0.18	0.27	0.22
 Dividend per share in €		0.23 ²	0.21	0.20	0.20	0.08	0.12	0.17	0.16
 Cash flow from operating activities		408.1	191.6	141.2	115.5	144.7	58.8	32.3	67.6
Capital expenditure		9.3	22.3	26.6	7.3	18.4	12.8	15.4	22.5
Total shareholders' equity		454.0	437.4	424.8	404.9	383.6	385.8	376.8	370.5
Equity ratio (in %) ⁵		14.0	15.6	17.5	18.7	19.7	22.0	23.2	24.2
 Balance sheet total		3,235.0	2,799.6	2,421.0	2,169.5	1,944.1	1,752.7	1,624.7	1,533.6
Clients ³		-	-	-	-	-	858,700	847,600	830,300
 Private clients (Family) ⁵		554,900	549,580	541,150	529,100	517,400	510,200	-	-
 Corporate and institutional clients ⁵		22,500	21,850	20,892	19,800	19,200	18,200	-	-
 Consultants ³		2,086	1,981	1,928	1,909	1,940	1,943	1,952	1,998
Branch offices ³		129	130	131	145	146	156	162	169
University teams		102	93	77	58	-	-	-	-
 Employees		1,850	1,783	1,722	1,686	1,768	1,802	1,542	1,559
Brokered new business ³									
Old-age provision (premium sum in € billion)		3.8 ⁶	4.2 ⁶	3.9 ⁶	3.4	3.7	3.5	4.1	3.6
Loans and mortgages		2,357.5	1,958.5	1,806.0	1,728.4	1,709.7	1,798.0	1,415.0	1,513.0
 Assets under management (in € billion)		42.7	39.2	34.5	33.9	31.5	29.0	27.5	24.5
Non-life insurance (premium volume)		430.8	405.5	385.6	360.1	350.2	331.8	-	-
Real estate (brokered volume)		403.8	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 24, 2021

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: 2020: 3.5; 2019: 3.9; 2018: 3.6)

THE EXECUTIVE BOARD



Dr. Uwe Schroeder-Wildberg
Chairman and CEO of 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,

MLP has completed an exceptional, an intensive and a successful year. Exceptional because – just like the whole of society and the economy – everything changed overnight when the corona pandemic struck. Intensive because these conditions demanded a lot from the entire team, and we had to adapt in an unprecedented intensity. And successful because we were able to record tangible increases in all key performance indicators thanks to a huge effort. My sincere thanks therefore go out to our clients for their trust, as well as to all MLP consultants and employees throughout the Group for their outstanding performance.

2020 was a real stress test – albeit an involuntary one – for our strategy. The company's capacity to adapt, its digitalisation, as well as its stability proved the key success factors over the last twelve months. Although we all surely would rather have not had to go through this, we passed the test with flying colours. The foundations for this were already laid over the last few years.

In the year of its 50th anniversary, MLP is where we wanted it to be when we launched our transformation strategy back in 2005. Building on the core of the founding principle, MLP is now a different company, a new MLP. By developing further client groups, significantly diversifying our revenue streams and networking the business segments, including the new ones, we have made our organisation highly resilient. Alongside this, we have developed additional sources for performance and are continuing to invest massively in our future.

Following a highly dynamic fourth quarter, total revenue in the last financial year increased by 8.3% to € 767.3 million. This means that MLP has now recorded continuous growth in total revenue for seven years in a row.

Despite the negative effects associated with the coronavirus crisis, MLP recorded gains in virtually all fields of consulting. Having enjoyed eleven years of growth in succession, wealth management is now the largest consulting field on an annual basis for the first time. Alongside good operational development among both private and institutional clients, significantly higher performance-linked compensation than in previous years also contributed to this.

MLP has been expanding its real estate brokerage activities since 2014. For the fourth year in succession, this field delivered the greatest percentage growth, with revenue up by 67%. Wealth management recorded the second highest growth rate with an increase of 17%, while non-life insurance displayed the third highest growth rate with an increase of 8%. Thanks to the growth recorded in these and other fields, we were also able to more than make up for the market-wide decline in the old-age provision field caused by the corona pandemic.

With an EBIT of € 59.4 million, we were even able to significantly surpass our own forecast from before the coronavirus pandemic. Group net profit rose to € 43.2 million in the last financial year.

The Executive Board and Supervisory Board propose a dividend of 23 cents per share for the financial year 2020 – which represents yet another increase following 21 cents per share in the previous year. At 58% of Group net profit, the payout ratio is in the middle of the announced corridor. As such, we are once again sharing the success of our company development with you, dear Shareholders.

Following a rather indifferent performance in 2020, the price of the MLP share has already displayed very positive development once again. The capital market has thereby not only honoured our good development over the course of the last year, but is also increasingly recognising our growth prospects for the year 2022.

With our most recent acquisition, RVM, we are developing another segment that is attractive for us and our positioning: industrial insurance. With RVM, we have acquired a vital company that is to continue operating under the same brand and with the same, proven management team. RVM will deliver valuable synergies with both our occupational pension provision business and our private client business. When assessing the transaction it is also important to note that this is only our first step in systematically developing the industrial insurance market. Our mid-term objective is to add small market members to accompany RVM and thereby establish a broker group that can operate at eye level with the top ten in Germany.

For the year 2021, we are anticipating earnings performance in the MLP Group at the same level recorded in 2020. In concrete terms, we are expecting an EBIT level in the corridor between € 55 million at the lower end and € 61 million at the upper end.

The year 2022 remains our general focus in terms of our earnings planning. Our key growth levers are aligned in such a way that we not only expect a significant jump in earnings in 2022 – but can actually already predict this via the key early indicators as things stand today. As such, we are still planning EBIT of between € 75 and 85 million for 2022 and are right on track in the growth fields on which this is based. This applies both to the young segment, in which we are anticipating a break-even in 2021, and to the second crucial block that comprises rising revenues. There is a great deal of tangible potential in our significantly expanded real estate business here. This is flanked by the potential from the new industrial broker segment, in which we are anticipating visible effects on earnings from 2022 onwards. At the same time, we are continuing our strict programme of cost management.

We are therefore delivering a powerful message: We are not only resolute, but also very well prepared to take MLP to the next level in terms of earnings.

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

Yours,

A handwritten signature in black ink, appearing to read "Uwe S. Wildberg". The signature is fluid and cursive, with a large, stylized 'W' at the end.

Dr Uwe Schroeder-Wildberg

THE SUPERVISORY BOARD



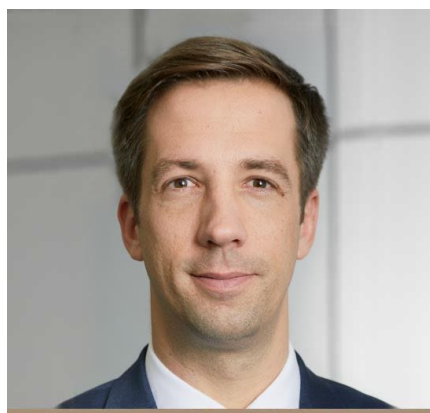
Dr. Peter Lütke-Bornefeld
Chairman
Elected until 2023



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
Until 31 December 2020



Monika Stumpf
Employees' Representative
From 1 January 2021
Elected until 2023

REPORT BY THE SUPERVISORY BOARD

In the financial year 2020, 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 2020 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 actions and consultations of the Supervisory Board for the Executive Board have been further intensified during the corona pandemic to address the crisis. In this situation determined by the corona pandemic, the Supervisory Board also approved the holding of the 2020 Annual General Meeting as a Virtual Annual General Meeting as proposed by the Executive Board. In the financial year 2020, the company and the MLP Group as a whole were less affected by the corona pandemic in terms of business development and business results than was the case in other sectors.

The Supervisory Board advised the Executive Board particularly intensively in the 2020 financial year on potential M&A transactions. In particular, the Supervisory Board advised the Executive Board on the preparation of the acquisition of RVM Versicherungsmakler GmbH & Co. KG ("RVM") including its subsidiaries. The Supervisory Board also regards the acquisition of RVM as laying the foundation for the systematic expansion of a new commercial insurance broker segment and significantly extending the range of services for corporate and institutional customers as well as B2B services. The Supervisory Board consequently approved the transaction at the beginning of February 2021.

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 2020, 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. With effect from the end of the financial year 2020, the employee representative, Mr Burkhard Schlingermann, stood down from his position. As of 1 January 2021, he was succeeded by Mrs Monika Stumpf, who had already been elected alongside him as an alternate candidate in 2018 in the course of the Supervisory Board elections for employee representatives.

The Supervisory Board at MLP SE held five regular meetings and one extraordinary meeting in the financial year 2020, whereby the latter took the form of a video conference. Following approval for remote participation by live video stream in the spring of 2020, each member of the Supervisory Board took part in all of the face-to-face meetings either in person or remotely, with the exception of one member. One member of the Supervisory Board was unable to take part in two meetings due to illness. As such, all members of the Supervisory Board participated 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, resolutions also took the form of circular resolutions.

In addition to this, two 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 with just one exception. 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 in 2020:

	Participation*	in %
Supervisory Board Meeting, MLP SE		
Dr Peter Lütke-Bornefeld	6/6	100
Dr Claus-Michael Dill	6/6	100
Tina Müller	4/6	67
Matthias Lautenschläger	6/6	100
Burkhard Schlingermann	6/6	100
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	0/0	0
Audit Committee, MLP SE		
Dr Claus-Michael Dill	2/2	100
Dr Peter Lütke-Bornefeld	2/2	100
Matthias Lautenschläger	2/2	100
Alexander Beer	2/2	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, yet also the effects of the coronavirus pandemic. 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 18 March 2020 focused on the audit and approval of the financial statements and the consolidated financial statements as of 31 December 2019. 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 31 December 2019 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 2019 and approved these. The proposed resolutions for the company's Annual General Meeting were another item on the agenda.

An extraordinary meeting of the company's Supervisory Board, held in the form of a video conference on 8 May 2020, was used to discuss in detail and also approve the intentions of the Executive Board to hold the 2020 Annual General Meeting of MLP SE as a Virtual Annual General Meeting in light of the coronavirus pandemic.

The regular Supervisory Board meeting on 13 May 2020 focused primarily on discussing the results and business development from the first quarter of 2020. In addition, the Supervisory Board and the Executive Board engaged in detailed discussions about the effects of the coronavirus pandemic on business development and the system of risk management employed in the MLP Group.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk controlling (including report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on 12 August 2020. Alongside this, a discussion on how to handle the recommendations of the new German Corporate Governance Code (GCGC), as redrafted by the government commission, was also on the agenda.

The November meeting focused on the business results of the third quarter and the first nine months of the financial year 2020. 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. Detailed discussions were also held regarding the changes to the Executive Board pay system in light of the new provisions in the German Stock Corporation Act resulting from the Act for Implementation of the Second Shareholders' Rights Directive (ARUG II) and the GCGC. A modified pay system was then approved. Extensive reporting was provided on the corporate governance process, and the current Declaration of Compliance was approved.

In the meeting on 17 December 2020 the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the company for the financial year 2021.

Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2020.

In the financial year 2020, the members of the Audit Committee included Dr Claus-Michael Dill, who is also Chairman of the Audit Committee, Dr Peter Lütke-Bornefeld, Mr Matthias Lautenschläger and Mr Alexander Beer. The Audit Committee held two regular meetings and passed several circular resolutions in the financial year 2020. 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 2021. Following intensive discussions, the Audit Committee submitted a proposal for appointment of the auditor at the 2020 Annual General Meeting. 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.

In the financial year 2020, the Personnel Committee comprised the following members: Dr Peter Lütke-Bornefeld, who is also Chairman of the Personnel Committee, Ms Tina Müller, Mr Matthias Lautenschläger and Mr Burkhard Schlingermann. The Personnel Committee held one regular meeting in the reporting period and focused in particular on checking the appropriateness of Executive Board compensation, as well as determining the bonus pool for the MLP Group.

As was the case in the financial year 2020, 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 2020, as no resolutions regarding reappointment of members to the Supervisory Board were passed at the Annual General Meeting held on 25 May 2020.

Corporate governance

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

Last year, the Supervisory Board used its meetings on 12 August and 9 November for in-depth discussions on the requirements of the German Corporate Governance Code (GCGC) in the completely redrafted version from 16 December 2019.

The meeting held on 12 August 2020 focused on preliminary deliberations regarding the need for revision as a result of the amendments to the GCGC, as well as the amendments within the scope of the Executive Board pay system due to the Shareholders' Rights Directive II (ARUG II) and/or the GCGC. In the meeting held on 9 November 2020, further and more detailed discussions were then held on the new recommendations of the GCGC, as well as the Declaration of Compliance, which is to be redrafted. The Supervisory Board consulted with the Executive Board regarding the new requirements of the GCGC and the deviations that are to be disclosed as per the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG). The objective here was to determine which requirements the Executive Board and Supervisory Board have been satisfied or will be satisfied in future to secure compliance with the recommendations in the form presented in the Declaration of Compliance. Detailed discussions were also held on the new pay system for the Executive Board in this connection. 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.

The Supervisory Board also reviewed the efficiency of its own actions using an evaluation form that was made available to the members of the Supervisory Board in good time prior to the meeting. Moreover, the Supervisory Board reviewed 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. Measures aimed at increasing efficiency were discussed and established.

The Supervisory Board also regularly addresses potential conflicts of interest among the members of the Supervisory Board. To this end, the members of the Supervisory Board are surveyed at least once a year to determine whether any such conflicts existed or still exist. Based on our understanding, and in accordance with the legislator, a conflict of interest exists if there is reason to suspect that any member of the Supervisory Board is taking decisions that are not solely in the interests of the company, but also potentially seeking to pursue personal or third-party interests. Following the review by the Supervisory Board there were no conflicts of interest in this sense in the last financial year. A summary of further corporate governance aspects at MLP, including presentation of the Declaration of Compliance from 9 November 2020, can be found in the declaration on governance issued by the Executive Board and Supervisory Board. 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 participated in a training event on 10 November 2020 in order to maintain the necessary professional expertise. Various topics were presented during this training, including new developments resulting from the risk-bearing capacity guideline of the German Federal Financial Supervisory Authority, the new electronic financial reporting format, as well as the Act to Strengthen Integrity in the Economy.

Audit of the annual financial statements and consolidated financial statements for 2020

The financial statements and the joint management report of MLP SE as of 31 December 2020 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 31 December 2020 have been compiled pursuant of § 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of 31 December 2020, 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, 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 18 March 2021; the Supervisory Board discussed annual financial statements as amended by the Executive Board together with the combined management report at its meeting on 11 May 2021, which was also attended by the auditor. 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" and with regard to the consolidated financial statements of MLP SE, they encompassed "the recoverability of investments and goodwill", as well as "the commission income from the brokering of old-age

provision products". At this meeting, the Executive Board also explained the financial statements of MLP SE and of the MLP Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and of 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 18 March 2021, 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. At its meeting on 11 May 2021, the Supervisory Board then approved the annual financial statements as amended by the Executive Board together with the combined management report. 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 € 0.23 per share for the financial year 2020. Aspects such as the equity and liquidity situation, the current situation due to the corona pandemic, future regulatory requirements and the company's budget, as well as 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 2020.

Wiesloch, March/May 2021

The Supervisory Board

A handwritten signature in blue ink, appearing to read 'Lütke-Bornefeld', with a stylized flourish at the end.

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. "Performance" and "trust" form the basis of our corporate culture. They shape our relationship with each other, with our customers and with all other stakeholders.

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 the majority of market participants, we rely on the offers 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.

Therefore, our more than 2,000 client consultants each focus on one professional group, primarily physicians, economists, engineers and lawyers. The further training of our client consultants at the Group's own accredited MLP Corporate University is regarded as a benchmark in the financial consulting industry.

In the last few years, we have established additional core fields of expertise and significantly expanded our business model. To this end, we have also substantially expanded our offering for corporate and institutional clients as well as B2B services. For instance, we serve corporate clients as well as for large assets and institutional investors through our subsidiary FERI. Since 2014, we have successfully strengthened our real estate business and taken it to a new level with the acquisition of DEUTSCHLAND.Immobilien in 2019. With the acquisition of DOMCURA in 2015, we have again significantly broadened our range of products and services, also for other market players in non-life insurance. With the acquisition of the industrial broker RVM in spring 2021, we have laid the foundation for strategically developing the market segment for commercial and industrial property insurance. Overall, this diversification has significantly increased the stability of the company's development, while at the same time we are increasingly benefiting from the interaction of the Group units.

We complement our growth strategy with systematic efficiency management. This is also reflected in the successful earnings performance of recent years.

INVESTOR RELATIONS

Stock market year 2020 – Development of the markets

The stock markets can reflect on a turbulent twelve months. The year 2020 actually began promisingly, initially continuing the upwards trend from 2019. However, the stock exchanges were then brought to an abrupt halt in February. The corona pandemic was spreading at an alarming rate, forcing governments across the globe to implement drastic measures, including restrictions on social contact and going out. The economy nosedived, as global supply chains completely collapsed. At the start of February, Germany's leading index had initially reached a new high at 13,795 points. Accompanied by some historic single-day losses, however, the DAX then buckled by almost 40% in March. Uncertainty regarding the severity of the pandemic and its long-term effects on the economy and society in general made investors run for cover. Even those forms of investment otherwise seen as "safe havens", such as gold and bonds, came under serious pressure. The ongoing economic woes were also felt in the oil market, leading to a historically low price of USD -40 among futures contracts for the US oil WTI at the end of April. The persistent low demand and full warehouses had already driven down the price of the raw material. Despite experiencing a powerful recovery, however, it was still not able to make up completely for its losses by the end of the year. Accordingly, the economic data from the second quarter painted a rather bleak picture with negative growth rates throughout the world and collapses in the employment markets. In the US, the unemployment rate even shot up to 14.7%, its highest level since records began in 1948. In Germany, the unemployment rate rose to over 6%, while gross domestic product (GDP) suffered a 10.1% drop. However, even this decline still appears mild compared with the drastic collapse of 31.4% encountered in the US. Yet, thanks to resolute monetary and fiscal policy measures, the share prices recovered again quickly following the losses recorded early in the year. A decline in the number of coronavirus cases, as well as encouraging economic data and high liquidity served to bolster the stock markets in the summer. In Germany, the economy proved remarkably robust and enjoyed an unexpectedly fast recovery, particularly in the manufacturing sector. Having dropped to 8,255 points in March, the DAX once again reached and, on occasions, even surpassed the level of 13,000 points by the middle of July. In August, the stock exchanges then recorded one of their best months since the 1980s. US technology stocks performed exceptionally well with gains of up to 40%. The anticipated correction of the overheated stock markets then took hold in October with the greatest losses since the collapse observed in March. Rapidly rising numbers of new coronavirus infections, as well as negative factors relating to the Brexit negotiations and the US election campaign served to increase risk aversion among investors. In addition to this, the economic growth curve flattened again significantly, reflecting the downward trend in sentiment indicators. Approval of initial vaccines against the corona pandemic towards the end of the year then once again raised hopes for a faster economic recovery among investors. Support came in the form of good operating results, indicating a significantly faster recovery from the corona pandemic at companies

than anticipated. Moreover, central banks continued to pump liquidity into the markets and thereby secured new record highs on the stock exchanges. The good development was also reflected in German GDP, which once again recorded a rise of 8.2% in the third quarter. Following a drastic decline in the second quarter, economic performance in the US then improved by 33% in Q3. Having looked highly uncertain for a long time, the Brexit negotiations ultimately resulted in a deal being agreed on Christmas Eve, and a coronavirus rescue package, worth billions, was finally approved in the US following months of wrangling. The confidence among investors was also reflected in the good annual summary of the stock market barometers. In Germany, the SDAX was the clear winner with an increase of 18%, followed by the MDAX and TecDAX with gains of 8.77% and 6.56% respectively. The DAX, on the other hand, was "only" able to record a 3.55% gain. The major US indices recorded even more significant gains, above all the NASDAQ with an increase of over 43%. The broad-based S&P 500 Index gained 16.3%, while the Dow Jones Industrial Index was up 7.25%. The gold price also benefited, increasing by 25% overall to USD 1,898.

The MLP share

The year 2020 also proved turbulent for the MLP SE share. The share price was initially able to benefit from the positive stock market sentiment and climb to € 5.98 by mid-February. However, even the MLP share was unable to avoid the massive price slump that then followed in the global financial markets, recording a disproportionately strong fall in value. The surprisingly good results for the fourth quarter of 2019 that were reported at the start of March and the strong outlook for 2020 were only able to halt the downward trend briefly. The corona pandemic had a tight hold on the stock exchanges, generating major uncertainty and, in some cases, even panic-driven selling. Accompanied by extremely high volatility, the share price had decreased to an annual low of € 3.73 by the end of March. This sharp decline in the share price was then followed by a rapid recovery, which helped the MLP share once again reach the € 5.00 mark. By purchasing a 1.8% stake in MLP, the Chief Executive Officer reiterated his commitment to and confidence in the company, not only during this difficult phase. However, MLP was not left unscathed by the effects of the corona pandemic. As such, management was forced to reduce the forecast for 2020 at the end of April, despite having recorded solid Q1 results. The share price reacted to this news with a small amount of profit-taking, which forced it down slightly to the € 4.50 mark. In the run-up to inclusion in the SDAX, the share then recorded significant gains at the end of May and almost reached its pre-crisis level once again. However, having only spent a short time in the SmallCap Index, the MLP share was already forced to exit the stock market barometer again at the start of June. After climbing to € 5.81 at that time, it remained volatile in the further course and reached its low of € 4.97 in the middle of July. Yet in a friendly market environment, the share then displayed further recovery and quickly reached a price of € 5.60. It then initially hovered around this price, before the second great sell-off in the stock market year 2020 also affected the MLP share. The increasing number of new COVID-19 infections, and the economic downturn associated with this, provided a growing cause for concern among investors, many of whom then chose to sell their shares. During October, the share buckled considerably, once again falling to lows of € 4.55. However, the drastic price losses, coupled with the convincing nine-month results of the company, then enticed investors once again. This helped secure strong price gains and the MLP share closed the year at a price of € 5.40. The MLP share therefore achieved a price performance of -3.9% in the 2020 stock market year. Market capitalisation was € 590.4 million at the end of the year.

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

MLP SE held its Annual General Meeting for the financial year 2019 on 25 June 2020. The event was held entirely online for the first time. In taking this step, the financial services provider reacted to the coronavirus pandemic and made use of the option provided by the legislator to hold purely virtual annual general meetings. Shareholders were able to follow the entire Annual General Meeting live via a shareholder portal. In the run-up to the Annual General Meeting, shareholders in MLP SE were also given the opportunity to submit questions and potential counter motions, which were then answered and addressed in full by the company's Executive Board.

Annual General Meeting held as a completely virtual event

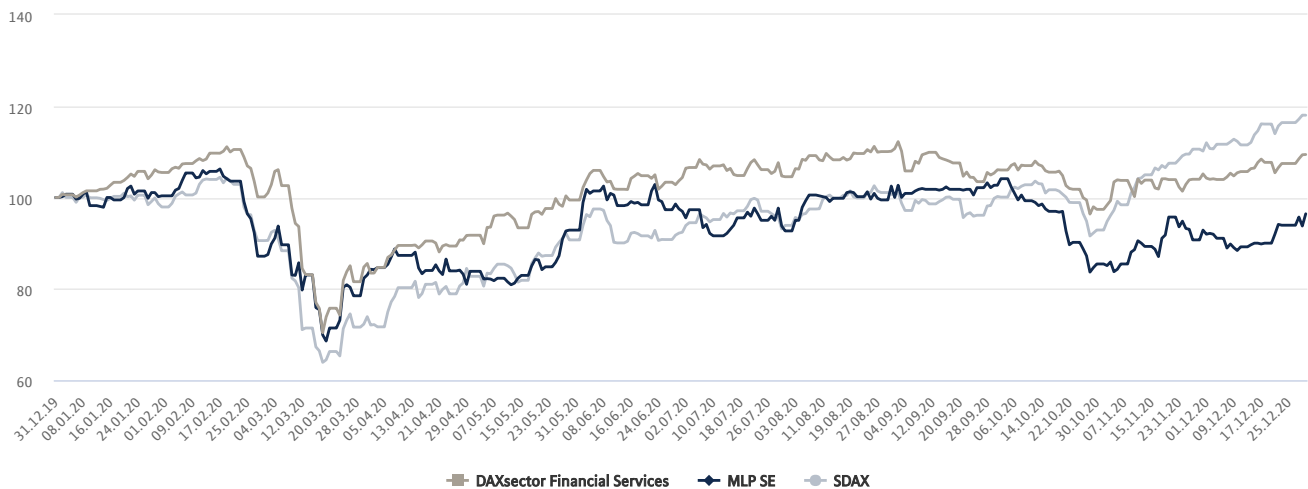
MLP SE has achieved "Prime Status" in the sustainability rating of the Institutional Shareholder Services Inc. (ISS) for the first time. As such, the company now ranks among the first decile in the comparison group. As part of the regular review, MLP was able to improve its ESG Rating to "C". Sustainability ratings are becoming increasingly important for investors. They provide orientation regarding the quality of a company's sustainable actions and increasingly also influence the investment universe of professional investors. Thanks to "Prime Status", the MLP share is now also recommended for portfolios that focus on sustainability.

ISS sustainability rating
significantly improved

As announced during the 2017 Annual General Meeting, MLP established another share-based participation programme at the start of the financial year 2020 for MLP office managers and MLP consultants with the aim of strengthening the collaborative component in the MLP business model. In the period from 2 January until 11 February 2020, a total of 566,000 shares were bought back at an average share price of € 5.6467. 557,886 shares were then issued to the beneficiaries, meaning that MLP SE still held 8,500 shares in its own portfolio as of 31 December 2020.

Share buyback

MLP share, SDAX and DAXsector Financial Services 2020



Dividend

MLP will continue its consistent dividend policy for the financial year 2020. As announced, the dividend proposed by the Executive Board for the financial year 2020 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 € 0.23 per share at the Annual General Meeting on 24 June 2021. This corresponds to a distribution rate of around 58% of net profit.

Key figures compared to previous year (2016-2020)

		2020	2019	2018	2017	2016
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 €	5.61	4.35	5.59	4.11	3.67
Share price at the end of the year	in €	5.40	5.60	4.40	5.63	4.18
Share price high	in €	5.98	5.69	6.06	6.47	4.25
Share price low	in €	3.73	3.86	4.11	4.11	2.57
Market capitalisation at the end of the year	in € million	590.4	612.3	481.1	615.6	456.5
Average daily turnover of shares	in units	58,920	46,854	98,410	171,210	93,390
Dividend per share	in €	0.23*	0.21	0.20	0.20	0.08
Total dividend	in € million	25.1*	23.0	21.9	21.9	8.7
Return on dividend	in %	4.3*	3.8	4.5	3.6	1.9
Earnings per share	in €	0.40	0.34	0.32	0.25	0.13
Diluted earnings per share	in €	0.40	0.34	0.32	0.25	0.13

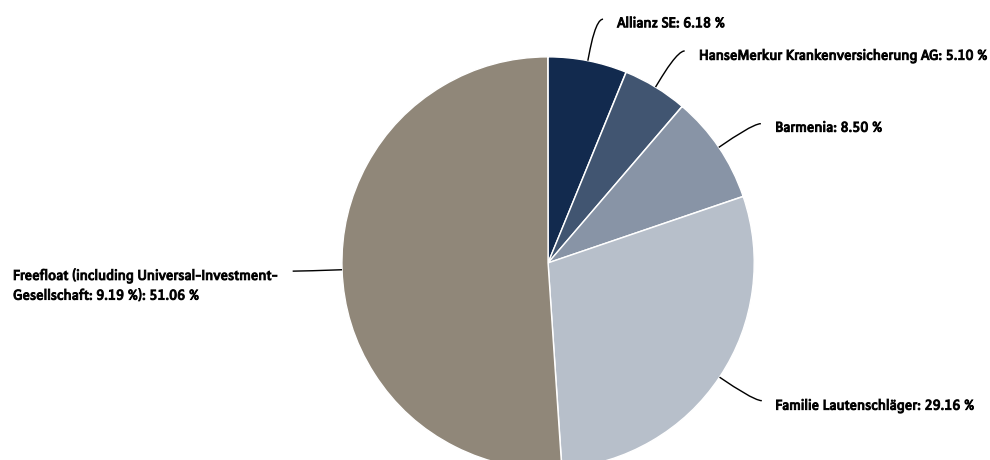
*Subject to the consent of the Annual General Meeting on 24 June 2021

Talanx AG reduced its stake from 9.36% to 4.98% in the first half of 2020 (announcement from 17 February 2020). Barmenia, on the other hand, increased its stake from 7.77% to 8.50% (announcement from 30 March 2020). Dr Uwe Schroeder-Wildberg, Chief Executive Officer at MLP SE, acquired 1,950,000 shares in MLP SE from the founder family Lautenschläger (announcement from 1 April 2020). By taking this step, founder Manfred Lautenschläger and the longstanding CEO and Chairman of the Executive Board are maintaining the sustainable shareholder structure. The share of voting rights held by other shareholders remained virtually unchanged on the reporting date. The Lautenschläger family remains the largest single MLP shareholder with voting rights of more than 25.0%. The free float as of 31 December 2020 is therefore 51.06% as per the definition of the German stock exchange.

Changes to the shareholder structure

The following chart provides an overview of the major shareholders of MLP (with a share of more than 5%).

Shareholder structure as of 31 December 2020



*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 want to build stronger confidence and 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. Interested parties 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

		2020	2019
Equity ratio	in %	14.0	15.6
Return on equity	in %	9.9	8.7
Core capital ratio	in %	21.3	19.6
Net liquidity	in € million	197.0	174.0
Market capitalisation at the end of the year	in € million	590.4	612.3
Total revenue	in € million	767.3	708.8
EBIT	in € million	59.4	47.1



Sustainability represents a commitment to sustainable development of the economy, society and the environment. MLP makes its contribution as a company through its system of strategic sustainability management. This involves remaining economically successful in the long term, while at the same time acting with ecological and social responsibility.

The topic of sustainability has already been systematically established at MLP since 2016. In 2019 we set ourselves the target of making the entire Group CO₂ neutral from 2022 onwards. We have already been able to implement this in an intermediate step in the financial year 2020. This means that we will compensate for the emissions recorded within the MLP Group up to that point in time through certified, international climate protection projects.

"We all bear responsibility for shaping our own future and that of coming generations. MLP recognises and accepts this. We determine the ecological footprint of the MLP Group, reduce emissions and compensate for unavoidable CO₂ emissions through investment in certified climate protection projects. MLP will be carbon-neutral from 2022 onwards."

In adopting this approach, we are particularly keen to account for the SDGs (Sustainable Development Goals) of the United Nations. The MLP Group is committed to the 17 SDGs of the UN. Four of these goals are especially relevant for us as a company – with a view to our core business:

ESPECIALLY RELEVANT SDGs



SDG 4 Quality education

SDG 4 – Quality education

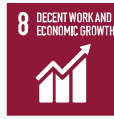
Education represents a key value for MLP. As a knowledge-based service provider, great emphasis is placed on both the qualification and development of our client consultants and employees. A high-quality range of training courses therefore represents an indispensable prerequisite for high-quality client consulting. A significant amount of this training is performed at our MLP Corporate University. This is flanked by the focus of our private client business on a client group with academic degrees, for whom education is also an important factor.



SDG 7 Affordable and clean energy

SDG 7 – Affordable and clean energy

We are committed to responsible use of resources. An efficient system of environmental and resource management is therefore anchored in MLP's sustainability management strategy. There is a close connection between affordable, clean energy and climate protection. MLP uses electricity from renewable energy sources throughout the Group and also actively supports this goal with its objective of achieving carbon neutrality.



SDG 8 Decent work and economic growth

SDG 8 – Decent work and economic growth

As a financial services provider, sustainable and profitable growth is a key objective and represents the basis for supporting all other SDGs. As a responsible employer, our task is to set the conditions for responsible conduct and for displaying mutual respect.



SDG 13 Climate action

SDG 13 – Climate action

Although MLP is a non-manufacturing company, we consider it extremely important to use resources responsibly. To this end, efficient environmental and resource management is anchored in MLP's sustainability management strategy. In conjunction with the objective of achieving climate neutrality for the Group, we are developing measures, which are aimed at reducing or even avoiding climate-impacting emissions altogether. Our climate protection strategy sets out the course of actions required to achieve and ensure climate neutrality by the year 2022 and beyond.



The sustainability aspects of the MLP Group can be found in the MLP sustainability report, which has been published every year since 2017 via the [Group website](#), as well as in the database of the German Sustainability Code (GSC). Since its first edition, the entire report has been based on the structure of the German Sustainability Code (GSC), which ensures not only consistency of the data, but also its comparability. Alongside the German Sustainability Code criteria, as well as the accompanying performance indicators, individual indicators of the Global Reporting Initiative (GRI) that are important for MLP and originate from our materiality analysis are also reported.

Corporate responsibility

We consider sustainability an integral part of our corporate policy. The MLP Group is the partner for all financial matters – for private clients, companies and institutional investors. Going beyond our responsibility towards our clients, our sustainability management is testimony of our responsibility towards all peer groups.

Alongside our economic and social responsibility, in particular, as a financial adviser and reliable employer, we also assume responsibility for the ecological impact of our actions. Not only is this becoming more and more embedded within the MLP Group through our system of sustainability management, but it is also reflected in our mission statements at both MLP Finanzberatung SE and MLP Banking AG.

- We are committed to equal opportunities, diversity and reconciliation of work and family life
- We unite successful entrepreneurship with social and societal commitment
- Sustainable actions represent a key component of our services and activities
- MLP takes into account ecological and social aspects, as well as principles of good corporate governance

Successful entrepreneurship combined with social commitment is embedded in our corporate identity. In addition to this, FERI supports the aims of sustainable development through its FERI SDG Office. For this reason, FERI is also a member and promoter of the United Nations Principles for Responsible Investment Initiative (UN PRI).

Sustainability agenda

Further, systematic mainstreaming of sustainability into the core business fields of the MLP Group will be a key focus over the next few years.

We are currently also formulating a superordinate Group-wide Sustainability Policy. Building on the steps undertaken in the last few years, the Sustainability Policy aims to bring together the sustainability strategy and the measures introduced in all parts of the Group. Sustainable actions are to become even more visible in our core business. In terms of content, we will in particular base our efforts on the format of the Sustainable Development Goals (SDGs) defined by the United Nations.

JOINT MANAGEMENT REPORT



Download complete
joint management
report as PDF

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

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:

Broad range of services

- MLP: The dialogue partner for all financial matters
- FERl: 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

Since it was founded by Manfred Lautenschläger and Eicke Marschollek in 1971, MLP has consistently striven to establish long-term relationships with its clients. This requires profound understanding of their individual requirements. Each of our more than 2,000 consultants in the private client business of MLP Finanzberatung SE and MLP Banking AG therefore focuses on one professional group. MLP's clients

Client requirements in focus

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.

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.

Transparent partner and product selection process

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"](#).

Further training of key importance

MLP Banking AG offers its clients banking services with a combination of face-to-face consulting and online services. Its target groups are both private and corporate clients, to whom it offers account and credit card products, loans and mortgages, as well as wealth management solutions. MLP Banking AG assumes the following role within MLP:

MLP Banking AG

- Part of end-to-end financial consulting services provided by MLP consultants
- Provider of accounts/credit cards, deposit models and financing solutions
- Holder of special expertise in the fields of wealth management and financing, particularly for the target group of physicians.
- Liability umbrella for MLP consultants and the central service provider for regulatory issues, loans, payment transactions, as well as liquidity and risk management in the Group

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.

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 fields of consulting are closely intertwined and complement each other. They comprise the areas of old-age provision, health insurance, non-life insurance and real estate brokerage.

MLP Finanzberatung SE

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.

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

DOMCURA – The non-life insurance specialist

As an investment house for institutional investors, high net-worth families and foundations, the FERI Group (FERI) offers services in the fields of investment management, investment consulting and investment research. 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 has been coordinating all sustainability activities taking place at FERI for some years and will promote the 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).

FERI – Wealth management with independent research

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

As a specialist in occupational old-age provision management, the TPC division offers companies and associations occupational provision services within MLP Finanzberatung SE under the TPC brand, focussing on consultancy services that cover all issues relating to occupational pension provision and pay – from requirements analysis, through individual concept development and implementation, all the way to continuous review of existing company old-age provision systems. The key focus here is on providing consulting services to small and medium-sized companies from various sectors, as well as employer consulting services to tax advisers, auditors, solicitors, physicians and architects. On the TPC Portal, both employers and employees can find all relevant information on their occupational provision online, together with an option to request a personal consultation – also in the form of a video consultation if desired. Employees will also have dedicated access to their contracts via this portal.

TPC – Sector concepts for occupational pension provision management

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 property. The company also operates as a property developer in the field of senior citizen housing. 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.

DEUTSCHLAND.Immobilien – Market place for investment properties

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. 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.

Represented throughout Germany

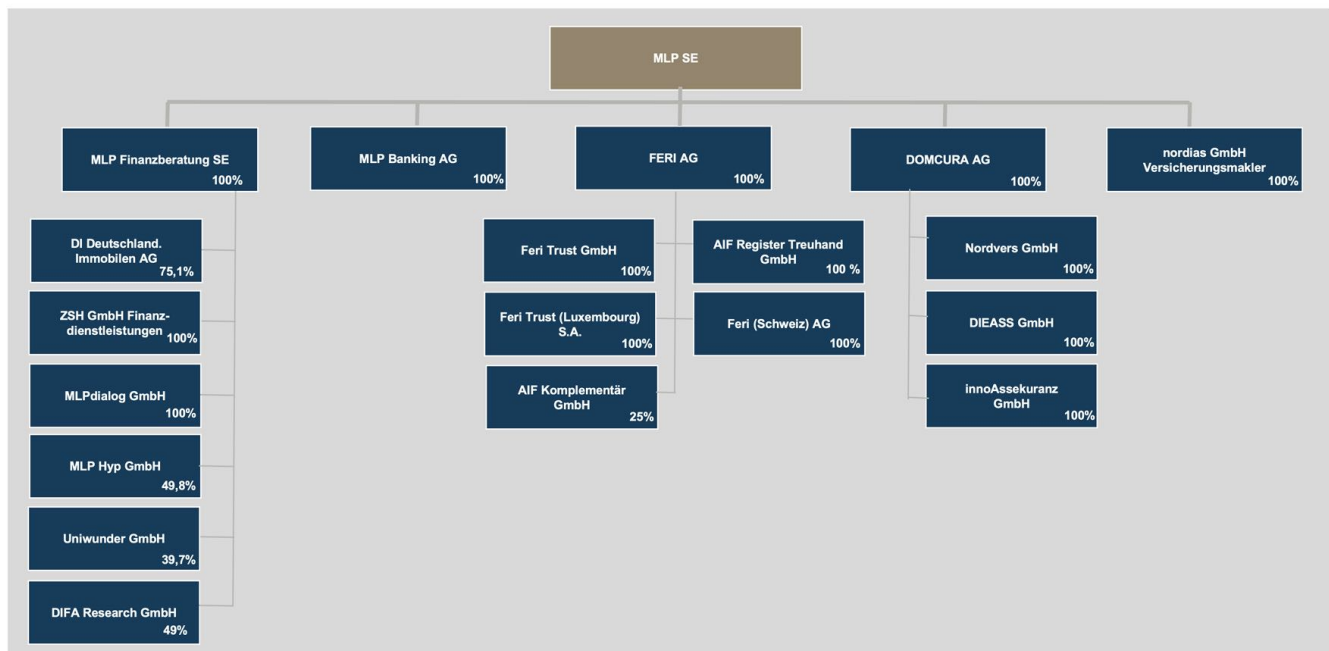
Locations of the MLP Group
in Germany.



Legal corporate structure and executive bodies

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

Current Group structure of operating companies



MLP Finanzberatung SE is registered as an insurance broker due to the brokerage of insurance products. MLP Finanzberatung SE includes ZSH GmbH Finanzdienstleistungen (ZSH), Heidelberg, which is registered as an insurance broker, and MLPdialog GmbH, Wiesloch. Another holding is MLP Hyp GmbH, Wiesloch, which we operate together with the mortgage lending broker Interhyp AG in Munich. MLP Finanzberatung SE also holds a 75.1% stake in DEUTSCHLAND.Immobiliens and its subsidiaries. In addition to this, MLP Finanzberatung SE holds a stake in Uniwunder GmbH. As part of an increase in capital stock at Uniwunder GmbH that was performed during the financial year and in which MLP did not participate, the stake was reduced to 39.7% (49.0%). The start-up has a great deal of expertise in the field of performance marketing. In 2019, MLP Finanzberatung SE also founded DIFA Research GmbH together with the German Institute for Specialist Healthcare Research (DIFA), itself part of the German Association of Medical Specialists (SpiFa). MLP Finanzberatung holds a 49.0% stake in the company that performs economic analyses specifically for clients working in the medical profession.

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. 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. Since the spin-off of parts of FEREAL AG to FERI Trust GmbH and the subsequent merger of FEREAL AG into FERI Trust (Luxembourg) S.A., it has been operating as a capital management company for alternative asset classes, such as real estate, private equity and infrastructure.

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

Changes in corporate structure

During the reporting period, TPC GmbH was merged with and into MLP Finanzberatung SE, where it was incorporated in the TPC occupational pension provision division. The merger was performed with retroactive effect from 1 January 2020.

In addition to this, FERAL AG was partly merged with and into FERI Trust (Luxembourg) S.A. in August 2020 with retroactive effect from 1 January 2020.

Insurance broker Siebert GmbH was also merged with and into insurance broker nordias GmbH with retroactive effect from 1 January 2020.

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 non-financial performance indicators in this regard are economic growth, developments on the employment market, salary levels and the general savings rate. They are described in further detail in the chapter entitled → ["Economic report – Overall economic climate"](#).

The results of operations are influenced even more acutely by market conditions in the consultancy areas of old-age provision, wealth management, non-life insurance, health insurance, real estate as well as loans and mortgages, which we analyse in the corresponding chapters of the → ["Economic report and forecast"](#). Another important factor is the regulatory environment, which is considered 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 are held by Dr Uwe Schroeder-Wildberg (Chief Executive Officer), Manfred Bauer (Products and Services) and Reinhard Loose (Finance).

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 employees' representatives. However, Burkhard Schlingermann stepped down from his position on the Supervisory Board as of 31 December 2020 after reaching retirement age. Monika Stumpf, deputy works council chair, will join the Supervisory Board as successor to Mr Schlingermann.

With effect from 1 January 2020, Jan Berg was appointed as a further member of the Executive Board at MLP's largest subsidiary, MLP Finanzberatung SE. Since assuming this new role, he has been responsible for the newly established Corporate University division.

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

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, real estate brokerage and project development consulting fields is carried out with the objective of explaining the performance of the business segments in the past, anticipating changes in the environment and exerting targeted influence on the future development of the segments.

EBIT and revenue as central controlling parameters

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 performance indicators of EBIT and revenue, other KPIs include administration costs (defined as the sum of personnel expenses, other operating expenses, as well as depreciation and impairments), the return on equity, assets under management, brokered new business in the old-age provision 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). Major objectives are derived, and operational targets formulated on the basis of strategic challenges and success factors. At the end of the process, key performance indicators are used to evaluate whether the defined targets have been met. 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 the 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 ISA process, the extent to which the targets have been met by the units will be recorded using our established planning and reporting processes. ISA provides the Executive Board with a high degree of transparency in the value-added process.

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"](#).

Risk management:
Important management and
control element

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.

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%.

Keeping consultant
turnover low

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

Research and development

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

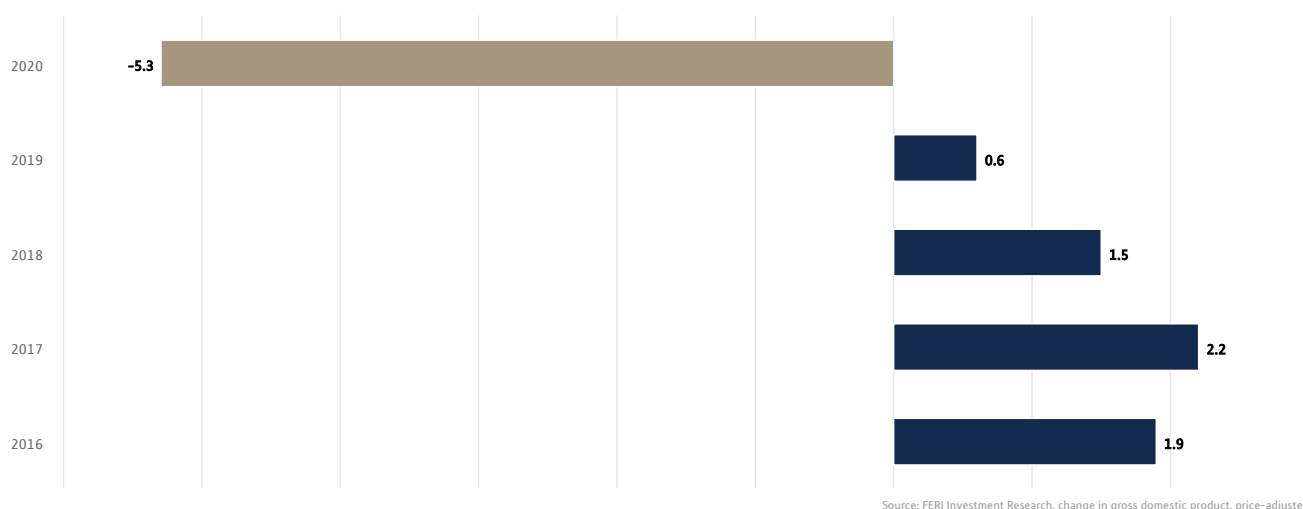
ECONOMIC REPORT

Overall economic climate

Overall economic situation

The economic performance in 2020 was marked by the global coronavirus pandemic. The various lockdown measures associated with the pandemic led to a severe slump in economic growth in Germany. According to FERI Investment Research, inflation-adjusted gross domestic product (GDP) declined by – 5.3% over the previous year.

Economic growth in Germany (in %)



The second wave of the corona pandemic and the resulting lockdown negatively impacted consumer confidence in Germany at the end of the year. Indeed, the Consumer Sentiment Index of the German Consumer Research Association (GfK) was at –6.8 points in December 2020 – which is well below the previous year's level. (December 2019: 9.6 points). German citizens felt a strong sense of uncertainty at the end of the year. According to a survey undertaken by the German Consumer Research Association (GfK), three out of every four German citizens (78%) were of the opinion that corona poses a serious or very serious threat for Germany.

Consumer confidence hit hard by the corona pandemic

The corona pandemic also had a hugely negative impact on the sentiment among German companies in the reporting year – not least since the second wave in November once again interrupted the recovery that had begun in the German economy. The ifo business climate index was just 90.7 points in November 2020 – in comparison with 95.5 points back in December 2019. In December, the index rose slightly to 92.1 points.

The employment market came under severe pressure in the last financial year. However, the negative developments were cushioned to a certain extent by the large-scale implementation of reduced working hours, which reached a record level in 2020. According to data published by Germany's Federal Employment Agency, the average number of registered job seekers in 2020 increased by 429,000 over the previous year to 2.70 million persons. This corresponds to an unemployment rate of 5.9% (2019: 5.0%).

Employment market bottoming out

However, 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 academics remains at a low level of 2.0% in 2019.

The developments in the employment market due to the effects of the corona pandemic were reflected in a deterioration of the financial situation in German households. According to data published by the "Tax Estimates" workgroup, gross wages and salaries decreased by 1.6% in the reporting year, while the disposable income of private households fell by 2.8% according to the 2021 Financial Report of the German government.

Increasing salaries and wages

The savings rate in Germany rose sharply during the coronavirus pandemic, above all due to the lack of consumption options during lockdown and the uncertainty among consumers associated with the situation. The 2020 figure was therefore 16.5% (2019: 10.9%).

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. Following a strong period of sales at the start of 2020, the corona pandemic dampened growth in the German life insurance sector. According to data published by the German Insurance Association (GDV e.V.), the pandemic also shifted the focus of households towards short-term provision and putting long-term provision measures on hold. The corona pandemic also meant that the topic of occupational pension provision was no longer on the radar of company directors and HR managers.

Based on the results of a survey conducted by the German Pension Institute (DIA), some 20% of private individuals surveyed had less disposable income available in March and April 2020 as a result of the corona pandemic. 19% also reduced the amount they pay into their old-age provision investments or even stopped saving altogether for the time being as a way of cutting down their regular expenses.

The trust of German citizens in the statutory pension system has suffered during the corona pandemic, as highlighted by a survey conducted by HDI Lebensversicherung. Indeed, only around a fifth of those surveyed consider the statutory pension a primary option when it comes to saving towards their old age. Only around 1 in 4 trust private life or pension insurance policies. However, the clear winners here are real estate and investments in the capital markets.

Support for statutory pension dwindling

The product landscape in the old-age provision business has undergone radical change as a result of the low interest rate environment. The structural realignment also becomes apparent when examining the growth recorded in the individual segments. According to data published by the German Insurance Association (GDV), more than half (58%) of all newly signed old-age provision products are now policies with alternative guarantee models. 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 short of one third (30%) of all new contracts concluded. Pure unit-linked policies make up a market share of 12%.

Product landscape undergoing change

The corona pandemic has negatively impacted new business in the field of occupational pension provision. The greatest challenges here revolved around the difficulties in accessing clients due to the lack of personal contact and the fact that companies started to consider occupational pension provision a low priority. In addition to this, uncertainty among corporate clients led to reservations in terms of new business.

Occupational pension provision suffering due to the pandemic

Based on current figures provided by the German Insurance Association (GDV e.V.), the corona pandemic led to a significant decline in premium income from life insurance policies in the reporting year (−0.4%) to almost € 103 billion.

Downturn in the entire market

Wealth management

In the reporting period, the market environment in wealth management was influenced and correspondingly volatile due to the corona pandemic, yet it was also characterised by rising stock markets, as well as persistently low interest rates. The effects of the corona pandemic represented a significant factor of uncertainty worldwide during the reporting period.

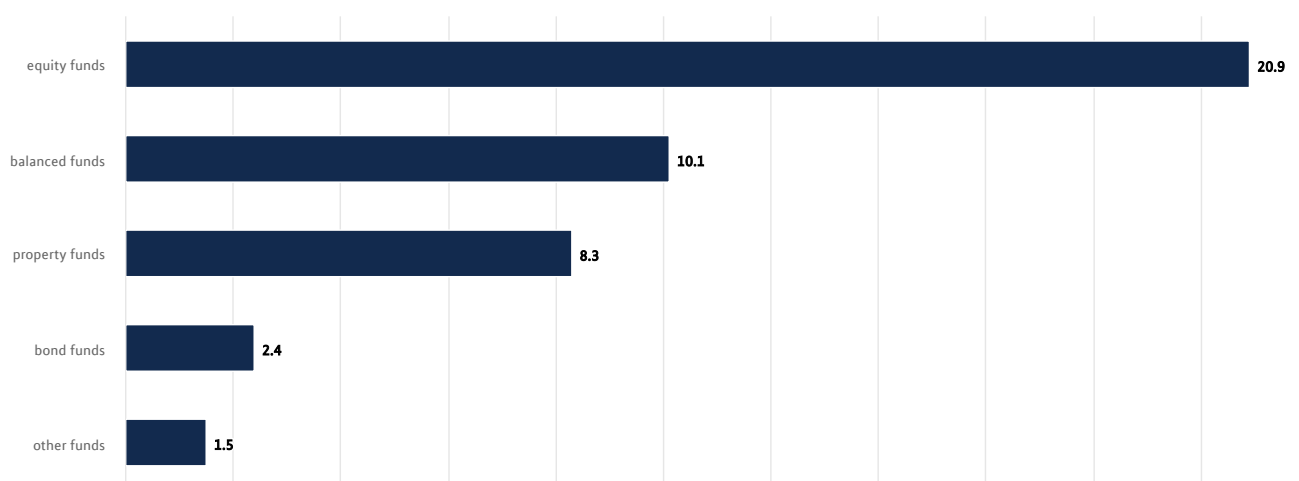
Following a temporary slump at the start of the corona pandemic, private assets in Germany rose to around € 6,738 billion in the third quarter. Monetary assets in the form of cash, securities, bank deposits and claims against insurance companies reached thereby a new all-time high. The transaction-related increase in households' cash and deposits of € 41 billion was strong, but not unusually high compared with previous years. At the same time, households' exposure to the capital market recently experienced a rapid upswing. In the third quarter, private households invested € 20 billion in equities and investment funds, almost three times as much as the average of the past ten years. According to the Global Wealth Report published by Credit Suisse, the number of US Dollars millionaires in Germany also rose by 58,000 to 2.1 million in the first half of 2020.

Private households
wealthier than ever before

Based on information provided by the German Association of Investment and Asset Management (BVI e.V.), the total value of assets managed by the German fund industry rose by 13.4% to € 3,850 billion as of 31 December 2020. Around € 127 billion had been channelled into investment funds by the end of December 2020. The main options selected are open special funds with € 79.7 billion in new money and open mutual funds with € 43.2 billion. Closed-end funds secured investment of € 4.5 billion. The sales list of open-end mutual funds in the current year is led by equity funds with € 20.9 billion, followed by balanced funds with € 10.1 billion.

Mixed funds very popular

Cash inflows and outflows in open mutual funds in Germany from January until December 2020 (in € billion)



Source: German Association of Investment and Asset Management e. V. (BVI), Date: 31 December 2020

According to the Wealth Barometer 2020 of the German Savings Bank Association (DSGV), the topic of sustainability is now of appreciable importance for those looking to make investments. As such, almost a third of those surveyed have already considered sustainability, whereby younger investors and those with a higher income are particularly interested in this. According to the industry association BVI, sustainable funds currently manage € 147 billion. MLP has already been offering sustainable funds since 2012.

Increased demand for
sustainable investments

The market for providing consulting services and managing the investments of high net-worth individuals, in which the MLP Group is active through FERL, has become more challenging and fiercely contested. According to the European Asset Management Survey 2020, produced by management consultancy zeb, the key challenges for the sector revolve around the advancing market concentration, as well as the dwindling profit margins, despite the overall increase in assets under management. In addition, the continuing low interest rate environment is making clients more price conscious.

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.

Institutional investors
strengthen commitment to
alternative investments

Non-life insurance

The corona pandemic was also the dominant issue in the business with non-life insurance policies during the reporting year – and put significant strain on the entire sector. Not only did the restrictions in terms of social contact have a dampening effect on business development, the corona pandemic also led to a rapid increase in the digitisation of consulting services in the field of non-life insurance.

Based on estimates of the German Insurance Association (GDV e.V.), the coronavirus pandemic led to a slump in business development and virtual stagnation in premium income in the accident and damages business. Since some of these effects are not likely to be felt until 2021, the GDV is still anticipating an increase in gross premiums of 2.2% for the financial year 2020.

Considerable decline in growth momentum

According to the German Insurance Association (GDV e.V.), various effects could be observed during the corona pandemic. For example, greater use of individual transport was recorded, which could potentially have a positive impact on new business in future, particularly in the field of motor vehicle insurance.

The sector recorded slight growth overall for 2020, even if negative effects could be felt as a result of the coronavirus pandemic. Liability insurance and motor vehicle insurance policies made a particular contribution to the growth recorded. The effects of the coronavirus on the various insurance segments varied in the market.

Growth recorded, particularly in liability and motor vehicle insurance

Health insurance

According to data from the Association of Private Health Insurers (PKV), private health insurers (PHI) were able to reduce their net portfolio loss to a slight minus of 0.1% in the reporting year of 2020. The number of persons holding comprehensive health insurance amounted to 8.7 million.

For the third year in a row, 2020 saw a rise in people switching from statutory health insurance to private health insurance instead of the other way round. According to data published by the industry association, this resulted in an overall increase of 21,400 policy holders in favour of private health insurance (2019 balance: +17,400).

Private health insurance attractive for those willing to make the switch

According to data published by ratings agency Assekurata, only relatively few policy holders made the switch during the corona pandemic due to difficult economic situations. However, the ratings agency anticipates that the field of comprehensive insurance will come under pressure in future as a result of the corona pandemic. The private health insurance sector recorded additional expenditure overall in 2020 due to the impact of corona. This is estimated at over € 1 billion, or almost € 1.4 billion when considering benefits paid. The statutory health insurance funds were also increasingly impacted by the effects of the pandemic, which left deep marks in terms of both income and expenditures. Indeed, the statutory health insurers recorded a deficit of € 1.67 billion in the first three quarters of 2020 and must therefore be subsidised to a greater extent by the federal government.

Corona pandemic putting pressure on both private health insurance and the statutory health insurance system

To close coverage gaps in the statutory health insurance system, more and more patients are signing up for private supplementary insurance policies. According to the most recent surveys performed by the Association of Private Health Insurers, there were around 27.3 million private supplementary insurance policies in place in 2020 – approximately 2.4% more than in the previous year.

Supplementary insurance policies on the rise

The growth recorded in the field of occupational health insurance continued. According to the Association of Private Health Insurers, around 13,500 companies in Germany offered their employees a fully employer-funded occupational health insurance policy in 2020 – this means an increase of 29% compared to the previous year (2019: 10,500 companies). The number of employees who benefit from an occupational health insurance policy increased by 18% to around 1.04 million persons.

Occupational health insurance as a growth driver

Real estate

Despite the corona pandemic, the real estate market in Germany displayed robust development. The demand for residential property rose further and remained consistently high, particularly in major cities.

Based on information provided in a survey undertaken by HDI Lebensversicherung, a slim majority (51%) of those in active employment in Germany are relying on their own home as a way of providing for their old age. One in three respondents stated during the corona pandemic that they now considered it more important to own their own property as a way of providing for their old age. Accordingly, the "Living in Germany 2020" survey performed by the Sparda banks noted that the level of interest, particularly in purchasing a house, has increased markedly.

The corona pandemic has not been able to halt the upwards trend in property prices, which has now been holding steady for ten years. The Real Estate Price Index of the Association of German Pfandbrief Banks (vdp) reached a new high in the fourth quarter of 2020 (172.8 points) – having increased by 6.0% since the start of the year.

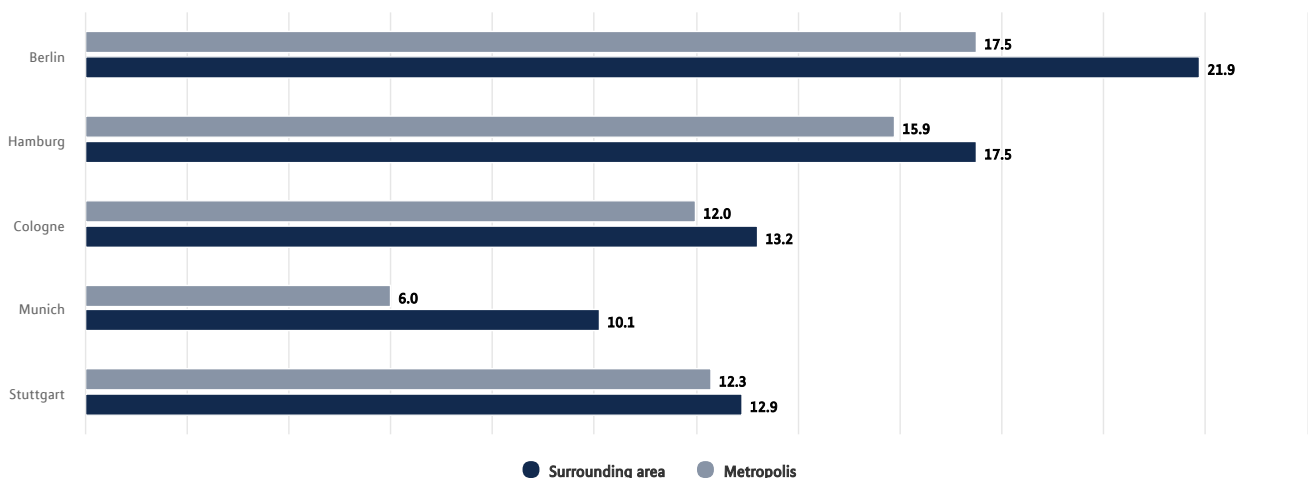
Price increases not affected by of the pandemic

Prices, particularly for residential properties, continued to rise irrespective of the corona pandemic. Indeed, prices throughout Germany rose by an average of 7.1% between Q3 2019 and Q3 2020 according to the vdp index. The price dynamics for commercial property, on the other hand, came to a standstill. The cultural sector, hotels, as well as the restaurant and retail trades were particularly hard hit by the lockdown and associated movement restrictions during the corona pandemic – with corresponding dampening effects on commercial property prices.

In the past, those seeking to buy affordable apartments and houses have generally found what they were looking for on the outskirts of major cities. According to an analysis performed by the Institute of the German Economy (IW), however, apartment prices are also on the up there. Based on the "Living in Germany" survey performed by the Sparda banks, property prices in the areas surrounding most urban centres have seen greater rises in the last few years than the city centre districts themselves. As such, property in these areas remains highly attractive as an investment opportunity.

Good investment opportunities in the periphery

Increases in the purchase price of an existing condominium from 2017 to 2020



Source: "Living in Germany 2020" survey of the Association of Sparda Banks (VSB e.V.)

According to the Institute of the German Economy (IW), there are no signs of a speculative bubble in the real estate market. Indeed, many cities and districts are still seeing demand outstrip supply. No major city is engaged in sufficient construction work to cover the demand for housing.

Completion of building projects not satisfying demand

Loans and mortgages

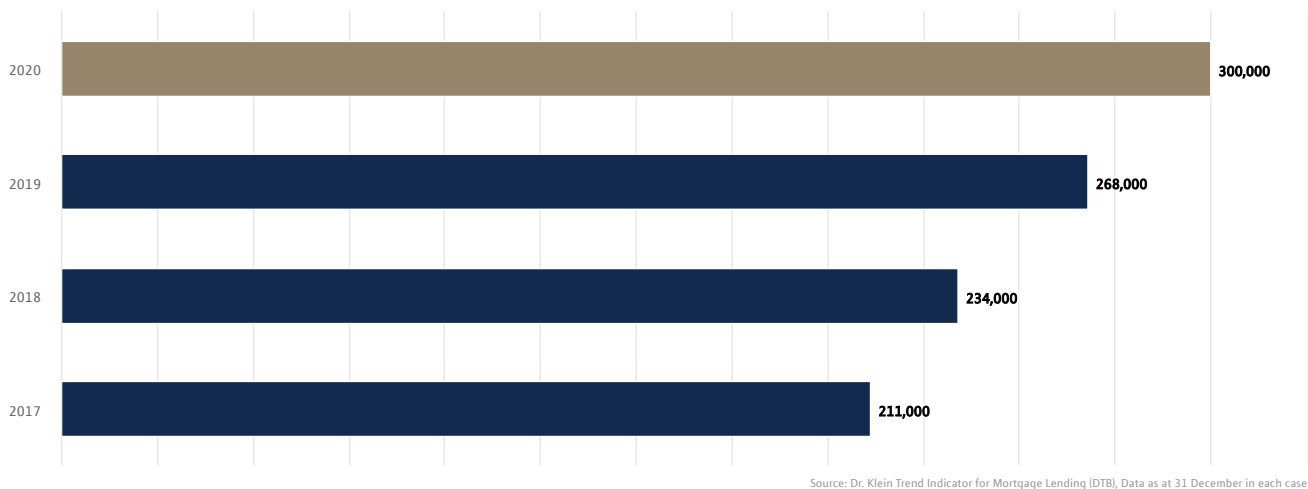
Set against the background of the corona pandemic, the European Central Bank (ECB) kept the prime rate unchanged at 0% in the reporting year. The deposit rate for banks was also left unchanged. Accordingly, mortgage lending rates also remained at a very low level. The interest for a ten-year mortgage was below 1 percent at the end of 2020.

Based on estimates provided by mortgage broker Interhyp, the corona pandemic has not had a negative impact on the demand for property financing, but rather shifted focus more onto the idea of owning property. As a result of the persistently low interest rates and increased property prices in Germany, there was also another major increase in the average amount borrowed in the last financial year. According to data provided within the scope of the Dr Klein Trend Indicator for Mortgage Lending, the average amount borrowed was € 300,000 in December 2020 – which is € 32,000 or around 12% higher than the figure from the previous year. The average amount borrowed has therefore increased by € 89,000 or around 42% (see chart).

Loan amounts for property financing continue to rise

Mortgage amounts at record level

Average mortgage amount in €



Competition and regulation

The competitive situation in the German market for financial services did not change significantly for the MLP Group in 2020 compared to the previous year. The sector remains very heterogeneous and is characterised by consolidation trends. The providers include numerous financial service providers, single agents, banks, insurance companies and free finance brokers. However, the quality of consulting provided by these companies can vary quite markedly. In addition to this, there is competitive pressure in the entire sector as a result of digital business models and fintechs.

Over the last few years, the legislator has exerted major influence on the financial consulting market and therefore also on MLP's market (with legislation including the MiFID, IDD, Investor Protection Act, Financial Investment Broker Act and 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.

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 2020 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 had proposed 1 January 2021 as a potential start date. However, the political process began to flounder in 2020 and relevant political specialists also remain critical of this regulation. The plan is still to include three components. These are basic compensation, a component for high-quality consulting and a compensation for services that is in line with the market, in case a broker such as MLP performs specific services for an insurer. 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.

Draft bill for commission capping in the life insurance sector

Since August 2018, commercially active real estate agents and residential property managers have had to meet a further training obligation of 20 hours within three years. This is regulated in § 34c (2a) of the Industrial Code (GewO) in conjunction with § 15b of the Real Estate Agent and Commercial Construction Industry Ordinance (MaBV). Fulfilment of the further training obligation is a prerequisite for the brokerage of real estate, which plays an important part in MLP's business model and is to be further strengthened. The certificate for the MLP consultants in question had to be produced for the first time in 2020, as the target had to be met by 31 December 2020. Since MLP has already made key investments in continuous further training while introducing measures for implementation of the IDD further training obligation, it was possible to address the requirements resulting from the MaBV without any major additional costs.

Further training obligation for real estate brokerage

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 mandatory since January 2018. However, from our perspective 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 based on 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 of the GDPR has permanently increased the expenses, especially in IT.

Data protection intensified

In 2020, transposition of what is now the fifth EU Money Laundering Directive into national law led to further key regulatory requirements for MLP. Overall, it is fair to say that the money laundering legislation is focussing primarily on the real estate sector, even after presentation of the findings from the "First National Risk Assessment in Combating Money Laundering and Financing of Terrorist Activities", the results of which have been available since the end of 2019.

EU Money Laundering Directive transposed into national law

Due to the special situation within the context of corona, a large number of further regulatory requirements and/or recommended actions were published in 2020. More are likely to follow in 2021. This in particular affects moratoria and value adjustments, as well as the way in which they are handled both in balance sheets and by the supervisory authorities. It also has a general impact on information provided regarding individual risk positions. MLP Finanzberatung SE has not made use of any state aid measures or incentives at any time in connection with the effects of the corona pandemic. At the same time, we do not see any significant influence on our credit portfolio. However, we are of course following developments very closely.

Special regulatory requirements in light of corona

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

Challenging regulatory environment

Business performance

The business performance of the MLP Group in the last financial year was significantly better than expected at the start of the year and, in particular, better than in the updated forecast published in April 2020 in view of the coronavirus pandemic. With a positive overall development of operations, the high level of performance-linked compensation in wealth management made a particular contribution to this.

Diversification of revenue streams – a key success factor

The corona pandemic meant that the various fields of consulting developed differently than anticipated at the start of the year. However, MLP was able to more than compensate for weaker developments in one field with gains in other consulting fields. This underlines the robustness that we have established in the last few years through significant diversification of our service offering and thereby also our revenue basis.

In particular, the wealth management consulting field has developed into a key revenue pillar of the MLP Group. 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 was able to record organic growth in all core business segments for the seventh year in succession, and even set a new all-time high for performance-linked compensation. 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). In the last financial year, we also recorded highly positive development in MLP's private client business in the field of wealth management, where we were able to significantly increase both net cash inflows and assets under management. The total assets under management in the MLP Group were € 42.7 billion. Wealth management revenue and assets under management were therefore both above the previous year's level.

Assets under management climb to a new record level

The effects of the corona pandemic could especially be felt in the area of old-age provision. Not only did companies hold back on signing up to new occupational pension provision concepts, the changed circumstances resulting from the coronavirus pandemic also impeded new client acquisition and had a negative impact on new business in the field of private old-age provision. This development was already discernible in the second quarter and had a negative influence on sales revenue throughout 2020. The situation was compounded even further by the perception of economic risk among the general population, which led to clients displaying even more reservations about signing long-term contracts. Old-age provision revenue declined by 5.0% overall and thereby displayed weaker development than we anticipated. This can be attributed to the effects of the corona pandemic.

The non-life insurance business displayed positive development, both at DOMCURA and in MLP's private client business. The premium volume under joint management increased by 6.2% to € 430.8 million. Revenue therefore improved by 8.4% and was, as anticipated, slightly above that of the previous year.

In the health insurance consulting area, we continued to encounter reservations throughout the market with regard to signing new comprehensive private insurance policies. Factors such as premium increases and critical media coverage contributed to this development. In line with expectations, revenue in the health insurance business remained at the level of the previous year despite the difficult market conditions.

As forecast, we were able to significantly increase our revenue in the real estate brokerage business in 2020 compared with the previous year. The main reasons for this positive development were the

systematic expansion and ongoing diversification of our real estate portfolio. Alongside the listed buildings sector, we also considerably extended our portfolio of new buildings, as well as existing and concept-driven properties (microliving, properties with nursing care). This development was supported by our majority stake in DEUTSCHLAND.Immobilien.

Once again, we saw a significant increase in our revenue in the brokerage of property financing (+5.0%) – primarily as a result of the high demand associated with the low interest rate environment.

The company-wide roll-out of our online consulting tool took place in January. As such, a whole host of services is now available to our consultants and clients online, including:

Online consulting tool rolled out

- Video/audio chat, also with multiple participants.
- Desktop sharing: screen content (for example consultation programmes) can be shared and discussed with clients.
- Whiteboard: during an online meeting with clients, consultants have the option to write or draw on a whiteboard. Consultation slides can, for example, also be uploaded to the whiteboard and then edited or annotated by hand.
- Text chat: a chat function – including the option to exchange files – is available in parallel to a consultation/session.
- Online appointment arrangement: clients can view available time slots in their consultant's scheduler online and are therefore able to arrange for a specific appointment date and time.

Thanks to our digital services, we were able to maintain close proximity to our clients, despite the ongoing corona pandemic.

We significantly optimised our online client portal in 2020. For example, the new "News" function facilitates secure, bidirectional communication between clients and their consultants. Clients can now also send their consultant a message directly from the client portal. The portal offers our clients all financial information at a glance, and provides them with a user-friendly overview of their income and expenditure in a personal budget book. Moreover, it contains an overview of all insurance policies and even allows clients to incorporate contracts with third parties. A further systematic expansion of the functionality is planned for the next few years.

Online client portal further optimised

Within the scope of its digitalisation strategy, the MLP Group continued to expand and intensify its presence on social media platforms such as Facebook, YouTube and Twitter in the financial year 2020. Uniwunder GmbH, in which we hold a 39.7% stake, continues to support us in the field of online acquisition. Uniwunder has platforms for students and, in addition to other partners and advertising activities, helps to ensure that our workshop programmes reach the right target group.

Digital presence further expanded

Acquiring new consultants continued to be a key topic in 2020. The young segment enjoyed very successful development. The total net year-on-year rise was 107 consultants, which corresponds to a gain of 5.5% and represents another increase over the previous year. This increasingly reflects the success we are enjoying thanks to the realignment of our recruitment activities.

Consultant acquisition successfully continued

The number of clients in the MLP Group displayed further positive development in 2020, despite the social distancing associated with the corona pandemic serving to restrict new client acquisition. MLP was able to acquire 18,400 (19,300) new family clients in 2020. Around 24% (25%) of these initiated new clients were acquired online. As of 31 December 2020, the MLP Group served a total of 554,900 (549,600) family clients and 22,500 (21,900) corporate and institutional clients.

Number of clients still displaying positive trend despite corona pandemic

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

Results of operations

Development of total revenue

Despite the tough market conditions already described, the MLP Group was able to increase its total revenue in the financial year 2020 by 8.3% to € 767.3 million (€ 708.8 million) and reached another new all-time high since the sale of our own insurers. This success can be attributed to the significant diversification of its revenue basis over the course of the last few years. With the exception of old-age provision, MLP was able to record gains in all consulting fields. This growth was primarily driven by the increase in commission income, which rose by 8.5% to € 730.4 million (€ 672.9 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 € 15.2 million (€ 16.6 million).

Total revenue increased

The MLP Group was once again able to record gains in the wealth management consulting field, with a considerable increase in revenue of 17.3% to € 262.1 million (€ 223.5 million). The main contributor to this pronounced growth was a massive rise in performance-linked compensation at FERL. Group-wide assets under management rose to a new record of level of € 42.7 billion (€ 39.2 billion). Gains were recorded at the subsidiary FERL and, in particular, in MLP's private client business.

Wealth management once again records significant growth

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



In the last financial year, old-age provision revenue declined slightly due to the effects of the corona pandemic and was € 214.6 million (€ 225.8 million). This decline can be attributed to a downturn in new business where total premiums paid fell by 9.0% from € 4,183.2 million to € 3,805.2 million. Occupational pension provision was particularly hard hit by the effects of the corona pandemic. New business declined by 24.6% to € 659.7 million (€ 875.2 million) here. 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% (3%) of newly brokered contracts at MLP. The proportion of new guarantees was 75% (74%), while purely unit-linked contracts represented 22% (23%).

Old-age provision under the influence of the corona pandemic

Revenue in the non-life insurance consulting field increased again in the last financial year. It rose by 8.4% to € 137.2 million (€ 126.6 million). The portfolio of non-life insurance policies enjoyed positive development. The premium volume received through the MLP Group rose to € 430.8 million (€ 405.5 million).

Non-life insurance enjoys continued growth

At € 50.6 million (€ 48.3 million), revenue in the health insurance consulting field was 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 67.4% to € 39.5 million (€ 23.6 million) in this consulting field. Since the acquisition of a majority stake in DEUTSCHLAND.Immobilien on 2 September 2019, revenue from real estate project planning has been disclosed alongside the revenue from real estate brokerage. In the reporting period, this revenue was € 2.6 million (€ 0.1 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 increased significantly to € 403.8 million (€ 294.0 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 € 21.8 million (€ 20.8 million). At € 2,357.5 million (€ 1.958,5 million), the brokered financing volume reached a new record level. The reason why the increase in revenue from loans and mortgages was less dynamic than the rise in brokered volume can be attributed to commission payments, which are only received at a later date.

Brokered financing volume sets new record

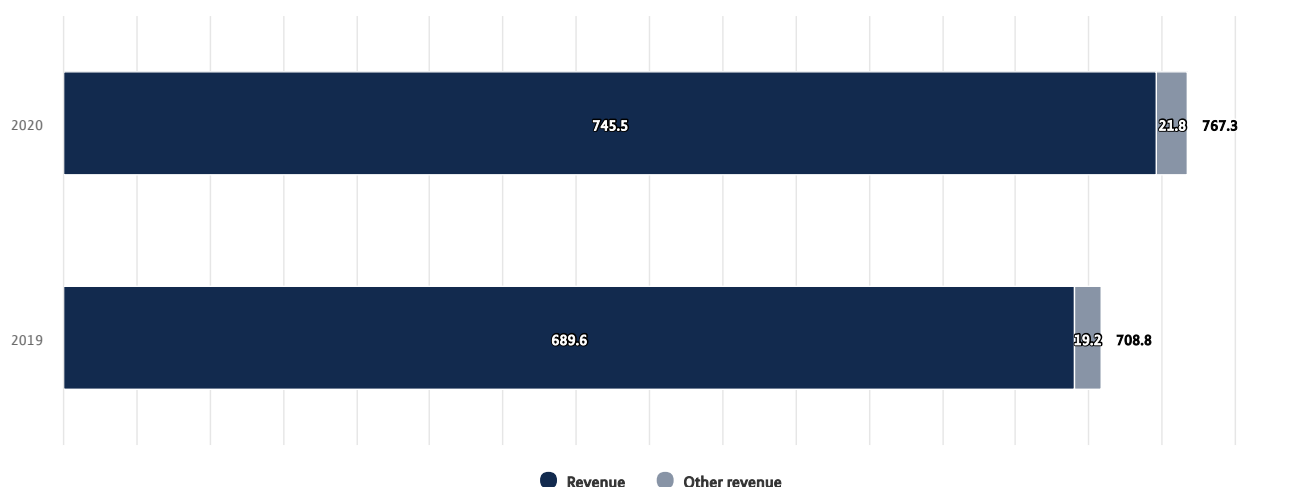
Despite ongoing capital expenditure to further strengthen our young segment, and thereby also secure future revenue and earnings potential alongside further implementation of the digitalisation strategy, we significantly surpassed both our original forecast and our updated forecast from April 2020. This can largely be attributed to considerably better performance in the wealth management business and the generally positive operating development with an EBIT of € 59.4 million (€ 47.1 million).

Forecast surpassed

Analysis of revenue performance

Revenue rose by 8.1% to € 745.5 million in the reporting period (€ 689.6 million). Commission income, which increased from € 672.9 million to € 730.4 million, played a key role in this. This growth was supported by virtually all consulting fields, but in particular by wealth management and real estate brokerage. Other revenue rose to € 21.8 million (€ 19.2 million). The increase can essentially be attributed to one-off higher income from VAT refunds that were accrued in the Banking segment. Interest income declined to € 15.2 million (€ 16.6 million) in the last financial year due to the ongoing period of low interest rates. Total revenue rose by 8.3% to € 767.3 million (€ 708.8 million).

Development of total revenue (all figures in € million)



The wealth management consulting field made the greatest contribution in terms of commission income. As a result of the successful diversification of the revenue basis it was 35.9% (33.2%). Old-age provision contributed a share of 29.4% (33.6%). With an overall increase in commission income, non-life insurance accounted for 18.8% (18.8%). The following table provides a detailed overview.

Wealth management enjoys significant growth

Breakdown of revenue

All figures in € million	Share in %	2020	Share in %	2019	Change in %
Wealth management	36%	262.1	32%	223.5	17.3%
Old-age provision	29%	214.6	34%	225.8	-5.0%
Non-life insurance	19%	137.2	19%	126.6	8.4%
Health insurance	7%	50.6	8%	48.3	4.8%
Real estate brokerage	5%	39.5	3%	23.6	67.4%
Loans and mortgages	3%	21.8	3%	20.8	4.8%
Other commission and fees	1%	4.6	1%	4.3	7.0%
Total commission income		730.4		672.9	8.5%
Interest income		15.2		16.6	-8.4%
Total		745.5		689.6	8.1%

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 particularly 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. Commission expenses are also accrued in the Holding and Others segment. These are essentially the result of expenses from real estate development at DEUTSCHLAND.Immobilien. Against a backdrop of increased commission income, commissions paid were also above the previous year at € 397.0 million (€ 369.9 million). Net commission income therefore rose to € 333.3 million (€ 303.0 million).

Commission income above the previous year

Inventory changes increased to € 7.3 million (€ 3.9 million) in the reporting period. These 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.

Interest expenses fell to € 0.4 million (€ 0.6 million) due to the ongoing low interest rate environment. Net interest was € 14.7 million (€ 16.0 million) in total.

Gross profit (defined as total revenue less commission expenses and interest expenses, plus inventory changes) improved to € 377.1 million (€ 342.2 million).

Administration costs of the MLP Group (defined as the sum of personnel expenses, depreciation/amortisation and impairment, as well as other operating expenses) increased to € 318.5 million in the reporting year (€ 297.2 million). It is important to take into account the fact that DEUTSCHLAND.Immobilien was only incorporated in the income statement for the first time in the third quarter of 2019.

Administration costs marginally increased

Personnel expenses increased to € 148.0 million (€ 135.7 million). This was influenced by various factors, including the announced strengthening of our young segment, which we have been expanding since 2017 through intensified recruiting efforts aimed at young consultants, a slightly higher overall number of employees, higher performance-based compensation components, as well as general salary increases. Among other things, this includes € 127.2 million (€ 116.8 million) for salaries and wages, € 17.1 million (€ 15.9 million) for social security contributions, as well as employer-based old-age provision allowances of € 3.7 million (€ 3.0 million). In addition to this, MLP staff that worked at least 19.5 hours per week received a coronavirus bonus of € 900. Trainees and students received a special one-off payment of € 200. Depreciation/amortisation and impairments increased slightly to € 27.7 million (€ 26.4 million). Other operating expenses were € 142.8 million (€ 135.1 million).

Breakdown of expenses

All figures in € million	2020	in % of total expenses	2019	in % of total expenses	Change in %
Inventory changes	7.3	-1.0%	3.9	—	87.2%
Commission expenses	-397.1	56.0%	-369.9	55.7%	7.4%
Interest expenses	-0.4	0.1%	-0.6	0.1%	-33.3%
Personnel expenses	-148.0	20.9%	-135.7	20.4%	9.1%
Depreciation and impairment	-27.7	3.9%	-26.4	4.0%	4.9%
Other operating expenses	-142.8	20.1%	-135.1	20.4%	5.7%
Total	-708.7	100.0%	-663.8	100.0%	6.8%

The result of MLP Hyp, which as a joint venture with Interhyp is reported as net income from investments accounted for using the equity method, increased to € 3.6 million (€ 3.0 million). The result of the DI Group project companies accounted for using the equity method is also included in this item. This amounted to just under € 0.1 million (€ 0.0 million) in the reporting period. Overall, the result from investments accounted for using the equity method amounted to € 3.7 million (€ 3.0 million).

The EBIT of the MLP Group improved significantly in the last financial year to € 59.4 million (€ 47.1 million).

EBIT significantly increased

The finance cost declined to € -3.0 million in the last financial year (€ -2.3 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	2020	2019	Change in %
Total revenue	767.3	708.8	8.3%
Gross profit ¹⁾	377.1	338.1	11.5%
Gross profit margin (%)	49.1%	47.7%	—
EBIT	59.4	47.1	26.1%
EBIT margin (%)	7.7%	6.6%	—
Finance cost	-3.0	-2.3	30.4%
EBT	56.3	44.8	25.7%
EBT margin (%)	7.3%	6.3%	—
Income taxes	-13.1	-7.8	67.9%
Net profit	43.2	36.9	17.1%
Net margin (%)	5.6%	5.2%	—

¹⁾ Definition: Gross profit results from total revenues less commission expenses, interest expenses and inventory changes.

Group net profit increased by 17.1% overall to € 43.2 million (€ 36.9 million). This was essentially due to a significant increase in commission income in wealth management.

Pronounced increase in earnings per share

Group net profit

All figures in € million	2020	2019	Change in %
Continuing operations	43.2	36.9	17.1%
GROUP	43.2	36.9	17.1%
Earnings per share in € (basic)	0.40	0.34	17.6%
Earnings per share in € (diluted)	0.40	0.34	17.6%
Number of shares in millions (basic)	109.2	109.2	0.0%
Number of shares in millions (diluted)	109.3	109.3	0.0%

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 21 cents per share for the financial year 2019. The total dividend paid was therefore € 23.0 million.

We have announced that we will be continuing our dividend policy for the financial year 2020. On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.23 per share to the Annual General Meeting on 24 June 2021. This corresponds to a distribution rate of around 58% 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.

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.

No liabilities or receivables
in foreign currencies

Financing analysis

The Group's equity capital backing and liquidity remain good. As of the balance sheet date, shareholders' equity amounted to € 454.0 million and was therefore above the previous year's level (€ 437.4 million). The Group net profit of € 43.2 million for the financial year 2020 had a significant effect on this. However, this was counteracted by the dividend payment of € 23.0 million for the financial year 2019. Due to the higher balance sheet total, the equity ratio declined from 15.6% to 14.0%. The regulatory core capital ratio was 21.3% (19.2%) on the balance sheet date. Even with today's group structure, MLP still expects increased capital requirements for the next few years so as to meet the revised definition of equity and stricter requirements of Basel IV.

Equity ratio at 14.0%

We did not use any borrowed funds to finance the Group in the last financial year. 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 € 2,379.4 million (€ 1,993.3 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 € 1,632.1 million (€ 1,600.3 million) in receivables from clients and financial institutions in the banking business.

Since provisions only account for 3.6% (3.6 %) of the balance sheet total, they have no significant financing function for the Group. Other liabilities increased to € 265.7 million (€ 250.6 million) on the balance sheet date. Due to our typically strong year-end business, they increase markedly up to the balance sheet date of 31 December and then decline again in the subsequent quarters. Current liabilities increased to € 180.8 million (€ 165.6 million). These are essentially liabilities from operating activities. Current liabilities are offset on the assets side by cash and cash equivalents of € 859.0 million (€ 510.8 million), which are attributable to higher deposits at the Deutsche Bundesbank, and financial investments of € 197.6 million (€ 178.6 million), as well as other current assets of € 158.0 million (€ 130.4 million).

Liquidity analysis

Cash flow from operating activities increased to € 408.1 from € 191.6 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 € –33.3 million to € –28.3 million.

Condensed cash flow statement

All figures in € million	2020	2019
Cash and cash equivalents at beginning of period	510.8	385.9
Cash flow from operating activities	408.1	191.6
Cash flow from investing activities	–28.3	–33.3
Cash flow from financing activities	–31.5	–33.5
Change in cash and cash equivalents	348.3	124.9
Daily due liabilities to credit institutions	–3.2	—
Cash and cash equivalents at end of period	855.8	510.8

As of the balance sheet date, 31 December 2020, the MLP Group has access to cash holdings of around € 929 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 € 9.3 million (€ 22.3 million) in the last financial year.

Capital expenditure

All figures in € million	2020	2019	2018	2017	2016
Intangible assets	5.8	3.9	4.4	3.4	13.7
Goodwill	—	—	—	—	—
Software (developed in house)	—	0.2	0.2	0.2	0.3
Software (purchased)	1.9	1.5	0.9	1.0	2.5
Other intangible assets	0	0	—	—	—
Payments on account and assets under construction	3.9	2.2	3.3	2.1	11.0
Property, plant and equipment	3.5	5.4	22.2	3.9	4.7
Land, leasehold rights and buildings	0.4	0.9	16.2	0.3	0.5
Other fixtures, fittings and office equipment	2.9	3.8	3.4	2.6	3.0
Payments on account and assets under construction	0.2	0.7	2.6	1.0	1.2
Purchase price DEUTSCHLAND.Immobilien	—	13.0	—	—	—
Total capital expenditures	9.3	22.3	26.6	7.3	18.4

At € 3.4 million, the vast majority of investments were made in the Financial Consulting segment. The main focus of these investments was in operating & office equipment and IT systems to support sales. 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 € 2.6 million. The investment volume in the Banking segment was € 0.3 million. Software and IT were the primary focuses of investment here. Investments in the DOMCURA segment totalled € 2.5 million. Operating and office equipment, as well as acquired software represented one focus for investment here.

Capital expenditures by segment

	Total capital expenditures		Change in %
All figures in € million	2020	2019	
Financial consulting	3.4	17.6*	-80.7%
Banking	0.3	0.7	-57.1%
FERI	2.6	1.5	73.3%
DOMCURA	2.5	1.3	92.3%
Holding and Others	0.6	1.2	-50.0%
Total	9.4	22.3	-58.3%

*This includes a cash price payment of € 13.0 million for DEUTSCHLAND.Immobilien

Net assets

The balance sheet total of the MLP Group increased to € 3,235.0 million (€ 2,799.6 million) as of 31 December 2020, which can be attributed to further increases in client deposits.

Further increase in balance sheet total

Intangible assets – essentially including the client base, brand and goodwill – declined to € 178.9 million (€ 183.1 million) as of the balance sheet date. Provisions of € 125.1 million (€ 130.9 million) were slightly below the previous year's level.

At € 880.6 million (€ 872.2 million), receivables from clients in the banking business were almost on a par with the previous year. Set against the background of increased investment in time deposits, receivables from banks in the banking business increased to € 751.5 million (€ 728.1 million). Around 80% of receivables from banks and clients have a remaining term of less than one year.

The "Inventories" item essentially represents the assets of the project enterprises in the field of real estate. This item increased significantly to € 17.8 million as of 31 December (€ 10.5 million).

Financial assets increased slightly to € 197.6 million (€ 178.6 million). At € 9.7 million, tax refund claims were significantly above the previous year's level (€ 4.5 million). The increase is essentially the result of recognising accounts receivable for 2020 at MLP Finanzberatung SE.

Other receivables and assets increased to € 199.8 million (€ 168.6 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 following financial year.

Cash and cash equivalents rose markedly to € 859.0 million (€ 510.8 million). This increase can be attributed to a greater deposit volume at the German 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"](#).

The equity capital backing of the MLP Group remains good. Shareholders' equity increased to € 454.0 million (€ 437.4 million) as of 31 December 2020. Minority interests have been disclosed in the balance sheet since 2019 due to the acquisition of a majority holding in the DI Group. These were € 0.8 million on the reporting date and thereby remained at the previous year's level (€ 0.8 million). Due to the higher balance sheet total, the equity ratio was 14.0% (15.6%). Based on a Group net profit of € 43.2 million (€ 36.9 million), we therefore achieved a return on equity of 9.9% (8.7%).

Increase in return on equity

Provisions of € 115.8 million (€ 101.6 million) were slightly above the previous year's level. The increase can essentially be attributed to a rise in pension provisions as well as provisions for obligations from IT services and litigation risks.

The deposits of our clients which are recorded under → "[Liabilities due to clients in the banking business](#)" increased to € 2,271.9 million (€ 1,894.8 million) at the end of the reporting period. This increase is primarily attributable to short-term deposits held in bank accounts and instant access savings accounts. Liabilities due to banks in the banking business rose to € 107.5 million (€ 98.4 million). This increase can mainly be attributed to a higher volume of promotional loans being passed on to our clients. This item includes the refinancing funds from funding institutions.

Tax liabilities rose to € 10.9 million (€ 6.1 million). At € 265.7 million (€ 250.6 million), other liabilities were slightly higher than in the previous year. This item further comprises increased liabilities from the underwriting business of DOMCURA, purchase price liabilities 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](#)").

Segment report

The MLP Group is broken down into the following segments:

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

The Financial Consulting segment includes revenue generated in the fields of consulting of old-age provision, health and non-life insurance, loans & mortgages and real estate brokerage. All banking services for both private and corporate clients, from wealth management, accounts and cards, through to the interest rate business, are brought together in the Banking segment. 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 Others" and includes the project entities of the DI Group since the acquisition of a majority holding in the DI Group on 2 September 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.

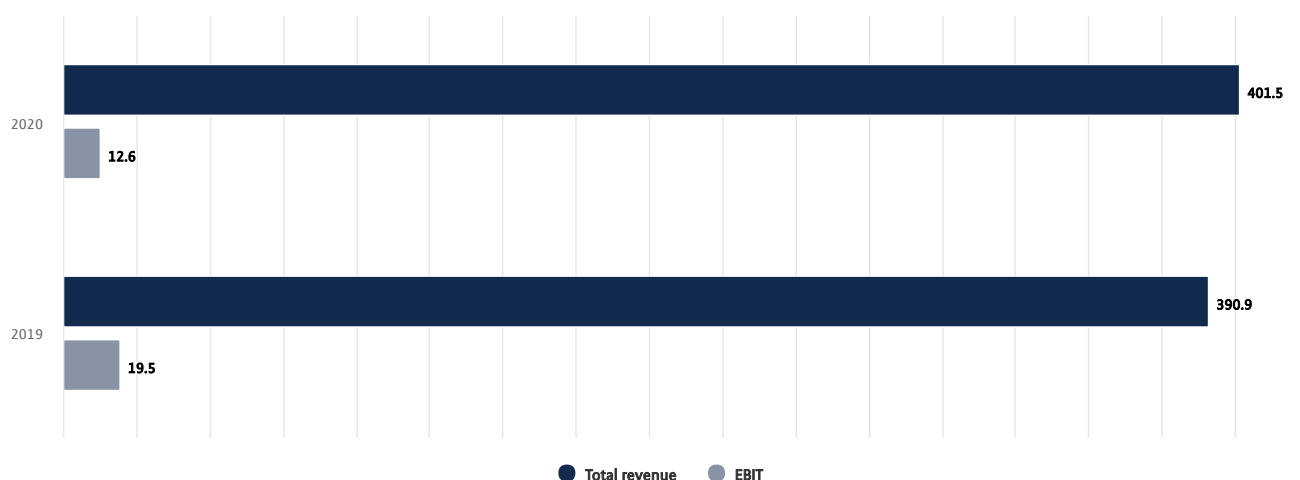
Financial Consulting segment

Total revenue in the Financial Consulting segment rose to € 401.5 million in the reporting period (€ 390.9 million). This figure is essentially made up of commission income. The consulting fields of 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. Old-age provision recorded a slight decline in revenue due to the corona pandemic. Revenue in the financial consulting segment was € 377.4 million (€ 369.3 million). Other revenue was € 24.1 million (€ 21.6 million).

Commission expenses increased to € 193.8 million (€ 186.5 million). Personnel expenses rose slightly to € 72.8 million (€ 69.6 million). Depreciation/amortisation and impairments increased to € 20.2 million (€ 19.7 million). Other operating expenses rose to € 105.3 million (€ 98.6 million). This rise can essentially be attributed to increased expenses for EDP consulting services, as well as greater allocations to provisions.

Earnings before interest and taxes (EBIT) were € 12.6 million in the reporting year (€ 19.5 million). With a finance cost of € –3.0 million (€ –1.8 million), earnings before taxes (EBT) were € 9.7 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.

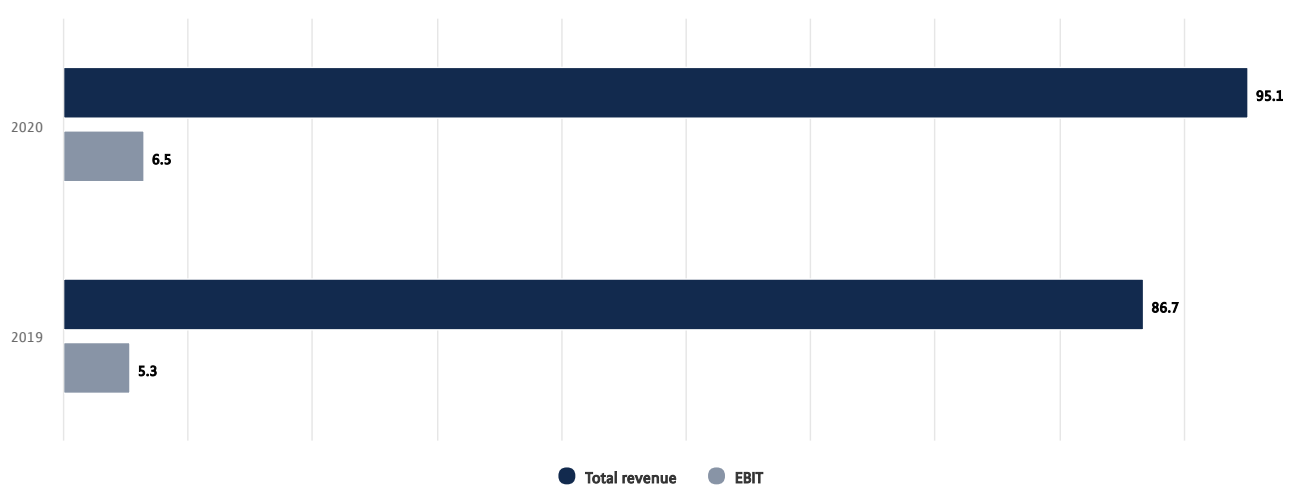
Total revenue in this segment in the reporting period was € 95.1 million (€ 86.7 million). Sales revenue increased to € 87.6 million (€ 81.4 million). At € 15.2 million, interest income was below the previous year (€ 16.6 million). This was due to the ongoing period of low interest rates. Other revenue increased to € 7.5 million (€ 5.3 million). This rise can be attributed to a positive VAT refund effect from previous years.

Commission expenses increased to € 36.9 million (€ 33.6 million) as a result of a rise in commission income. In light of the continuingly low interest rates, interest expenses of € 0.3 million were generated (€ 0.5 million).

Personnel expenses totalled € 12.5 million (€ 11.9 million). Depreciation/amortisation and impairment was € 0.4 million (€ 0.3 million). Other operating expenses were € 36.4 million (€ 34.3 million).

Earnings before interest and taxes (EBIT) were € 6.5 million (€ 5.3 million). Finance cost rose significantly to € 1.0 million (€ 0.1 million). This was particularly due to interest on reimbursements relating to VAT refunds from previous years. Accordingly, earnings before taxes (EBT) rose to € 7.5 million (€ 5.4 million).

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



FERI segment

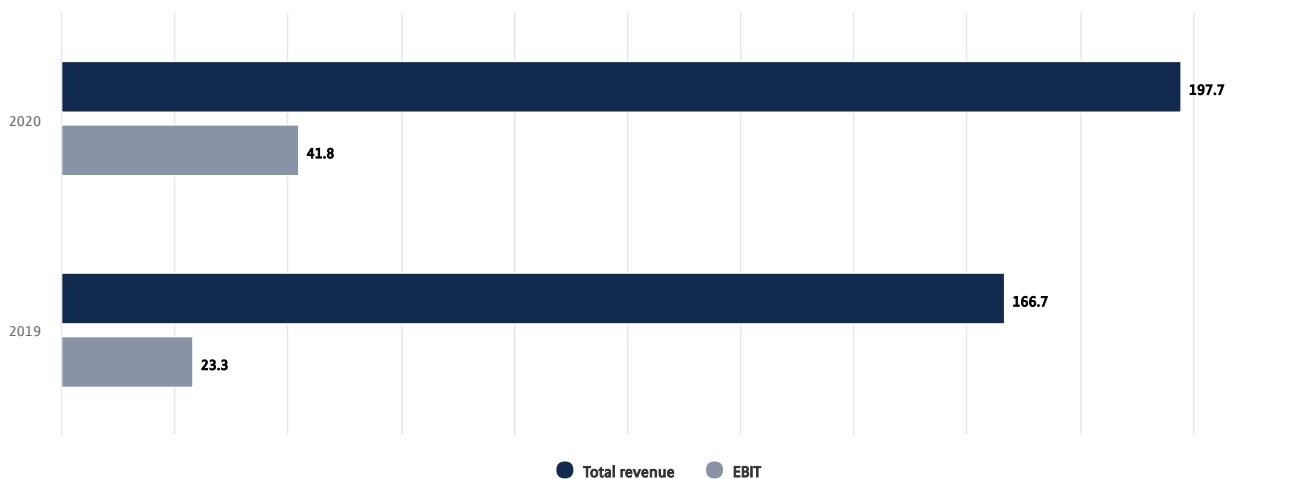
The FERI segment represents the activities of the FERI Group. Revenue is primarily generated in this segment from the wealth management field of consulting.

In the last financial year, total revenue increased by 18.6% to € 197.7 million (€ 166.7 million), marking a new record high. The high level of performance-linked compensation in wealth management made a particular contribution to this. Sales revenue rose to € 194.2 million (€ 161.6 million). Other revenue amounted to € 3.5 million (€ 5.1 million).

As a result of higher revenue, commission expenses also rose to € 107.1 million (€ 99.1 million). Personnel expenses increased to € 37.1 million (€ 32.8 million). Depreciation/amortisation and impairment totalled € 2.3 million (€ 2.4 million) and therefore remained virtually unchanged. Other operating expenses were € 9.2 million (€ 9.1 million).

As a result of higher revenue, EBIT rose to € 41.8 million (€ 23.3 million). The EBIT margin was 21.1% (14.0%). At € 6.4 million (€ 6.4 million), finance cost remained at the previous year's level. EBT therefore reached a new all-time high of € 41.2 million (€ 22.7 million).

Total revenue and EBIT in the FERI segment



DOMCURA segment

Revenue in the DOMCURA segment is primarily generated in the non-life insurance field of consulting. 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.

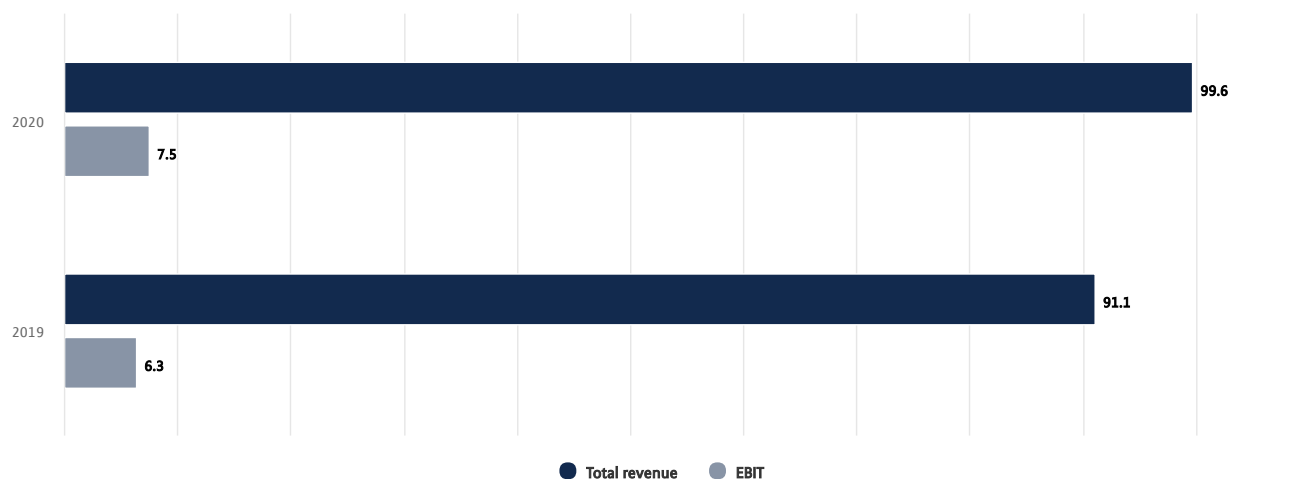
DOMCURA generated revenue of € 97.9 million (€ 89.0 million) in the reporting year. Other revenue was € 1.7 million (€ 2.1 million). Accordingly, total revenue was € 99.6 million (€ 91.1 million).

Commission expenses increased to € 63.4 million (€ 57.8 million), largely due to higher sales revenue. These are essentially accrued as variable compensation for brokerage services.

Administration costs were € 28.8 million (€ 27.0 million). € 17.9 million (€ 16.0 million) thereof were attributable to personnel expenses. Depreciation/amortisation and impairments increased to € 2.4 million (€ 2.2 million). Other operating expenses fell slightly to € 8.5 million (€ 8.8 million).

EBIT rose to € 7.5 million (€ 6.3 million). With a finance cost of € –0.2 million (€ –0.1 million), EBT was € 7.3 million (€ 6.2 million).

Total revenue and EBIT in the DOMCURA segment



Holding and Others segment

Total revenue in the Holding and Others segment in the reporting period was € 18.3 million (€ 10.5 million). This includes sales revenue of € 4.5 million (€ 0.1 million), which essentially reflects the real estate business incorporated by the DI Group. Other revenue was € 13.8 million (€ 10.4 million).

Commission expenses were € 10.1 million (€ 3.9 million). Inventory changes stood at € 7.3 million (€ 4.0 million).

Personnel expenses amounted to € 7.7 million (€ 5.5 million). Depreciation/amortisation and impairment amounted to € 2.4 million (€ 1.8 million). Other operating expenses rose to € 11.7 million (€ 9.7 million).

EBIT reached € –6.5 million (€ –6.6 million). Finance cost declined to € –2.1 million (€ –0.8 million). At € –8.6 million (€ –7.4 million), EBIT was slightly below the previous year's level.

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. The continuous development and optimisation of HR work for employees, as well as recruiting and training new consultants were therefore also key focuses in 2020.

The number of employees in the MLP Group increased slightly in the last financial year. In the reporting year 2020, a total of 1,850 employees worked for MLP. This increase is essentially the result of the inclusion of staff from the acquisition of the DI Group, as well as new recruitments and personnel returning to work following parental leave. Employee turnover within the Group decreased in 2020 and remains at a very low level of 6.7% (2019: 8.2%). The average age of the employees is currently 43.8.

Low staff turnover rate

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	2020	2019	2018	2017	2016
Financial services ¹⁾	-	-		1,198	1,275
Financial consulting ^{2) 3) 5)}	1,097	1,071	1,055	1,047	-
Banking ^{2) 5)}	193	187	179	163	-
FERI	221	236	223	224	223
DOMCURA	293	274	260	254	264
Holding and Others ⁴⁾	46	16	6	6	7
Total	1,850	1,783	1,722	1,686	1,768

Date: 31 December 2020

¹⁾ This segment existed until 30 September 2017

²⁾ The average values stated for 2017 refer solely to the fourth quarter of 2017

³⁾ Incl. TPC (merger into Finanzberatung SE in 2020), ZSH, DI Sales, DI Web, DI IT and MLPdialog

⁴⁾ Since 2019 including DI AG and DI Projects

⁵⁾ Separate disclosure - 2017 values included in financial services

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 the company and then provide these with targeted and sustainable development opportunities for future complex specialist and management duties within the MLP Group. Participation in our modular management programme has been compulsory for all new managers since 2018. Up-and-coming managers are trained in relevant areas and receive guidance and support in their new role.

Development programmes for junior staff and managers

No new works agreements were concluded in the reporting year. Particularly during the corona pandemic, it became clear that MLP is already well positioned regarding the existing works agreements. Especially the "working times" and "mobile working" works agreements have provided both the company and its employees with the necessary scope and flexibility to successfully overcome the challenges associated with the corona pandemic. MLP always seeks to make sensible additions to its portfolio of social and fringe benefits.

Works agreements

The ongoing digitalisation of personnel work remained a focus of activity in 2020. Work on the digital personnel file was further expedited, while important preparatory work to secure greater automation through the establishment of workflows was also performed. The assessment and feedback meetings held with employees, which have been based online since 2018, were once again presented using a software solution in 2020. In addition to this, agile work methods were increasingly applied at the company and then also programmatically incorporated into personnel work in the form of training sessions and seminars. In 2020, the stage was ultimately also set for the introduction of a new, modern applicant management system for personnel work at the start of 2021.

Digitalisation of personnel
work successfully continued

The ongoing digitalisation of personnel work at MLP really proved its value, particularly in light of the special circumstances surrounding work during the coronavirus pandemic. Alongside processes and activities that have already been digitalised, this also applies especially to the work organisation and technical equipment of the HR department - including the EDP skills of the corresponding employees which, despite already starting at a very high level, were given another significant boost in the course of the crisis response.

Compensation report

Fundamentals of the pay system

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 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 on the company's long-term performance.

Since the profit-sharing payment is exclusively EBIT-based, it is fundamentally independent of the individual performance of 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.

The existing Executive Board service contracts do not contain any regulations regarding claiming back variable portions of compensation that have already been paid out in addition to those required under the provisions of law.

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.

Pay system

The Supervisory Board at MLP SE has approved a pay system for the members of the Executive Board at MLP SE. The Supervisory Board of MLP SE has decided on a remuneration system for the members of the Executive Board of MLP SE, which will be presented to the Annual General Meeting of MLP SE on June 24, 2021 for resolution. Please refer to the pay system in the Annual Report for details.

Executive Board compensation

Principles of Executive Board pay

The members of the Executive Board receive a fixed basic annual salary, as well as a variable pay component (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 EBIT 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 adjustment right, which can be used at the discretion of the Supervisory Board. Here, the Supervisory Board is authorised, at its reasonable discretion, to increase or reduce the immediate payment by up to 30% and the deferred payment by up to 10% based on its assessment of the individual performance of the 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 euro. 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 pay 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, spin-offs 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' Pay 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 countermeasures 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.

As per the revised version of the German Corporate Governance Code (GCGC) from 16 December 2019, it is no longer necessary to publish individualised Executive Board compensation as per the specimen tables of the GCGC. However, to ensure that a high degree of transparency is still maintained, we continue to disclose Executive Board pay as in previous years.

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 Executive Officer		Chief Financial Officer		Member of the Board for Products and Services	
	since 1 Jan 2003		since 1 Feb 2011		since 1 May 2010	
	2019	2020	2019	2020	2019	2020
Fixed compensation	550	550	360	360	360	360
Fringe benefits	34	29	20	19	32	30
Total fixed compensation	584	579	380	379	392	390
One-year variable compensation	384	306	256	204	256	204
Multi-year compensation	273	344	182	230	182	230
2015 bonus (2015-2018)	273	0	182	0	182	0
2016 bonus (2016-2019)	0	344	0	230	0	230
Other	0	0	0	0	0	0
Total fixed and variable compensation	1,241	1,229	819	812	830	823
Pension benefits	267	324	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,508	1,553	969	962	980	973

Granted benefits

Benefits granted (all figures in €'000)	Dr Uwe Schroeder-Wildberg				Reinhard Loose			
	Chief Executive Officer				Chief Financial Officer			
	since 1 Jan 2003				since 1 Feb 2011			
	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	34	29	29	29	20	19	19	19
Total fixes compensation	584	579	579	579	380	379	379	379
One-year variable compensation	304	368	258	479	203	245	172	319
Multi-year compensation	512	570	0	990	341	380	0	660
2019 bonus (2019-2022)	512	0	0	0	341	0	0	0
2020 bonus (2020-2023)	0	570	0	990	0	380	0	660
Total fixed and varibale compensation	1,400	1,517	836	2,047	925	1,004	550	1,358
Pension benefits	267	324	324	324	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,668	1,841	1,161	2,372	1,075	1,154	700	1,508

Benefits granted (all figures in €'000)	Manfred Bauer			
	Member of the Board for Products and Services			
	since 1 May 2010			
	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	360	360	360	360
Fringe benefits	32	30	30	30
Total fixes compensation	392	390	390	390
One-year variable compensation	203	245	172	319
Multi-year compensation	341	380	0	660
2019 bonus (2019-2022)	341	0	0	0
2020 bonus (2020-2023)	0	380	0	660
Total fixed and varibale compensation	936	1,015	562	1,369
Pension benefits	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,086	1,165	712	1,519

As of 31 December 2020, pension provisions of € 20.3 million (€ 20.3 million) were in place for former members of the Executive Board.

When specifying and reviewing compensation for the Chairman of the Executive Board or a member of the Executive Board, the Supervisory Board takes into account the ratio relative to average compensation of the senior 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.

In addition to this, a horizontal comparison is performed. The benchmark companies are selected in accordance with the stipulations in the pay system. For the financial year 2020, the benchmark group comprised the following companies: Aareal Bank AG, Comdirect Bank AG, Deutsche Beteiligungs AG, Deutsche Pfandbriefbank AG, GRENKE AG, Hannover Rück SE, Hypoport AG, INDUS Holding AG, OVB Holding AG, Talanx AG and Wüstenrot & Württembergische AG.

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 this amount and their deputy one and a half times. 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

Individualised Supervisory Board compensation	Compensation 2020	Compensation 2019
All figures in €'000 (without tax)		
Dr Peter Lütke-Bornefeld (Chairman)	135	135
Dr Claus-Michael Dill (Vice Chairman)	110	110
Tina Müller	55	55
Matthias Lautenschläger	80	80
Burkhard Schlingermann	55	55
Alexander Beer	65	65
Total	500	500

In the financial year 2020, € 15 thsd (previous year: € 17 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.

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, referred to as "key companies" in the following):

Group-wide risk
management

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

As defined by § 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 MLP FHG, 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 MLP FHG 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 MLP FHG. 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 at MLP FHG 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 MLP FHG:

The Executive Board and/or the Managing Directors are responsible for the 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 the 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 the 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 MLP FHG. 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 the 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 at MLP FHG. 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 FHG, "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 at MLP FHG. 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 is an integral part of the Group management system at MLP FHG. Active control to provide sufficient financial capital, in compliance with supervisory requirements, ensures that risk-taking is always in line with capital backing.

Risk capital management –
risk-bearing ability

Risks are only accepted within limits derived from aspects of the risk-bearing ability to achieve adequate returns, taking into account risk/earning factors. This particularly 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 MLP FHG, 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.

The key risk types of counterparty default, market price, liquidity and operational risks are particularly 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 considered when 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 MLP FHG 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 assessed 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 at MLP FHG. This is due to the risk inherent to the banking business.

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 Financial Holding Group at all times. The concept of and compliance with the liquidity capacity is also derived from Pillar 2 of the Basel Accord.

Liquidity capacity

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 focussing 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. MLP's clear business focus with the client business continues to be on the target group of academics. The continuous and focussed 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.

Concentration of risk

Focussing 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 pre-emptively reducing the emergence of risk concentrations in proprietary trading, 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, a maturity-congruent strategy is adopted for balance sheet items where possible so as to minimise the market price and liquidity risk.

Insofar as possible and likely economically beneficial from a risk and opportunity perspective, operational risks that can cause serious damage are covered to the greatest extent possible.

The risk concentrations are regularly monitored and considered in the stress scenarios and reported.

Stress tests are also performed on a regular and ad hoc basis for special analysis of the effects of unusual yet still plausible events. Their potential effects are also reflected 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.

Stress tests

Organisation

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

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.

Functional separation

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

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

Group Risk Manager

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

Risk controlling function

Risk management at MLP FHG 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.

Risk management and
controlling processes

The Risk Management unit in particular is responsible for the identification and assessment of risks, as well as for the 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 of MLP FHG.

The methods used at MLP FHG to assess risks are aligned with practices in the banking sector, as well as recommendations of the supervisory authorities and international standard-setting bodies, whilst taking into account the principle of proportionality. The results determined through the risk models for controlling the risks, as well as the underlying quantification methods are subject to regular reviews. However, despite careful model development and regular checks, it is conceivable for circumstances to occur that could lead to greater losses than those predicted by the risk models.

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.

Controlling monitors
earnings trends

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

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.

Internal controlling system
in the accounting process

The units involved in the accounting process are particularly subject to the quantitative and qualitative requirements, which MLP meets through 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 individual financial statements and consolidated financial statements are drawn up 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 also subject to the internal monitoring system, is incorporated into the management report.

Functional separation, system-based monitoring, the dual-control principle, as well as the audit activities of the Internal Audit department represent key control instruments for all important 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 based on the information provided.

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

A compliance office has been set up at the controlling institution to counter, as per the minimum risk management requirements (MaRisk), the risks which can result from non-compliance with the essential legal provisions and stipulations for MLP FHG. These in particular include supervisory provisions on avoiding money laundering, the financing of terrorist activities and other criminal conduct, or relating to financial sanctions, embargoes and the account screening procedure (in the following referred to as prevention of money laundering & fraud), the prevention of insider trading, the securities business, protection of client assets, data and consumer protection, as well as all institute-specific provisions, whose non-compliance could put assets at risk or lead to a significant reputation risk. Compliance plays a key role in identifying risk potential through the proactive monitoring of insider information and rules of conduct, as well as within the scope of management of conflicts of interest.

Compliance function

The regular audits performed by the Internal Audit department, which is independent of the operating units in terms of both organisation and function, represent another key aspect when monitoring the quality of our risks. Above all, compliance with relevant guidelines is checked, paying particular attention to legal provisions.

Internal Audit

The Internal Audit department, which operates throughout the Group, also performs regular process and system audits in all sections of the Group and monitors the correction of any issues detected during the respective audits. This also includes the auditing of IT systems. The Internal Audit department adopts a risk-oriented approach to auditing. It is independent and falls under the direct responsibility of the Chief Financial Officer at MLP Banking AG. Global reports on the audits performed are drafted and presented to the managers responsible. Based on the respective risk content, elimination of the identified deficiencies

is monitored either immediately or in quarterly follow-ups. The Internal Audit department performs regular, Group-wide reporting to the management bodies at the individual companies.

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 reporting

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

MLP FHG is exposed to various financial risks. These particularly 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	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 risk comprises the counterparty risk (replacement risk, as well as advance performance and settlement risk), the issuer's risk, the specific country-related risk, as well as risks resulting from securitisations and investments.

Counterparty default risks are included in the proprietary and client business positions. The key companies for this risk type are to be identified within the scope of the materiality classification. The maximum default risk is expressed as the carrying amounts (after write-downs) of the financial instruments recognised in the balance sheet (especially originated loans and receivables), as well as derivative financial instruments with positive market value. 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.

The client credit business, with the target group of upper mid-size market and the core market in Germany, essentially focuses on medical practice and mortgage financing, as well as loans with fixed interest rates for 5 or 10 years, which are predominantly collateralised through wealth deposit accounts at MLP Banking AG or hedged through redemption values/share assets in life insurance/unit-linked policies (premium loans) and the bulk business. In terms of strengthening new client acquisition and keeping existing clients loyal, the main focus is on issuing overdraft facilities to the holders of the MLP account

and providing credit limits in connection with the MLP Card. Moreover, the plan is also to increase the volume of loans – particularly among the target group of physicians, yet also mortgage lending and premium loans for target group clients.

Overall, the lending policy at MLP is characterised by only accepting risks that are both known and also appear reasonable in terms of their volume. Bad debts are written down accordingly. We are anticipating a moderate rise in the level of loan loss provisions due to the planned increase in loan volumes. We are also anticipating a rise in the average default rate due to deteriorations of credit ratings in connection with the coronavirus, as well as accompanying rises in impairments.

The non-performing loan (NPL) quota is the ratio of bad loans relative to the total volume of loans and credits, including deposits at banks and central banks. For the supervisory scope of consolidation, the NPL quota as of 31 December 2020 is 0.5% (previous year: 0.2%). Non-performing loans, which are identified at MLP, are transferred to specialist departments, where they are individually managed by experts.

The responsibilities in the credit business – application, authorisation, completion, and the periodic monitoring with regular creditworthiness analyses – have been defined and documented in the organisational policies. The decision-making authority is laid down in the authority regulations, which themselves are based on the risk content and the processes of the transactions. Land charges in particular serve as collateral for MLP when issuing client loans. A process that is scaled based on volume and employs external support is established for measuring this collateral.

Credit management

The provision of loans 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 specialist employees in accordance with clearly defined authorities based on the size, creditworthiness, and collateral of the respective borrower. A special scoring process allows fast decisions to be made, especially for credit cards and accounts in the retail lending business, while also securing a consistently high quality.

The various types of credit are measured regularly during the portfolio monitoring of the client credit business. As part of the internal monitoring procedures, the privileged mortgages on residential and commercial property are compared to the loan portfolios in the individual field of mortgage lending, lombard loans, premium loans and medical practice financing. Further types of collateral are included as a way of hedging credit commitments, although these are not currently considered in the internal system of risk management.

Calculations are based on the various supervisory methods of calculation as per the rating status.

For the positions rated internally using the VR rating system, the risks are calculated using the IRB method. For debtors that have not been rated internally but do have an external rating, a mapping table is used to convert and assess this external rating to the VR rating that MLP uses as the master scale. Based on the probability of default determined in this way and a dedicated assessment of qualitative aspects such as balance sheet KPIs, sector-specific findings and so on, externally rated debtors are treated the same as internally rated debtors and assessed using the IRB method.

The standardised approach to credit risks based on the supervisory formulae as per the Capital Requirements Regulation (CRR) is used for all other unrated debtors.

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. You can find detailed information on the measurement process, as well as development of loan loss provisions in the notes.

There are also issuer's risks within the scope of proprietary trading that go beyond the risks described above. In the light of the current market trend, risks in investment management, particularly those resulting from defaults of issuers, are also limited through the high credit standards set out in the capital investment directives. The capital investment directives stipulate restrictions applying to the investment of available funds regarding the various investment categories and products with the corresponding maturities, and also in general regarding investments in various sectors.

The documented competencies and further provisions must always be taken into account when making investment decisions.

Market price risks

MLP FHG 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.

At MLP FHG, market risks essentially comprise the incomplete congruency of interest rate agreements between loans granted by MLP and their refinancing. In addition to this, there are market price risks within the scope of proprietary trading activities. There are currently only very minor open risk items in foreign currency in the portfolio.

The possible effects of different interest development scenarios at Group level are portrayed via planning and simulation calculations. The basis of this is our interest management tool, which makes risks and their effects transparent in complex interest scenarios.

In this context, cash value changes of all items in the interest ledger are shown in relation to the equity, with the application of the changes in interest rates prescribed by the Federal Financial Supervisory Authority. The simulation is performed by automated means for all the interest-bearing and interest-sensitive items. It is in this manner that the controlling of the interest risk is ensured. It also determines whether the change in value is always below the threshold of 20% of equity.

Interest rate risks of the MLP Financial Holding Group

in %	Interest rate shock/parallel shift			
	Change in value + 200 BP		Change in value - 200 BP	
	2020	2019	2020	2019
Total	5.8	-0.6	-0.6	-0.9

Liquidity risks

MLP FHG 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).

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. Short-term liquidity requirements were covered by sufficient funds at all times.

Operational 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.

Structural liquidity control

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 established for the capital requirements, themselves determined based on 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 scenarios on cash flows and thereby also on MLP's liquidity situation are analysed using the funding matrix. The additional monitoring metrics (AMM) serve as supplementary information here.

When determining the LVaR as of 31 December 2020, 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 at MLP FHG 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 assignment 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.

Throughout the Group, operational risks are identified and assessed at local level in the individual organisational units at the main companies in the form of self-assessments and damage data pools. The information is compiled within the scope of risk controlling at MLP Banking AG. Within this framework, the risk assessments performed at the individual companies are each summarised to create an overall assessment for MLP FHG. Irrespective of the specific risk profile, the following core statements apply to all companies in the MLP FHG:

- All key operational risks are to be identified and continuously analysed in terms of their anticipated or incurred damage, as well as their anticipated or incurred frequency.
- For risks whose occurrence is unlikely but which exhibit a high or very high damage potential, the option to perform a risk transfer should be considered, in particular with corresponding insurance programmes.
- Process improvements, adjustments to the IT system landscape, employee training and similar measures should be particularly identified for risks with a high likelihood of occurrence but low damage potential with the objective of reducing errors.
- Suitable risk prevention measures should be implemented immediately for risks with a high likelihood of occurrence and high damage potential for the MLP FHG, if necessary incorporating business continuity management.
- The efficiency of all risk management measures should be reviewed from a cost/benefit perspective.

Reduction of the operational risk and with this a reduction in the frequency and level of associated losses is primarily to be achieved through implementation of continuous improvements, such as digitalisation of business processes. Further safeguarding measures include risk transfer by concluding insurance policies and consciously avoiding high-risk products. Moreover, contingency plans are in place for critical business processes to secure continuation of business operations.

MLP uses both internal and external employees, as well as buildings and technical equipment to perform its administrative and organisational activities. We protect ourselves against damage claims and a potential liability risk through comprehensive insurance cover, which is subject to ongoing monitoring.

Risks from internal procedures

Business impact analyses (BIA) are used to identify critical company processes whose disruption or failure can have a significant impact 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. BCM documentation is available for the business units and employees.

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. The potential consulting risk is minimised by securing continuously high-quality consulting which, among other things, is backed up by IT-supported tools. Consultations with clients and the results of these are documented in accordance with legal requirements.

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.

The adequacy of staffing levels and sufficient qualification/training of employees at MLP are ensured by the responsible specialist departments. The adequacy of staffing in terms of type, level and planned Group development is checked regularly, at the very least during the annual planning process. In this context, key positions have been identified and defined with the objective of further reducing staffing risks with the implementation of appropriate risk control measures. The requirements regarding the qualification of all employees, but particularly those tasked with working in the loans and commercial business, are set out in differentiated job descriptions in the organisation manual.

As part of their responsibilities, those employees tasked with assuming, controlling and monitoring risks, as well as their substitutes, have comprehensive product know-how, as well as expertise in the commercial, valuation and control techniques employed. This applies especially to the Heads of the functions Audit, Compliance and Risk Controlling in accordance with Germany's "MaRisk" minimum risk management requirements. Generally speaking, the available personnel capacities are structured in such a way that necessary procedures are still securely maintained, even when employees are unexpectedly unavailable for work.

Demographic changes and their effects on the workforce structure are systematically reviewed by MLP. A dynamisation of the age curve, as well as an increasing average age of the workforce can be observed here. To counter this trend and continue thriving in the face of increasing competition, the material and non-material framework conditions are continuously optimised for the employees. The aim is to further strengthen the profile as a family-friendly employer offering flexible models in terms of working hours and places of work, as well as family-friendly conditions and fringe benefits. To counteract the predicted skills shortage, MLP has established a dedicated junior staff development programme and a management development programme. Alongside this, MLP traditionally invests in the sustainable recruiting of talented young employees and, alongside various training professions, also offers a university of cooperative education degree programme with many different fields of specialisation.

In line with the requirements regarding pay systems, such as the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV), they are set out in such a way that negative incentives that could otherwise encourage managers and employees to enter into disproportionately high risk positions, are avoided. To circumvent incentives of this kind for employees, in particular those holding positions of responsibility, attention is paid when setting out such pay and incentive systems to ensure that these do not contradict the objectives defined in the strategies and that any risk of conflicts of interest is ruled out. Any change in strategy triggers a simultaneous review and, where necessary, adaptation of pay and incentive systems.

In terms of variable pay components, safeguards are in place to ensure that these are not based on short-term but rather mid-term and long-term success. Moreover, the pay system is established such that employees with variable compensation components are also affected by the negative development of business initiated by them and that employees in departments arranged downstream of the initiating departments are also compensated appropriately based on their responsibility.

The Supervisory Board is responsible for the pay and incentive systems at management level, while the management team is responsible for the system used for employees. The pay systems are reviewed on an annual basis by the Legal department and any necessary amendments are implemented.

Nevertheless, human error cannot be completely ruled out. Based on the core values of performance and trust, 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. The risk of staff shortages is reduced through personnel planning and targeted personnel marketing 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 deputisation regulations secure our business and decision-making processes.

MLP FHG pursues an IT strategy to effectively minimise potential IT risks. When selecting IT systems, the primary focus is on sector-specific software. If necessary, business-specific proprietary IT applications are developed by qualified internal and external specialists. The correct functioning of IT systems is secured by performing comprehensive system tests and pilot phases before they are commissioned. Databases are protected from a potential data loss by conventional means by outsourcing data centre operations to external service providers with various locations, back-up systems and mirror databases, as well as the establishment of a defined contingency plan. The access and authorisation concept, extensive virus protection, as well as other comprehensive security measures protect the access and IT systems. Virtually all employees are now able to work from home securely, making use of communication via video conferencing systems, including a video conferencing solution that has been made available for online consultations. Minimum standards with regard to information security are stipulated throughout the Group. Digital innovations are developed in a laboratory environment as a way of keeping risks to a minimum during the development phase.

IT risks

The trend towards industrialisation and a reduced vertical range of manufacture has increased in the financial services sector. More than ever before, companies are focussing on their core skills, i.e. production of financial services products, support and information services, specialist consulting expertise and sales expertise. In this market environment, MLP 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 at MLP FHG are incorporated into risk management within the standard scope of risk controlling and management processes with continuous risk identification, assessment, control and reporting. MLP has clearly regulated the responsibility for outsourced processes and installed a central system of outsourcing management. This ensures that any potential organisational, structural or process-based risks that may occur due to outsourced business activities are closely controlled.

Risks from external events

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

Internal security measures are also set up in such a way that any attempts at fraud, burglary or theft are prevented upfront. To prevent external cyber risks, such as hacker attacks and viruses, standard approaches such as firewalls, virus scanners, as well as active patch and vulnerability management for systems are operated.

To ensure the maintenance of critical processes in all cases, the potential consequences of external events are assessed within the scope of the Business Continuity Management (BCM) system and corresponding plans of action drawn up.

Potential risks arising for the institutes of MLP FHG 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 the respective central office pursuant to § 25h of the German Banking Act (KWG) and are also incorporated into the operational risk inventory process.

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 MLP FHG do not represent risks which could endanger the Group's continued existence.

Legal risks

By means of its authorisation to conduct banking and financial service businesses, MLP FHG is subject to special risks in connection with potential non-compliance with supervisory regulations. This also applies to legal capital adequacy regulations, which require shareholders' equity backing. Comprehensive guidelines and workflows have been implemented to comply with supervisory regulations and for the functions Compliance, Money Laundering and Fraud Prevention, as well as Data and Consumer Protection. The objective of these guidelines and workflows is to secure compliance with and monitor the legally stipulated requirements by the specialist departments and staff units responsible.

The Executive Board has also set up a compliance function, the duties of which include the identification and monitoring of key legal provisions and requirements. Non-compliance can potentially jeopardise the assets of MLP FHG and can lead to significant reputation risks. The compliance function advises and supports management, as well as the responsible specialist departments. It works towards the 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.

Active knowledge management in the specialist departments and, at the same time, the continuous observation of legal developments by our Legal and Compliance departments ensure that any potential regulatory changes can be detected early on. As part of our audit management, the implementation of new legal requirements and findings of external auditors are controlled through our Group-wide "MaRisk Steering Committee", tasks are assigned to relevant functions and their progress regularly and actively tracked. Particularly those issues that have significant effects on the MLP Group and involve multiple specialist departments are assigned to this programme.

Changes that emerge in the tax and accounting law are continually checked and reviewed with regard to the potential effects they may have on the Group. The company's compliance with fiscal requirements is checked by internal and external experts in accordance with the tax regulations and the documents pertaining to these issued by the tax authority. Corresponding provisions are formed for subsequent payments to be anticipated. Developments in the accounting law are monitored and implemented in the respective specialist departments.

Taxation risks

In 2020, MLP FHG employed 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 consideration.

Capital charge according to the basic indicator approach

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 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.

Reputation risks

Management of reputation risks at MLP FHG 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.

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 due to an 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 particularly result from 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.

General business risks

We consider sustainability risks to include events or conditions resulting from the environment, social issues or corporate governance, 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 for MLP FHG 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 MLP FHG.

Changes in economic and political factors can affect the business model and performance of MLP. Both national and international developments in the political, economic and regulatory arenas, as well as business developments and other requirements in the financial services market are therefore monitored. The knowledge bundled at FERI Trust offers us support in this regard.

Overall economic risks

Corporate strategy risks largely consist in the erroneous assessment of market trends and, as a consequence, the erroneous alignment of business activities. Strategic risks also emanate from unexpected changes in market and environmental conditions as well as the shareholder structure with negative effects on the results of operations.

Corporate strategy risks

Corporate strategy control at MLP is primarily the responsibility of the Executive Board. Changes and developments in both the national and international markets, as well as the business environment are analysed based on the intensive observation of the competitive environment. Measures are then derived with the objective of ensuring the Group's long-term corporate success.

All key value drivers in MLP's business model are subject to the continuous analysis and active management via a comprehensive system of central and local controlling. The Group strategy and the measures it involves, all of which are set out by the Executive Board, are reflected within the scope of budget and long-term planning as a way of analysing their effects on the business situation. Key developments of internal value drivers, as well as external framework conditions are also modelled using planning and simulation instruments and are then subjected to various scenarios to determine their earnings sensitivity.

Continuous reporting is performed to record the anticipated course of business, so that action can be taken quickly in the event of any negative deviations.

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.

Special measures relating to the corona pandemic

The following key measures have been implemented to combat the corona pandemic.

In March 2020, the crisis teams were assembled per segment under the leadership of the respective risk manager in accordance with the emergency organisation. Group-wide coordination is performed by the managing directors and members of the Executive Board during regular telephone or video conferences. These events are used to secure joint assessments of the situation, as well as to discuss business developments and how to make effective use of synergies in responding to the crisis.

Organisation

When it became clear that COVID-19 had the potential to deliver serious health and economic impacts, comprehensive measures were initiated. The objective was to protect employees, consultants, clients and service providers, as well as to secure operations as a way of assuming social responsibility and helping contain this pandemic.

Establishing crisis mode

Thanks to flexible technical equipment, most employees are able to work from home. Over the course of the year, the percentage of employees working from home varied on the basis of legal requirements and infection rates. Staff were and still are only expected to be physically present at their workplace when this was/is deemed absolutely essential for operations. Comprehensive security measures have been implemented at the locations to reduce the risk of infection. These measures primarily target compliance with the recommended minimum social distancing and hygiene rules.

Reduction of contact

Process-based and operational challenges had to be overcome in the transition from working in the office, through hybrid models, all the way up to staff spending most of their working hours at home.

Securing process-based and operational stability

In a first step, the contingency plans were reviewed to determine their suitability for use at home and preparations for the switchover were made. Working from home places greater stress on both the IT and telephone systems. However, measures to stabilise this were implemented quickly.

Our clients required more information and advisory services due to the special circumstances. MLP consultants working from home are also capable of offering client consultations, whereby online consultations via the Flexperto application have been offered since the start of 2020. Due to the general focus at MLP Banking AG on the target group of academics, with a particular emphasis on physicians, the financial impact on our (banking) clients associated with the effects of the corona pandemic is generally less severe when compared with the market as a whole. Increases in exposure and the granting of development loans happened only to a limited extent.

Client proximity and impact for clients

The pandemic is having a particular influence on the counterparty default risks of MLP Banking AG, as well as the operational and general business risks of the Group.

Assessment of the risk and liquidity position

Due to MLP's specific target group, counterparty default risks only increased moderately and the increase in value adjustments was largely influenced by individual measures in the proprietary trading portfolio.

In terms of operational risks, particular attention is paid to scenarios relating to personnel shortages and IT operations, as well as process-based challenges resulting from the necessary adaptations to enable a

large proportion of the workforce to work mainly from home.

The risk of major personnel shortages has been addressed by enabling staff to work from home. The illness rate is also subject to continuous monitoring. Operations have been maintained without any major restrictions.

In particular, process-based challenges had to be overcome during the transition period of working in the office, using hybrid working arrangements, through to working entirely from home. Early indicators, such as the number of complaints, displayed an increase at the end of March. However, this was attributable to the volatile markets and difficulties in reaching a service provider.

IT operations remain stable thanks to the measures described above.

The cases of damage recorded in the Group in the financial year 2020 were well below the level we had anticipated.

The risk-bearing ability is essentially influenced by the counterparty default risks. To cater for the risks that have generally increased due to the pandemic, the Executive Board already reached a decision back in March to increase the capital made available to cover risks. Even without this measure, the risk-bearing ability was still secured at all times.

The liquidity situation at MLP remains good. In a precautionary measure implemented at short notice, the buffer for operational liquidity control was increased by 18%. However, cash outflows remained at a normal level.

In summary, all supervisory KPIs were met without having to make use of any optional relief options on the part of the supervisory authorities.

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, MLP FHG primarily pursues a going-concern approach with a confidence level of 97% when controlling risks. This is based on protecting the minimum capital backing required by law and thereby continuing the business operations of MLP FHG. 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.

By 27 March 2020, the Executive Board made a risk coverage fund available based on the risk coverage potential up to an upper threshold of € 105 million. A further € 10 million was then approved to secure flexible coverage of risks in connection with the coronavirus crisis. The risk coverage fund is used to cover the risk types classified as significant by MLP. These are the counterparty default risk, the market price risk, the liquidity risk, as well as operational and other risks.

With a share of 54.0% and 31.3% 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	2020 Utilisation (in %)	2019 Utilisation (in %)
Risk and capital commitment	78.3	77.4
thereof:		
Counterparty default risk	78.1	78.7
Market price risk	77.3	61.4
Operational risk	82.6	82.1
Liquidity risk	0.0	0.0

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 2020.

Capital adequacy requirements under banking supervisory law

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 and good will reduce Tier 1 common capital.

As in the previous year, MLP FHG has fulfilled all legal requirements relating to the minimum core capital backing during the financial year 2020. The relationship between the risk assets and equity capital on the balance sheet date is illustrated below.

Supervisory KPIs

Shareholders' equity (in € million)	2020	2019
Tier 1 common capital	301.2	289.6
Tier 1 additional capital	–	–
Tier 2 capital	–	–
Eligible own funds	301.2	289.6
Capital adequacy requirements for counterparty default risks	89.6	89.5
Capital adequacy requirements for operational risk	23.5	31.1
Core capital ratio (in %)	21.32	19.21
Tier 1 common capital ratio (in %)	21.32	19.21

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 MLP FHG as a whole as well as the business segments always acted within the scope of their financial risk-bearing ability in 2020.

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 FHG 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. 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.

The economic forecasts for the year 2021 suggest only limited opportunities for MLP. Following a decline in economic performance in 2020, the economic experts are anticipating slight growth for Germany in 2021. Should the German economy display significantly better development than assumed in our forecast, this will only have an indirect influence on the operating development at the company in the short term. If the restrictions caused by the corona pandemic come to an end and our business returns to a state of normalisation sooner than we expect, this may have a positive impact, particularly on the acquisition of new customers.

Opportunities from
changing framework
conditions

The ever-stricter regulation of the financial services sector in Germany, with the objective of stabilising the financial system and increasing investor protection, presents both challenges and opportunities for MLP. Stricter regulatory requirements will initially lead to additional costs and reduced productivity, as administration costs increase and processes in the company must be adapted. However, the regulation also tightens the quality standards required of market actors. In our view, 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 further. In the past two years in

particular, this number has declined by almost 4,200 brokers. 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. 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.

The acceptance of digital media triggered by the corona pandemic offers the opportunity that technical efficiency gains can be leveraged even more through increased digital use in the future.

Wealth management, as well as the associated development of the capital markets, is increasingly also influencing the earnings performance of the MLP Group. Should this perform significantly better than anticipated, it could have a positive impact on performance-linked compensation.

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 DOMCURA, nordias and FERl as well as the occupational pension provision business within MLP Finanzberatung SE, 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.

Corporate strategy
opportunities

Interlinking these areas with one another and with the private client business will furthermore enable us to create corresponding revenue potential. Its broadly diversified positioning gives MLP an important USP in the private client business. 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 for further developing the real estate business.

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.

As a service provider, our operational tasks comprise sales, product selection and sales support. Since the acquisition of a majority stake in DI Deutschand.Immobilien AG and its subsidiaries, 2019 has seen the addition of the project business in the real estate sector.

Business performance
opportunities

In terms 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 midterm, 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, 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 FERl. 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 brokers and other intermediaries in the non-life insurance business and provides comprehensive solutions in the private and commercial sectors – often 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 the further development of our consulting applications, even greater support for our consultants – for example in product selection – and even more effective service from the back-office in Wiesloch. Furthermore, the ongoing development of the training programme offered at our Corporate University to our self-employed client consultants, which, thanks to its perfectly tailored modules, fulfils the individual training requirements of the consultants, as well as the completed realignment of the university segment with a clear focus on the recruitment of young consultants are also contributing 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 go 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. However, these opportunities may be affected by a continued lockdown due to the corona pandemic, in particular by regulatory approvals being delayed as a result of congestion.

Positive business/market developments with lasting effects on earnings can be beneficial for the capital/financial situation of MLP and facilitate greater scope for action in terms of business model and risk profile. In addition to the already mentioned opportunities from changing framework conditions, corporate strategy and performance opportunities, these can also be corresponding interest rate developments, should the interest rate environment return to a normal state more quickly, contrary to our expectations. However, reductions in loan loss provisions due to economic developments can also represent opportunities. The economic development of individuals or companies due to the corona pandemic can have a limiting effect on this.

Opportunities from development of asset and risk positions

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 clientele 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.

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.

Summary

FORECAST

Future overall economic development

In 2021 economic developments will continue to be shaped largely by the coronavirus pandemic. Until a sufficiently large proportion of the global population has been vaccinated against the virus, setbacks due to further waves of the pandemic along with the associated restrictions to business life are to be expected. Improved growth momentum should therefore not be anticipated until the second quarter. Domestic economic forces will then be the key driver of economic dynamism in Germany. FERI Investment Research is anticipating economic growth of 2.7% in Germany for 2021.

Based on estimates of the Institute for Employment Research of the German Federal Employment Agency (IAB), the situation in the German employment market is likely to improve during 2021 as the economy recovers. Unemployment is set to decline by 100,000 people to 2.6 million based on an annual average. Even then, however, it will still be significantly higher than the pre-pandemic level. In terms of gainful employment, the experts from the IAB are forecasting an increase of 130,000 people.

Employment market on tough path to recovery

However, in the long term, the employment market will develop positively, especially for skilled professionals. Basel-based research institute Prognos estimates that there will be a staff shortfall of around 3.9 million people in Germany by 2040, among them 840,000 university graduates and 1.9 million people with vocational qualifications.

The Tax Estimation Workgroup is forecasting a 3.5% increase in gross salaries and wages for 2021. The disposable income of private households in Germany is increasing by 1.8%. FERI Investment Research is anticipating a continued high savings rate of 15.9% in Germany for 2021 (2020: 18.7%).

Salaries and wages displaying robust recovery

Future industry situation and competitive environment

Old-age provision

The old-age provision segment continues to operate in a market environment that is already challenging and has been made even more difficult by the coronavirus pandemic. In the light of short-time work and imminent company insolvencies, it is safe to assume that both private and corporate clients will continue to display reservations when it comes to signing long-term contracts. In addition, there is no end in sight to the low interest rate phase.

In the short term, the coronavirus pandemic remains a factor of uncertainty. According to the results of a YouGov survey, just under a third of German citizens (31%) consider it likely that their old-age provision plans could be negatively impacted by the pandemic and its effects.

However, focus could shift back towards retirement plans in the long term. In its 2020 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 clientele.

The German Insurance Association (GDV e.V.) is expecting demand for life insurance products to increase once again after the corona pandemic has been overcome. However, the trend towards hybrid products with guarantees is likely to continue. The proportion of classic products with fixed interest guarantees will see a marked decline in terms of new business.

Course of the pandemic influencing demand for life insurance

The course that the corona pandemic takes in 2021 will also have a significant influence on the development of occupational pension provision. However, the interest displayed by corporate clients in occupational pension provision is likely to remain lukewarm at best in the near term. Parallel to this, the pandemic will expedite digitalisation in new business, whereby digital structures and occupational pension provision portals are likely to play a bigger role in shaping the market in the future. However, face-to-face consulting and implementation will remain important for corporate clients.

Occupational pension provision holds long-term potential

The German government has provided positive impetus in the context of approving the basic pension by doubling its support for occupational pension provision from a maximum of € 144 to € 288. By taking this step, the government has created a stronger incentive for the creation of an additional employer-financed occupational pension provision concept.

The legislation to strengthen occupational pension provision in Germany (BRSG), which came into force in 2018, will also have an influence here. After all, a transitional arrangement stipulates that the new compulsory employer subsidy will also become binding for all existing contracts as of 1 January 2022.

Depending on how the pandemic progresses and the economy develops, the German Insurance Association (GDV e.V.) is forecasting a development in gross premiums of between +3.0% and -7.0% for life insurance policies in 2021.

Wealth management

For the investment year 2021, FERl is expecting the global economy to overcome the coronavirus pandemic and resume a clear growth course. FERl cites the imminent deployment of effective coronavirus vaccines, huge economic stimulus packages in both the US and Europe, strengthened growth in China, as well as the ongoing period of low interest as the key factors supporting this. The positive trend on the global stock markets should then continue. However, it is impossible to rule out negative surprises in terms of interest rates, which could in turn serve to dampen the favourable stock market environment.

Based on a recent survey undertaken by management consulting firm Boston Consulting Group (BCG), the corona pandemic could potentially bring the worldwide growth in private assets to a standstill. However, an analysis produced by management consultancy zeb indicates that this is likely to rise again in the long term. The company cites global megatrends – such as expansion of the middle classes, an increasing number of high-net-worth individuals (HNWI), the ongoing shifting of funds from deposits to financial assets, increased life expectancy and longer pension terms – in support of this. The need for high-quality wealth management services is therefore likely to increase in the long term despite the crisis.

Around ten percent of all adults in Germany have received at least one inheritance or major gift in the past 15 years. This was determined by the German Institute for Economic Research (DIW). According to this, the average amount of these inheritances in real terms is a good € 85,000 per person, and € 89,000 for gifts. Compared to 2001, inheritances and gifts have increased on average by about 20 per cent in real terms. The structure of MLP's client base means that the volume should be above average here.

Based on estimates of the investment experts at FERl, sustainable investment strategies offer great market potential and are developing into a dominant trend in the investment industry. A planned amendment to the MiFID II stipulations states that investment advisors will be obligated, likely from the start of 2022, to query the "sustainability preferences" of their clients. According to a survey performed by asset management firm Blackrock, institutional investors such as pension schemes, insurance companies, foundations, pension funds, sovereign wealth funds and family offices are keen to more than double their sustainably managed assets from 18 percent as things stand today to 37 percent by 2025. MLP has already been offering a range of sustainable funds since 2012 and these are set to be further expanded in 2021.

Due to major economic concerns associated with the coronavirus pandemic, and also in an attempt to diversify their portfolio, institutional investors are keen to channel more funds into private assets or alternative investments in the future. These are the conclusions of the Schroders Institutional Investor Study 2020. Private equity, infrastructure equity and private debt are the three most important investment segments here.

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 2021.

Non-life insurance

Non-life insurance will remain very important both for the market as a whole and for independent brokers. According to a recent survey undertaken by AssCompact, almost half of respondents expect the relevance of the private property and casualty business to remain at its current high level in the next five years. In terms of sales, the importance of the property and casualty business has been continuously rising over the last five years.

Based on estimates of the German Insurance Association (GDV e.V.), increased awareness of natural hazards could have positive effects on the demand for corresponding insurance products. For example, the GDV is anticipating a stronger demand for insurance coverage that offers protection from natural disasters due to the ever-increasing incidence of extreme weather conditions.

Assets on long-term growth trajectory despite the crisis

Inherited wealth continuously increasing

Investors focussing on sustainability

Institutional investors increasingly choosing private assets

Risk of natural disasters on the rise

Based on forecasts of the German Insurance Association (GDV e.V.), demographic developments are increasing demand for assistance products and services in the field of property and casualty insurance – particularly among older sections of the population.

Assistance services in greater demand

Cyber attacks are still on the rise. According to the "Marsh Insurance Market Report for Germany", almost half of all companies fell victim to cybercrime in 2019. A survey undertaken by AssCompact also indicates that more than three quarters of all independent brokers operating in the commercial property and casualty business are anticipating a positive sales revenue trend for commercial cyber insurance policies over the next three years.

Growth market of cyber insurance

According to data published by the German Insurance Association (GDV e.V.), process optimisations and the use of artificial intelligence (AI) will help make procedures more efficient and affordable in the future, particularly in terms of claims management. This in turn should create scope for new offers. However, the cost decreases could potentially lead to reductions in the price structure in an intensive competitive environment.

Digitalisation as the main driving force behind change

The Allianz Global Insurance Report 2020 forecasts that the topic of sustainability is likely to develop into a key factor for the entire industry. The trend towards sustainable insurance products and the importance of ESG factors will increase, thereby also opening up new market opportunities in the non-life insurance business.

ESG criteria offer new market opportunities

Overall, the German Insurance Association (GDV e.V.) expects gross premium income in the property and casualty insurance field to display development of between –3.0% and +1.8% for 2021. The Allianz Global Insurance Report 2020 expects the premium volume to return to pre-corona pandemic levels as early as in 2022.

Health insurance

Access to private health insurance will also be further restricted in 2021 as a result of the increase to the statutory insurance limit from € 62,550 to € 64,350 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.

Due to a billion-euro hole in the statutory health insurance funds due to the coronavirus pandemic, members should expect to pay higher premiums from 1 January 2021 onwards. The average additional premium for 2021 is likely to increase from 0.2 percentage points to 1.3%.

Statutory health insurance funds: premiums on the rise

As highlighted by the "Continentale Survey 2020", the vast majority of those paying into the statutory health insurance system are worried about the future of the healthcare system in Germany. 81% fear that securing good health provision is likely to cost a lot of money on top of their statutory health insurance premiums. Some 73% therefore consider private provision crucial.

Private health provision remains in demand

Occupational health insurance is slowly starting to pick up speed. Based on figures provided by the Association of Private Health Insurers, the number of companies that offer their employees additional insurance cover of this kind more than tripled between 2015 and 2020. According to the Association of Private Health Insurers, some 1.04 million persons had occupational health insurance provision in place as of 31 December 2020 (+18% compared to the previous year). The number of employers offering occupational health insurance increased by 29% over the previous year to 13,500. In a survey performed by AssCompact, 49% of brokers surveyed indicated that occupational health insurance will become increasingly important in future.

Occupational health insurance offers potential

In its current market outlook, Assekurata rates the business expectations of comprehensive private health insurance as negative overall. However, the field of supplementary insurance is likely to provide positive

stimulus here, above all in the areas of supplementary dental insurance, outpatient hospital tariffs, as well as supplementary long-term care insurance.

Real estate

Based on estimates provided in the survey "Living in Germany 2020", produced by the Sparda banks, the real estate market in Germany is still likely to display robust development even after the coronavirus pandemic. The demand for property is continuing to increase and remains consistently high, particularly in major cities. Accordingly, the survey also highlights an increasing future need for construction work in the urban centres, as well as the areas immediately surrounding major cities.

There is no end in sight for the boom, even in the long term. 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 continue to drive demand for decades. In many regions, strong demand will be leading to significant residential property appreciation.

Trend towards smaller households

Based on projections of the University of Freiburg, real estate prices will 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 increase until 2060. In many regions, strong demand will be leading to significant residential property appreciation.

The Real Estate Sector Autumn Report 2020 is forecasting that pronounced increases in both land prices and construction costs will also lead to a significant rise in residential property purchase prices in many locations. Despite affordable interest rates, property purchasers are finding it increasingly difficult to secure loans and mortgages – not least due to the stricter equity and creditworthiness requirements encountered during the application process.

Property purchasers facing challenges

Properties with nursing care are becoming increasingly popular as an investment. In the course of demographic developments in Germany, the need for in-patient nursing care is set to rise to 3.51 million patients by 2060. This is the estimate of real estate research specialist Bulwiengesa. Accordingly, the number of citizens specifically receiving in-patient care as a percentage of all those requiring nursing care is likely to increase from 31% to 73%. Housing suitable for senior citizens will cease to be a niche product over the course of the next few years and instead form the focus of housing construction policy. After all, the current housing stock is simply not fit for purpose. Indeed, only 3.4% of the housing stock of households with persons of retirement age is currently easily accessible (barrier-free access).

Need for senior citizen housing rising

The growing pressure of demand is already being reflected in the returns in the market for properties with nursing care. According to data provided in the Real Estate Sector Autumn Report 2020, the prime yields for nursing homes are currently at around 4.3% or 3.5% for assisted living.

Loans and mortgages

The prime rate of the European Central Bank (ECB) has been at a record low of zero percent since March 2016. No end to the low interest rate phase is currently in sight. According to a survey of 71 economists performed by international news organisation Reuters, the ECB is likely to stick to its zero percent policy at least until the end of 2021. In terms of the prime rate, the vast majority believe that the so-called deposit rate is also likely to remain at –0.5% in Q4 2021.

The experts at Interhyp are only anticipating a slight increase in the mortgage rate in the second half of 2021 at the earliest.

Construction interest rate remains low

According to our estimates, demand for real estate will remain high. The need for housing suitable for the disabled and elderly will also increase continuously. Investments in property with nursing care are therefore enjoying great popularity and are also considered a secure form of financial investment by banks. Accordingly, we expect demand for loans and mortgages to remain high overall.

Demand for real estate supports financing growth

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. The political discussion in this regard is ongoing. Whether and when the parliamentary process is picked up again in the parliamentary term is impossible to predict. As such, there is unlikely to be any direct impact on MLP's operating business in the field of old-age provision in 2021.

Sluggish parliamentary process regarding legislation to cap insurance commission

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. As a financial institution and provider of a liability umbrella for its investment advisers, MLP Banking AG 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. The draft bill has been the topic of much controversial debate in Berlin's political landscape.

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

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 agreed that various improvements to the current structure of Riester pensions were necessary for this, including the relaxation of the fixed premium guarantee that is currently reducing returns considerably in the low interest rate environment. The CDU is holding discussions with the coalition partner SPD on modernising the Riester pension. It is not yet possible to predict whether and when any legislative action will result from this. However, MLP believes that Riester pensions can still be a prudent old-age provision component for our clients in many cases.

Planned modernisation of the Riester pension

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 10 March 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

It is to be implemented by means of amendments to the disclosure requirements, the MiFID II and the IDD, as well as a whole host of new regulations, such as a label for green financial products, a uniform EU classification system, new EU benchmarks and various EU standards for non-financial reporting. The first step will focus on the disclosure requirements, whereby financial market participants and financial consultants are obligated to disclose in their "precontractual information" how sustainability risks are considered when reaching investment decisions or when providing investment/insurance consulting services. The MLP sales and consulting process will also need to be extended continuously to include further sustainability aspects.

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 in connection with the UN SDGs and allow 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 working 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 the 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 future. 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

Worldwide economic performance in 2020 was marked by the global corona pandemic. Overcoming the pandemic and its consequences will continue to have an impact in the coming year. In terms of its own business development, MLP does not expect things to normalise again until the second half of 2021.

There is still a strong demand for value-maintaining, broadly diversified investment opportunities, especially among clients that already have assets. The current market environment with very low prime rates and negative real interest rates is playing a key part here. We are not anticipating a general change in this environment in the foreseeable future. Over the course of the next few years, we generally expect to see an increased need for consulting services in the field of professional wealth management among all the Group's target clients. 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 considerable 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 a moderate economic growth, the capital market environment is likely to be dominated by pronounced volatility and remain challenging in the financial year 2021. Moreover, we also expect performance-linked compensation to be significantly lower again in 2021 following its pronounced increase in 2020. The MLP Group therefore anticipates revenue development in this consulting field to remain stable overall.

Despite all uncertainties, demographic developments still hold massive long-term potential for MLP. For example, in Germany we are generally still expecting to see an increase in demand for both private and occupational pension provision policies. In the old-age provision field of consulting, 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. As a result of the corona pandemic, we are still anticipating a negative influence on this consulting field, especially in the first half of 2021. The strengthening of our young segment, on the other hand, is likely to provide major positive stimulus. Alongside insurance cover, our consultants are also starting to broker initial provision modules here. We are also anticipating a general recovery in new business for occupational pension provision in 2021 in comparison with 2020, which was a relatively weak year and dominated by the coronavirus pandemic. We are expecting support from our digital occupational pension provision portal for small and medium-sized companies too. 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. Following the decline observed in 2020 due to the corona pandemic, we are anticipating overall new business and old-age provision revenue to be slightly above the previous year's level in the financial year 2021.

We also see further growth potential in non-life insurance, both on the concept side (DOMCURA) and from a sales perspective (MLP Financial Consulting), as well as in cooperation with our sales partners. Following the successful introduction of package products by DOMCURA in the private client arena in previous years, further improved offers were also introduced for residential building insurance. We see potential here, especially in the context of the "Lebenswelt Wohnen" residential living environment, which DOMCURA specifically caters to. There is also great growth potential in the client base at MLP, with, among other things, portfolio acquisitions. Overall, we therefore expect a significant increase in revenue in the non-life insurance consulting field for 2021.

Market conditions in the field of health insurance are unlikely to display any significant improvement in the short-term. The supplementary insurance consulting field continues to hold growth potential. We also

believe that the occupational health insurance consulting field has a promising future. As a whole, we expect revenue in the field of health insurance to remain stable in 2021.

As part of a diversified investment strategy and due to the low interest rates, we continue to view investment properties as a good investment option for our target group. Indeed, we see particularly great growth potential in the brokerage of new buildings and concept-driven properties. This applies especially to nursing care and senior citizen housing. With DEUTSCHLAND.Immobilien, we have acquired special expertise in this field, as well as existing business through the affiliated brokers. We are also benefiting from an extended product range for our consultants. Following restrictions due to the corona pandemic, particularly in the project business, we are anticipating catch-up effects and further upwards movement in terms of revenue development for 2021 as result of the consistently high demand for real estate. In concrete terms, we expect the brokered volume and sales revenue to increase significantly in 2021.

Owing to the ongoing high demand for home ownership, we expect largely unchanged development in the loans and mortgages field of consulting for the year 2021 with revenue remaining at the same high level as recorded in the previous year.

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

Analysis of revenue performance 2021 (compared to the previous year)

2021	
Revenue from old-age provision	Slight increase
Revenue from wealth management	Unchanged
Revenue from non-life insurance	Sharp increase
Revenue from health insurance	Unchanged
Revenue from real estate	Sharp increase
Revenue from loans and mortgages	Unchanged

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.

Continuation of the growth initiatives

In 2020, we have started to focus our activities more 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. We will continue along this path in 2021.

Focus still on physicians

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. We focus our acquisition interest on companies that will help us further diversify our service offering, yet also on those that can contribute to expanding our proportion of recurring revenue. 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. Acquisitions and joint ventures are also conceivable in the markets of FERi and DOMCURA, facilitating profitable inorganic growth and strengthening of the respective business models.

Further acquisitions possible

Further wealth management functionalities are to be integrated and gradually expanded in MLP's online client portal in 2021. Alongside a modern appearance and intuitive operation, clients are also to be offered lots of options for analysing and optimising their investments.

Consistently pushing ahead with digitalisation – online client portal being extended

Recruitments of new consultants therefore remains a focus topic in 2021 and beyond. The young consultants have successful and experienced consultants at their side in the form of regional managers and "university team leaders". Moreover, 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, which will essentially take effect from 2022 onwards.

Recruiting remains in focus

To this end, we aim to strengthen our recruiting activities via our online presence (including expansion of active sourcing activities). We are also anticipating a net increase in our number of consultants for 2021. However, it is important to note that our overall estimate is based on annual employee turnover of around 10%.

We believe that the high quality of our qualification and training measures for our consultants will continue to be the key to success. Indeed, we offer our consultants a programme that far surpasses the legally stipulated level. Despite the restrictions associated with the effects of the corona pandemic in 2020, we are still expecting to achieve a slight increase in the number of central training days (including online seminars) at our Corporate University compared to the last financial year. This also applies to the total budget for qualifications and further training. We are anticipating expenses of around € 14 million for this in 2021.

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.

Consistent efficiency management programme supports growth strategy

Forecast

A consistent cost management approach is one of the pillars for continuously growing profitability. Despite additional investments in our own future, above all in the university segment, administration costs were only slightly above the previous year's level in 2020. The efficiency measures implemented in the past are showing their effects here.

Slight increase in admin costs

We will continue to develop and optimise MLP in 2021. The forecast administration costs therefore still include expenses for investments in the future, in particular for recruiting young consultants within the scope of expanding the young segment. We have spent around € 30.0 million on this since 2018. We have quite consciously sacrificed short-term earnings growth here so as to strengthen our future earnings potential. As planned, we are anticipating additional expenses of around € 14.0 million for this in the financial year 2021. At the same time, we are expecting to reach the break-even point for the first time in this field in 2021 through an increase in sales revenue. Added to this are further investments, in particular in IT, which are largely necessary for the further implementation of our digitalisation strategy. Overall, we expect a constant development of administrative costs.

Against the background of our anticipation of the significant increase in project business in the field of real estate, we are also anticipating a considerable rise in expenses for purchased services from the project business. Overall, we expect to record a slight increase in expenses for the commission business. We forecast a strong increase in expenses for the project business due to the expansion of the business.

We are once again anticipating a significant decrease in the item "Valuation result/loan loss provisions" in the coming year.

Forecast 2021: EBIT expected to remain stable after very strong development

Based on our expectations for revenue and costs, and against the backdrop of the very strong increase in earnings in 2020, we expect EBIT to remain stable overall in the 2021 financial year – despite continued extensive investments, especially in our young segment, but also in the further 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 and that the altered business conditions resulting from the corona pandemic will normalise in the second half of 2021.

Mid-term planning: significant increase in EBIT still anticipated

We expect to record a further marked increase in EBIT in the mid-term – up to 2022 – and will primarily benefit from the strengthening of the young segment and significant expansion of the real estate business.

As was already the case in the previous year, we expect the finance cost to decline further in 2021. The tax rate was 23.2% in 2020. We are anticipating a tax rate of between approximately 28% and approximately 30% for 2021.

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.

Dividend of € 0.23 per share

On this basis, the Executive Board and Supervisory Board will propose a dividend of € 0.23 per share to the Annual General Meeting on 24 June 2021. The payout ratio is around 58% 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, sufficient internal financing capacity is therefore in place for the forecast period. However, we can also supplement this by borrowing adequate funds should suitable opportunities present themselves. 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.

We will continue to make investments in the future, above all in our IT systems. We expect to be able to finance all investments from cash flow.

Slight increase in return on equity anticipated

The return on equity increased to 9.5% (8.7%) in 2020. Assuming unchanged shareholders' equity, we are anticipating the return on equity to decline again to the level of 2019 (8.7%).

The overall liquidity situation remains good. Liquidity will be reduced by the intended dividend payment of € 25.1 million for the financial year 2020. It will increase again in the second half of 2021 thanks to the typical year-end business. Acquisitions which are largely financed through our cash holdings would also have a negative effect on the Group's liquidity and capital adequacy. We are not anticipating any liquidity squeezes for the coming financial year.

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

MLP anticipates that the challenging market conditions will continue throughout the financial year 2021. At the same time, we will increasingly benefit from the future-oriented strategic alignment of the Group, which we have expedited in the last few years. Thanks to the successful further development, above all in the young segment and the real estate business, we expect EBIT to remain stable in 2021 against the backdrop of the significantly stronger than expected increase in earnings in 2020. We therefore expect to see a positive overall development within the Group. We enjoy a sound financial standing, which we are keen to use to further extend our strong market position.

Our expectations are based on the conviction that the changed circumstances due to the corona pandemic, will largely normalise again in the second half of 2021. However, MLP is keeping its eye on potential effects and continuously assesses their potential influence on business.

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 in accordance with 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. In this segment, MLP Finanzberatung SE is the Group's consulting company for private and corporate clients and is registered as an insurance broker. MLP Banking AG as a financial institution is supervised by the Federal Financial Supervisory Authority (BaFin). It offers banking services to both private and business clients – from accounts and cards, through loans and mortgages, to wealth management. As an underwriting agency, DOMCURA designs, develops and implements extensive coverage concepts for private and corporate clients in the non-life insurance consulting field. With the acquisition of the DOMCURA Group in 2015, MLP also acquired several brokers in the commercial non-life insurance field alongside the primary underwriting agent business. As the parent company of further brokerage firms, nordias GmbH Versicherungsmakler is home to further brokers in the commercial non-life insurance sector. 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

Due to 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 the light of the above, the economic framework conditions, the industry situation and the competitive environment are essentially the same as those of the MLP Group and are described in detail in the sections entitled → ["Overall economic climate"](#) and → ["Industry situation and competitive environment"](#).

Results of operations

At € 5.4 million (€ 5.3 million), revenue remained slightly above the previous year's level. Revenue essentially comprises rental income from affiliated companies. At € 3.7 million (€ 4.2 million), other operating income stood slightly below the previous year's level.

Personnel expenses declined to € 6.3 million (€ 7.0 million) in the last financial year. Tax reserves remained virtually unchanged at € 2.6 million (€ 2.5 million). Other operating expenses grew to € 9.5 million (€ 9.0 million). Earnings before interest and taxes (EBIT) were € –9.3 million (€ –9.0 million).

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

The finance cost in the reporting year was € 53.6 million (€ 31.7 million) and as such significantly higher than in the previous year. This can essentially be attributed to income from profit/loss transfer agreements, which increased by 64% to € 52.9 million (€ 32.3 million) in the reporting year. Following deduction of income taxes of € 10.8 million (€ 2.2 million), this resulted in net profit of € 33.3 million (€ 20.5 million). No withdrawal (€ 2.5 million) from retained earnings was performed in the reporting year, leaving unappropriated profit at € 25.1 million (€ 23.0 million).

Net assets

As of the balance sheet date on 31 December 2020, the balance sheet total of MLP SE was € 415.9 million (€ 402.2 million).

On the assets side of the balance sheet, the item "Property, plant and equipment" declined slightly to € 29.4 million (€ 31.5 million). This was essentially due to depreciation and amortisation expenses. Tax reserves remained unchanged at € 242.3 million (€ 242.3 million). The receivables and other assets increased markedly to € 79.9 million (€ 33.7 million). This is essentially due to an increase in receivables from affiliated companies, which more than doubled to € 76.2 million (€ 31.9 million). This is primarily attributable to receivables from subsidiaries of MLP SE, resulting from profit/loss transfer agreements in place with these companies. Other assets grew to € 3.7 million (€ 1.8 million).

On the equity side of the balance sheet, shareholders' equity increased to € 378.1 million (€ 367.7 million) as a result of the increase in unappropriated profit. The share capital and capital reserves remained unaltered at € 109.3 million (€ 109.3 million) and € 139.1 million (€ 139.1 million) respectively. At € 104.6 million (€ 96.4 million), retained earnings were on a par with the previous year. Unappropriated profit increased to € 25.1 million, following € 23.0 million in the previous year.

Provisions increased to € 31.9 million (€ 24.6 million), with pension provisions and similar obligations rising slightly to € 14.4 million (€ 13.1 million). Provisions for taxes rose to € 10.6 million (€ 6.0 million). Liabilities fell to € 5.9 million (€ 9.8 million), which can essentially be attributed to a decline in other liabilities to € 2.6 million (€ 6.8 million). This item is mainly made up of tax liabilities, which dropped to € 1.7 million (€ 6.0 million). Liabilities due to affiliated companies increased to € 2.2 million (€ 2.1 million).

Financial position and dividends

As of the balance sheet date, 31 December 2020, MLP SE had cash holdings (cash on hand and on deposit with the Deutsche Bundesbank, bank deposits and cheques) of € 64.1 million (€ 94.4 million). This item was reduced by the dividend payout to our shareholders at € 0.21 per share and a total volume of € 23.0 million. The profit transfers from our subsidiaries had the opposite effect.

At 90.9% (91.4%), the equity ratio remained at the previous year's level. MLP SE therefore continues to enjoy a good equity capital backing.

The liabilities of MLP SE declined to € 5.9 million (€ 9.8 million), essentially due to lower tax liabilities and liabilities due to affiliated companies. Almost all liabilities at MLP SE are current liabilities. Cash and cash equivalents therefore exceed current liabilities more than ten times.

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 net profit of the MLP Group. In concrete terms, the Executive Board and Supervisory Board will propose a dividend of € 0.23 per share at the Annual General Meeting on 24 June 2021. This corresponds to a distribution rate of around 58% 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 refer to the comparison with the forecast business performance of the MLP Group.

Despite market conditions that generally remained difficult for its subsidiaries, on the whole MLP SE was able to meet its own objectives and expectations in 2020.

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 six employees in the last financial year.

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

Risks and opportunities at MLP SE

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

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

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

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

Forecast for MLP SE

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

Explanatory Report on the Disclosures Pursuant to Sections 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. In this respect, we refer to the explanatory report on the disclosures in accordance with §§ 289a (1), 315a (1) of the German Commercial Code (HGB) of the MLP Group.

Declaration of Corporate Governance pursuant to § 289f of the German Commercial Code (HGB)

The Declaration of Corporate Governance applies equally to MLP SE and the MLP Group. We therefore refer to the MLP Group's Declaration of Corporate Governance.

EXPLANATORY REPORT ON THE DISCLOSURES PURSUANT TO SEC. §§ 289a ABS. 1, 315a ABS. 1 HGB

Composition of capital

As of 31 December 2020, 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	27.33% 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 31 December 2020

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 Chairperson and one or more Vice Chairpersons.

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 14 June 2018 authorised the Executive Board, with the Supervisory Board's approval, to increase the company's share capital by up to € 21.5 million in total by 13 June 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 approval, 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 29 June 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 28 June 2022. Based on this authorisation, MLP Finanzberatung SE – a 100% subsidiary of MLP SE – acquired 382,000 shares up to 28 February 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. Based on 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 1 January to 1 March 2019. In April 2019, a total of 539,947 shares were then transferred to commercial agents working for MLP Finanzberatung SE. With the consent of the Supervisory Board, the Executive Board acquired further shares from January 2020 onwards. These shares will be used to cover consultant entitlements resulting from the 2019 participation programme. In the time from 2 January up to and including 11 February 2020, a total of 566,000 shares were bought back. In April 2020, a total of 557,886 shares were then transferred to commercial agents working for MLP Finanzberatung SE as part of the 2019 participation programme. With the consent of both the Executive Board and the Supervisory Board at MLP SE, the Executive Board at MLP Finanzberatung SE approved the share buyback in the first quarter of 2021. The redeemed shares are to be used to cover consultant entitlements in connection with the 2020 participation programme. MLP Finanzberatung SE still held 8,500 shares on the reporting date of 31 December 2020. 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 2021.

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 31 December 2022, the service contract of Mr Manfred Bauer is set to run until 30 April 2025 and the service contract of Mr Reinhard Loose is set to run until 31 January 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

In line with the requirements of § 21 of the Transparency of Pay Act (EntgTranspG), the following provides information on both equality and equal pay at MLP. Within the MLP Group, only the subsidiary MLP Finanzberatung SE exceeds the legally stipulated threshold of 500 employees and only this company is therefore reportable. Despite this, reporting is still performed for the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE, as the relevant parameters are recorded on the basis of a company agreement governing these joint operations. Set against this background, reporting is only performed regarding those employees that cannot be classed as executive employees pursuant to § 5 (3) of the Works Constitution Act (BetrVG). These represent approximately 64.31% of all employees in the MLP Group.

A "pay system" works agreement has been in place at MLP since November 2015. During this process, the various positions below the level of division leader were assessed based on abstract criteria and then assigned to a total of 10 salary brackets.

While introducing the pay system at MLP, and in particular with the assignment of job types to the various salary brackets, MLP gained statistical conclusions that enable the provision of information regarding gender-equal pay at MLP.

It should be pointed out here that the salary bracket assignment criteria are based on job types and are therefore essentially gender-neutral pursuant to the Transparency of Pay Act (EntgTranspG), as is MLP's pay system. This means that any notion of gender-based discrimination is already ruled out in the pay system employed by MLP.

At the same time, there is also a mature pay structure in place at MLP. With regard to the outcome from the introduction of the new pay system, the following three areas revealing differences in pay were identified.

In connection with the lower brackets it was determined that female employees were over-represented in terms of total numbers. This means that the predominant share of all employees whose actual pay was initially still below the lower salary bracket limit recognised as critical by the assessment committee for the respective job type were female. The Executive Board reacted to this finding and raised the salaries of all employees affected by this into the relevant salary bracket in the last financial year 2017. By taking this voluntary step, the Executive Board contributed to increasing gender equality in terms of pay.

In the upper brackets, female employees at MLP are slightly under-represented in terms of the number of persons affected – at least at company HQ. This means that there were, and still are, fewer women than men among those MLP employees whose current annual pay is above the relevant salary bracket. From an employment law perspective, however, this can only partially be influenced by employers, as salary cuts are generally not permitted. Due to the provisions of the company agreement, balancing this situation by raising the salary of women above the relevant salary bracket is not permitted and also cannot be demanded in line with the purpose and intention of the Transparency of Pay Act (EntgTranspG), as this law does not postulate any "equality in injustice".

Female employees are still generally under-represented in higher-level management positions. The higher the hierarchy level, the lower the proportion of women within the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE. Unfortunately, rectification of this situation is difficult. There are limits as to what MLP can achieve here as an employer – not least since it is common for fewer women to apply for vacant management positions than would be desirable, despite the fact that there are significantly more female than male employees at MLP. In the financial year 2020, the Executive Board approved a concept for increasing the percentage of women at management levels within the company. The individual measures within the package of measures are set to be implemented by the end of 2022. The objective is to achieve a gender balance at the individual management levels in the company.

The term "pay gap" is used in the public discussion to describe the delta between the pay of men and that of women. Although a precise definition of this term and the factors to be taken into consideration has not yet been provided, the German Federal Statistical Office nevertheless states a figure of 6 percent as an "adjusted pay gap" (figure from 2018, as the calculation can only be performed every four years as per press release #484 of the German Federal Statistical Office from 8 December 2020).

According to information provided by Compensation Online, the cooperation with Germany's Federal Ministry of Family Affairs, Senior Citizens, Women and Youth expired at the end of 2019. The compensation monitor of Compensation Online, which we had used for our first report on pay transparency due to the adjusted pay gap it stated, broken down by sectors, has therefore no longer been updated since 2020. This data basis is therefore no longer available. The unadjusted pay gap between men and women, weighted according to salary bracket and number of persons, was around 2.96% at MLP at the end of 2020. To determine this percentage value, the average pay of men per salary bracket was compared with the corresponding average pay of women and the resulting individual values weighted on the basis of the number of incumbents per salary bracket. The obvious adjustment factor is age. On average, the men at MLP are approximately 1.9 years older than the women. Accordingly, they tend to have enjoyed greater general and individual salary development (at MLP, yet potentially also at their previous employer, which typically also influences the starting salary). For the purposes of adjustment, the long-term average of annual salary development was applied conservatively at 2% p.a. Adjusted in this way for this average age difference, the pay gap at MLP was therefore approximately 1.14%.

Even if a pay gap, adjusted for age differences, that disadvantages female employees were to exist at MLP, it would be significantly below the "adjusted pay gap" of the German Federal Statistical Office applied here. Since further adjustment factors also come into consideration as per the German Federal Statistical Office, there are good reasons to suggest that a pay gap at MLP, if it even exists, is not of significant magnitude.

No systematic gender-specific pay discrimination that would disadvantage female employees can be detected in the individual departments at company HQ. Generally speaking, there are job types with higher average pay for women, as well as job types in which men generally receive higher average pay in large parts of MLP Banking AG and MLP Finanzberatung SE. However, no valid blanket statements can be made about this for the branch office staff which is spread out across Germany. The individual branch offices are too small, and the positions are predominantly filled by women, meaning that a statistically sound salary comparison between men and women cannot be produced.

Most employees at company HQ are assigned to salary brackets 5 and 6 with their job types, whereby significantly more women than men are remunerated in these two salary brackets. At the end of 2020, the average salary of all male employees in salary bracket 5 was higher than the average salary determined for all women in salary bracket 5. With regard to salary bracket 6, the average salary of women is higher, although not quite as significantly. It cannot therefore be assumed that any kind of "systematic gender-based pay discrimination" is prevalent at MLP.

With the Transparency of Pay Act (EntgTranspG), employers with more than 500 employees are requested to perform their own company audit with the aim of reviewing their pay systems in terms of compliance with the equal pay principle. The legislator's intention is for auditing processes of this kind to be performed on a voluntary basis under the employer's own responsibility. The objective of the internal company auditing process is to identify individual women who are not receiving equal compensation. Any disadvantage to individual female employees that is identified should then be addressed with suitable measures on the part of the employer.

MLP performed an audit process of this kind on a voluntary basis in 2017 for the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE. Details on this are published in the annual report for the financial year 2017.

Since MLP remains committed to pursuing the objective of gender pay equality, further internal investigations may still be performed.

Alongside these purely pay-based measures, MLP offers a large number of further measures promoting a good work-life balance and thereby contribute to greater equality of pay. You can find further information on this in the management report under → ["Corporate governance report – Declaration of Corporate Governance \(§ 289f of German Commercial Code \(HGB\)\)](#).

For non-management employees in the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE, the following statistical information is provided as per the requirements of § 21 (2) of the Transparency of Pay Act (EntgTranspG):

2020	Number (total)	Number (full-time)	Number (part-time)	Quota (total)	Quota (full-time)	Quota (part-time)
Men	352.75	322	30.75	29.84%	91.28%	8.72%
Women	829.5	332	497.5	70.16%	40.02%	59.98%

NON-FINANCIAL REPORT OF BUSINESS ACTIVITIES

Within the scope of our 2020 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 (§ 289f of the German Commercial Code (HGB))

Pursuant to §§ 315d, 289f of the German Commercial Code (HGB), the Executive Board and Supervisory Board submit the Declaration of Corporate Governance for both MLP SE and the Group.

Compliance with the Corporate Governance Code

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

Pursuant to § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of MLP SE hereby declare that the Company has generally complied with the recommendations of the Government Commission for the German Corporate Governance Code in the version dated 7 February 2017 (hereinafter also referred to as the "GCGC 2017") since the last Declaration of Compliance was issued and will generally continue to comply with the recommendations of the Government Commission for the German Corporate Governance Code in the version dated 16 December 2019 (hereinafter also referred to as the "GCGC 2019") in the future. In connection with the recommendations of the Government Commission for the German Corporate Governance Code in the version dated 7 February 2017, reference is made to the Declaration of Conformity of 13 November 2019. Accordingly, only the recommendations in Sections 4.1.5, 4.2.3 Sentence 11, 4.2.3 Sentences 12 to 14, 5.1.2. Sentence 2, 5.1.2 Sentence 8, 5.4.1 (2) Sentence 2 clause 4, clause 5 and clause 6, Section 5.4.1 (5) Sentence 2 clause 1 of the GCGC 2017 were not applied in the past.

With regard to the recommendations of the Government Commission for the German Corporate Governance Code in the version dated 16 December 2019, only recommendations A.1, B.1, B.5, C.1 Sentence 5, C.2, C.4, C.6, C.7, C.8, C.9, C.10, C.14, D.4, G.7 and G.10 are currently not being applied and will also not be applied in future.

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

Recommendation A.1 of the GCGC 2019 (considering diversity when making appointments to executive positions)

As per the recommendations of the GCGC 2019, the Executive Board should consider diversity when making appointments to executive positions.

In the current financial year, the Executive Board has intensified its efforts with respect to diversity, making appointments to executive 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 years 2019 and 2020, the Executive Board again reviewed the effectiveness of these measures and appropriately complemented these where necessary. The Executive Board already adopted an overall concept in November 2013 to ensure that appropriate consideration is given to women in the Company's management ranks, taking into account the Company's specific situation. This concept is currently being tested. Among other things, it should make a contribution, on the basis of objectives, to further improving the reconciliation of working and family life, which is set out in a target agreement of the Company that is moderated by the Hertie Foundation in the context of a berufundfamilie® audit. However, no concrete gender-specific guidelines with regard to filling positions have yet been established. Nevertheless, in

2020 the Executive Board at MLP SE approved a target of at least 33 percent for female managers at the first management level below the Executive Board at MLP SE, whereby this percentage is to be achieved by the end of the financial year 2025. Beyond this, MLP SE does not have a second level of management below the Executive Board.

At present these measures are insufficient to meet the requirements laid down in recommendation A.1 of the Code. MLP therefore declares that it will deviate from this recommendation in the financial year 2020 as in the financial year 2021.

Recommendation B.1 of the GCGC 2019 (diversity in the composition of the Executive Board)

As per the recommendations of the GCGC 2019, the Supervisory Board should pay attention to diversity in terms of the composition of the Executive Board.

The Supervisory Board of MLP SE strives to further intensify its future efforts with respect to diversity and, particularly, an appropriate consideration of women when appointing members of the Executive Board. The Supervisory Board gives specific regard to applications from suitable female candidates in its selection procedures. For the first time in the financial year 2014, the Supervisory reviewed this aspect and will undertake further measures so as to build on the Group-wide overall concept already passed by the Executive Board for the implementation of the respective GCGC 2017 recommendation (considering diversity when making appointments to executive positions) and also achieve an appropriate consideration of women within the Executive Board of the Company, taking into account the Company's specific situation. In 2020, the Supervisory Board confirmed the target of at least 25 percent for the proportion of women on the Executive Board – which currently only comprises three persons – and set itself the end of the financial year 2025 as the implementation deadline.

The Supervisory Board is of the opinion that the state of implementation achieved to date is not yet sufficient to meet the requirements set out in recommendation B.1 of the GCGC 2019. MLP therefore declares it will deviate from this recommendation at present, in the financial year 2020 and in the financial year 2021.

Recommendation B.5 of the GCGC 2019 (age limit for members of the Executive Board and disclosure in the declaration on corporate governance)

As per the recommendations of the GCGC 2019, an age limit is to be specified for members of the Executive Board and disclosed in the declaration on corporate governance.

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. MLP does not comply with this recommendation at present and will not comply in the financial years 2020 or 2021.

Recommendation C.2 of the GCGC 2019 (age limit for members of the Supervisory Board and disclosure in the declaration on corporate governance)

As per the recommendations of the GCGC 2019, an age limit is to be specified for members of the Supervisory Board and disclosed in the declaration on corporate governance.

No age limit is set for members of the Supervisory Board at MLP. The election of members of the Supervisory Board should be based solely on their knowledge, skills and specialist experience. MLP does not comply with this recommendation at present and will not comply in the financial years 2020 or 2021.

Recommendation C.4 of the GCGC 2019 (number of non-group mandates)

As per the recommendations of the GCGC 2019, a member of the Supervisory Board that does not hold a position on any Executive Board at a listed company should not assume more than a total of five Supervisory Board mandates at listed companies outside the Group or comparable functions, whereby the position of Chair of the Supervisory Board counts as two mandates.

As per Principle 12 of the GCGC 2019, the Supervisory Board should ensure that all candidates can commit the time likely to be required when making proposals for election of new members to the Supervisory Board. This recommendation was based on the fact that the workload resulting from the individual mandates and other offices, as well as the personal situation of the candidates, can vary quite markedly. § 100 (2) No. 1 of the German Stock Corporation Act (AktG) limits the maximum number of Supervisory Board mandates to ten mandates per person. § 25d of the German Banking Act, which also applies to MLP SE, in turn limits the number of mandates such that anyone who is a member of the Executive or Supervisory Board at more than five companies which are under the supervision of the Federal Financial Supervisory Authority (BaFin) cannot be a member of the Supervisory Board, unless these companies are covered by the same institutional protection scheme. However, a greater number of mandates is also legally permitted based on this regulation. Set against this background, MLP considers that it is adopting the correct approach by having its Supervisory Board ensure that the respective candidate can commit the required amount of time and that this is reviewed on a regular basis.

MLP therefore declares it will deviate from this recommendation at present and in the financial years 2020 and 2021.

Recommendation C.1 sentence 5, C.6, C.7, C.8, C.9, C.10 and D.4 of the GCGC 2019 (independence of Supervisory Board members and committee members)

As per recommendation C.1 Sentence 5 of the GCGC 2019, the declaration on corporate governance should also report on the number of independent shareholder representatives deemed appropriate based on the assessment performed by the Supervisory Board, as well as stating their names. As per recommendation C.6 of the GCGC 2019, the Supervisory Board should include a number of independent members on the shareholder side that the Supervisory Board itself deems appropriate. The ownership structure should be considered here. As defined by this recommendation, a member of the Supervisory Board can be classed as independent if the person is independent from the Company and its Executive Board, as well as independent from a controlling shareholder.

As per recommendation C.7 of the GCGC 2019, more than half of the shareholder representatives should be independent from the Company and from the Executive Board. As stipulated by the GCGC 2019, a member of the Supervisory Board is independent from the Company and its Executive Board when said person is not engaged in any kind of personal or business relationship with the Company or its Executive Board that could be considered a significant and not only temporary conflict of interests. When assessing the independence of its members from the Company and from the Executive Board, the shareholder side should in particular take into account whether the actual member of the Supervisory Board or one of their close family members

- has already been a member of the Executive Board at the Company in the two years prior to being appointed,
- maintains or has maintained, either currently or in the year up to their appointment, a key business relationship with the Company or one of its subsidiaries/dependent companies (for example as a client, supplier, creditor or consultant) either directly or as a shareholder or in a responsible role at a non-group company,
- is a close family member of a member of the Executive Board or
- has held a position on the Supervisory Board for more than 12 years.

Insofar as one or more of the indicators stated in recommendation C.7 of the GCGC 2019 is met, but the respective member of the Supervisory Board is still considered independent despite this, recommendation C.8 of the GCGC 2019 stipulates that this should be justified in the declaration on corporate governance. In the case of a Supervisory Board with six or fewer members, recommendation C.9 of the GCGC 2019 states that at least one representative of the shareholders should be independent from the controlling shareholder, whereby a member of the Supervisory Board is independent from the controlling shareholder if neither said member nor one of their close family members is a controlling shareholder, sits on a management committee of the controlling shareholder or is in a personal/business relationship with the controlling shareholder that could justify a significant and not only temporary conflict of interests.

As per recommendation C.10 of the GCGC 2019, the Chairman of the Supervisory Board, the Chairman of the Audit Committee and of the committee that addresses Executive Board compensation should all be independent. The independence of the Chairman of the Audit Committee is then once again postulated by recommendation D.4 of the GCGC 2019.

MLP has chosen not to adopt these recommendations for the following reasons: when the Audit Oversight Reform Act (APAReG) came into force on 17 June 2016, the former legal regulations on the independence of members of the Supervisory Board were dropped completely. The justification submitted by the government during the legislative procedure stated that "*a generally high degree of independence is already ensured*" through institutional separation of the Supervisory Board and Executive Board. However, recommendation C.6 (2) of the GCGC 2019 now states that members of the Supervisory Board are to be classed as independent if they are independent from the Company and its Executive Board, as well as independent from a controlling shareholder. The fact that recommendation C.7 (2) of the GCGC 2019 contains a (non-exhaustive) list of criteria that the shareholder side should consider when assessing independence is also new. From MLP's perspective, both this indicator solution and the assessment of individual members of the Supervisory Board involve a certain degree of legal uncertainty for associated declarations of compliance.

Firstly, it uses terminology that is both vague and not defined precisely in terms of legislation or legal practice, such as "close family member" or "independence from the Executive Board".

Secondly, according to the GCGC 2019, it must be taken into account whether the person in question has been a member of the Supervisory Board for more than twelve years. In this respect, it already appears questionable whether a long period spent on a Supervisory Board is actually an indicator of a lack of independence. While it might well be the case that spending many years as a member of a Supervisory Board can make a person professionally blinkered to a certain extent, an initial assertion of fraternisation and thereby a lack of independence from the Executive Board cannot be justified by this alone. From MLP's perspective, even Supervisory Board mandates that are performed for more than 12 years still allow such members to act independently and remain impartial with regard to the Executive Board. Added to this is the fact that, from our perspective, such a presumption must surely also require correspondingly long continuity in terms of the composition of the Executive Board. Of course, it is considered good practice for members of the Supervisory Board at companies to maintain at least certain personal and professional distance from the members of the Executive Board, so that they can remain impartial in a critical situation or when reaching decisions on topics that might be considered controversial. However, this cannot be reliably addressed with all its nuances by legal norms or code recommendations. From MLP's perspective, it must instead remain in the purview of good practice at each company. Set against this background, MLP considers the provisions of the GCGC 2019 regarding independence to be flawed and will therefore continue to assess the independence of its Supervisory Board members using the same criteria on which this assessment has been based to date.

Applying these criteria, which MLP will continue to use, to the current Supervisory Board members on the shareholder side, it becomes clear that three of these Supervisory Board members should be considered independent in this sense. From the Company's perspective, this appears perfectly adequate. Set against this background, it is superfluous to disclose which of the new independence criteria stipulated by the

GCGC 2019 individual members of the Supervisory Board at MLP SE fail to meet. The same applies to the further disclosure recommended in C.9 of the GCGC 2019.

Irrespective of this, MLP declares that it currently deviates from the above recommendations in C.1 Sentence 5, C.6, C.7, C.8, C.9, C.10 and D.4 of the GCGC 2019 and will continue to do so in the financial years 2020 and 2021, as the Supervisory Board has not approved any fixed targets for the number of independent Supervisory Board members, does not agree with the definition of independence in the GCGC 2019, has not stipulated any appropriate number of independent Supervisory Board members as defined by the GCGC 2019 and also has not provided their names, instead it considers appointments on the basis of the respective qualifications.

Recommendation C.14 of the GCGC 2019 (inclusion of a curriculum vitae for candidate proposals)

As per the recommendations of the GCGC 2019, 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 the election of shareholders' representatives or also employees' representatives and which information specifically needs to be included in the CVs in order to provide information on the respective candidate's knowledge, expertise and experience. Moreover, 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 considered sufficient.

MLP therefore declares it will deviate from this recommendation at present, in the financial years 2020 and 2021.

Recommendation G.7 of the GCGC 2019 (establishing performance criteria)

As per G.7 of the GCGC 2019, the Supervisory Board should establish performance criteria for the coming financial year for each member of the Executive Board that govern all variable compensation components, which should themselves – alongside operating targets – primarily be based on strategic objectives. The Supervisory Board should set out the scope in which individual targets apply to individual Executive Board members or to all members of the Executive Board together.

The Company's Executive Board compensation system is based uniformly on Group EBIT as a performance criterion in terms of the profit-sharing payments for members of the Executive Board. This is a performance criterion for the Executive Board as a collegial body. In the performance assessment undertaken every year for each individual member of the Executive Board, the personal contributions of individual Executive Board members are considered against the collective performance criterion and, where appropriate, used as justification for rights of adjustment to which the Supervisory Board are contractually entitled.

This recommendation clearly involves both operating and strategic targets. However, there is only one performance criterion at the Company. Moreover, no information as to which criterion should be used to differentiate between operating and strategic targets is defined in the GCGC 2019. In fact, this is left completely open.

As a precautionary step, MLP therefore declares that it will deviate from this recommendation in the financial years 2020 and 2021.

Recommendation G.10 of the GCGC 2019 (share-based compensation; availability of long-term variable payments granted)

Based on recommendation G.10 Sentence 1 of the GCGC 2019, the long-term variable compensation elements granted to a member of the Executive Board should predominantly be invested in shares in the Company by said member or granted accordingly on the basis of shares. In addition to this, a member of the Executive Board should only qualify for the long-term variable compensation elements after four years.

MLP does not compensate the members of its Executive Board on the basis of shares. Stipulations applying to the members of the Executive Board regarding what specific form variable compensation is to take after being granted are not deemed necessary. As a rule, each individual member of the Executive Board can determine this independently. However, any member of the Executive Board is obviously free to invest any compensation received in MLP shares.

Payment of the long-term variable compensation components granted takes place three years and four months after the end of the financial year for which said compensation components were granted. The members of the Executive Board can therefore receive these before four full years have passed. MLP considers this qualifying period of three years and four months to be adequate.

From MLP's perspective, the payment modalities for Executive Board compensation have proven effective, so there is no reason to change the current approach.

MLP therefore declares that it is currently deviating from these recommendations and will continue to do so in the financial years 2020 and 2021. As such, it will not introduce any share-based variable compensation or make any stipulations regarding use of the variable compensation granted to members of the Executive Board. The same applies to an extension of the qualifying period for payment of the long-term variable compensation components granted.

Wiesloch, November 2020

MLP SE

The Executive Board The Supervisory Board"

In November 2020, 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 9 November 2020 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.

Responsible and value adding management

By mainly complying with the stipulations of the German Corporate Governance Code (GCGC) in the version of 16 December 2019, 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 controlling 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. 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.

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.

Executive Board

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.

According to MLP SE's Articles of Association, the Executive Board at MLP SE comprises at least two members. 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 members of the Executive Board are Dr Uwe Schroeder-Wildberg (CEO), Manfred Bauer and Reinhard Loose.

Composition of the
Executive Board

As per the recommendations of the GCGC, an age limit is to be specified for members of the Executive Board and disclosed in the Declaration of Corporate Governance. 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 per Recommendation B 2 of the GCGC, the Supervisory Board should work together with the Executive Board to secure long-term succession planning. As the financial holding company, § 25d (11) of the German Banking Act (KWG) already stipulates that the Supervisory Board at MLP SE must adhere to institutionalised principles when identifying applicants to fill a management position and when preparing election nominations, as well as when checking the basic principles employed by management for the selection and appointment of persons at the upper management level. The Supervisory Board has approved a requirements profile for members of the Executive Board at MLP SE, which addresses the professional and personal aptitude of potential candidates. Alongside this, the Supervisory Board at MLP SE has already been including the topic of long-term succession planning on the agenda of a Supervisory Board meeting at least once a year on a recurring basis since 2014. This focuses on the discussion of both conceptual issues associated with succession planning and specific potential candidates. In accordance with above requirement profile, the Supervisory Board reviews whether a defined group of persons regularly possesses adequate theoretical (banking) knowledge and practical (banking) experience or whether targeted development of a group of individual candidates can be achieved through a development programme within the company to acquire the necessary theoretical and practical experience in the form of individual measures.

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.

Supervisory Board

Resolutions of the Supervisory Board are made during meetings convened by the Chairman of the Supervisory Board, or on their 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.

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 regarding the employees' representatives. The appointment of the employees' representatives on the Supervisory Board is based on a participation arrangement 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, Alexander Beer (employee representative) and Burkhard Schlingermann (employee representative), who resigned from his position on 31 December 2020 after reaching the standard retirement age. Monika Stumpf, Deputy Chairperson of the Works Council, joins the committee as Mr Schlingermann's successor. Ms Müller has held a seat on the Supervisory Board since the financial year 2015, Dr Lütke-Bornefeld since the financial year 2002, Dr Dill since the financial year 2008, Mr Lautenschläger since the financial year 2018 and the employees' representatives, Messrs Schlingermann and Beer, since the financial year 2013, whereby the membership in the periods prior to September 2017 related to MLP AG, as the change in corporate form (MLP AG to MLP SE) took place at that time.

Supervisory Board composition

As per the recommendations of the GCGC, the Supervisory Board should define specific targets for its composition and draw up a skills profile for the entire Board. In doing so, the Supervisory Board should also pay attention to diversity. Proposals submitted to the Annual General Meeting by the Supervisory Board should take into consideration these targets and, at the same time, aim to meet the skills profile for the entire Board.

In its meetings during past financial years, the Supervisory Board at MLP SE addressed the topic of setting specific targets for the composition of the Supervisory Board, paying particular attention to its own target of securing diversity in terms of its composition, as the Supervisory Board has set itself concrete targets for its composition. One item worthy of 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. Statements on the stipulations for promoting equal participation of women in management positions pursuant to § 111 (5) of the German Stock Corporation Act (AktG) are presented in the context of the Declaration on Corporate Governance.

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 in connection with reporting and internal control procedures. The Chairman of the MLP SE Audit Committee fully complies with these requirements.

As indicated in the above Declaration of Compliance, MLP declares that it deviates from recommendations C.1 Sentence 5, C.6, C.7, C.8, C.9, C.10 and D.4 of the GCGC 2019, since the Supervisory Board has not approved any fixed targets for the number of independent Supervisory Board members, does not agree with the definition of independence in the GCGC 2019, has not stipulated any appropriate number of

Independence of the Supervisory Board

independent Supervisory Board members in the sense of the GCGC 2019 and also has not provided their names, instead it considers appointments on the basis of the respective qualifications. When the Audit Oversight Reform Act (APAReG) came into force on 17 June 2016, the former legal regulations on the independence of members of the Supervisory Board were dropped completely. The justification submitted by the government during the legislative procedure stated that "a generally high degree of independence is already ensured" through institutional separation of the Supervisory Board and Executive Board. However, recommendation C.6 (2) of the GCGC 2019 now states that members of the Supervisory Board are to be classed as independent if they are independent from the Company and its Executive Board, as well as independent from a controlling shareholder. The fact that recommendation C.7 (2) of the GCGC 2019 contains a (non-exhaustive) list of criteria that the shareholder side should consider when assessing independence is also new. From MLP's perspective, both this indicator solution and the assessment of individual members of the Supervisory Board involve a certain degree of legal uncertainty.

Firstly, it uses terminology that is both vague and not defined precisely in terms of legislation or legal practice, such as "close family member" or "independence from the Executive Board".

Secondly, according to the GCGC 2019, it must be taken into account whether the person in question has been a member of the Supervisory Board for more than twelve years. In this respect, it already appears questionable whether a long period spent on a Supervisory Board is actually an indicator of a lack of independence. While it might well be the case that spending many years as a member of a Supervisory Board can make a person professionally blinkered to a certain extent, an initial assertion of fraternisation and thereby a lack of independence from the Executive Board cannot be justified by this alone. From MLP's perspective, even Supervisory Board mandates that are performed for more than 12 years still allow such members to act independently and remain impartial regarding the Executive Board. Added to this is the fact that, from our perspective, such a presumption must surely also require correspondingly long continuity in terms of the composition of the Executive Board. Of course, it is considered good practice for members of the Supervisory Board at companies to maintain at least certain personal and professional distance from the members of the Executive Board, so that they can remain impartial in a critical situation or when reaching decisions on topics that might be considered controversial. However, this cannot be reliably addressed with all its nuances by legal norms or code recommendations. From MLP's perspective, it must instead remain in the purview of good practice at each company. Set against this background, MLP considers the provisions of the GCGC 2019 regarding independence to be flawed and will therefore continue to assess the independence of its Supervisory Board members using the same criteria on which this assessment has been based to date.

Applying these criteria, which MLP has used so far on the basis of the old GCGC and will continue to use, to the current Supervisory Board members on the shareholder side, it becomes clear that three of these Supervisory Board members should be considered independent in this sense. From the Company's perspective, this is considered perfectly adequate. Set against this background, it is superfluous to disclose which of the new independence criteria stipulated by the GCGC 2019 individual members of the Supervisory Board at MLP SE fail to meet. The same applies to the further disclosure recommended in C.9 of the GCGC 2019.

As per the recommendations of the GCGC, an age limit is to be specified for members of the Supervisory Board and disclosed in the Declaration of Corporate Governance. No age limit is set for members of the Supervisory Board at MLP. In the Supervisory Board's opinion, the election of members of the Supervisory Board should be based solely on knowledge, skills and specialist experience.

Age limit

In 2020, 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. To this end, a self-evaluation form containing specific questions is completed and evaluated once a year by all members of the Supervisory Board. On this basis, the Supervisory Board then undertakes intensive and expedient discussions with the aim of developing measures aimed at further increasing efficiency.

Efficiency of the Supervisory Board

The Supervisory Board of MLP SE has set up committees to improve the effectiveness of its work. The Personnel Committee prepares the resolutions on HR issues concerning Executive Board members with 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. The same applies when selecting the auditor, awarding the audit contract to the auditor, as well as 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.

Supervisory Board
committees

In 2020, 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 16 December 2019, were the subject of discussion 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.

Corporate governance in
the Supervisory Board

The Supervisory Board has approved a requirements profile for the composition of the Executive Board so as to secure an orderly selection process, applying objective and comprehensible requirement criteria to the proposals for the appointment of new members of the Executive Board at MLP SE. Accordingly, each member of the Executive Board must display a certain level of indispensable general knowledge and experience. Only those candidates whose personal integrity, independence, commitment, motivation and personality indicates that they are capable of properly performing the duties of a member of the Executive Board at MLP SE, as well as the Financial Holding Group managed by it and its controlled companies, are to be proposed. The Executive Board should be composed in such a way that the qualified management of MLP SE is assured at all times. Its members should together possess the knowledge, skills and specialist experience required to perform their legal duties properly. Members of the Executive Board must be reliable. As well as meeting the general requirements in terms of personal reliability, personal independence and freedom from conflicts of interest, each member of the Executive Board should also possess the kind of general professional expertise needed in order to execute the respective management role properly. This means that the candidates must possess sufficient theoretical and practical knowledge of the respective business, as well as specific management experience.

Requirements profile and
diversity concept for the
Executive Board and
Supervisory Board

The Supervisory Board has also approved a requirements profile that applies to the composition of the Supervisory Board or to the proposals that are to be sent to the Annual General Meeting for appointing the Supervisory Board in order to secure an orderly selection process, applying objective and comprehensible requirement criteria to the proposals for the appointment of new members of the Supervisory Board at MLP SE. Accordingly, each member of the Supervisory Board must possess a certain level of indispensable general knowledge and experience. Only those candidates whose personal integrity, independence, commitment, motivation and personality indicates that they are capable of properly performing the duties of a member of the Supervisory Board at MLP SE, as well as the Financial Holding Group managed by it and its controlled companies, are to be proposed. The composition of the Supervisory Board must ensure the qualified advising and monitoring of the Executive Board at MLP SE by the Supervisory Board at all times. Its members should together possess the knowledge, skills and specialist experience required to perform the respective legal duties properly. As well as meeting the general requirements in terms of personal reliability, personal independence and freedom from conflicts of interest, each member of the Supervisory Board should also possess the requisite professional expertise. All members should be capable of both understanding and evaluating the reports presented to the Supervisory Board, as well as drawing their own conclusions regarding the content. Alongside this, they should also display a general understanding of the brokerage, insurance, wealth management and banking business, as well as the real estate agent and real estate project development business and in

particular the market environment, the individual business fields, the client requirements and the regions in which MLP SE and its subsidiaries are active and the strategic alignment of both MLP SE and the Group. From the perspective of the Supervisory Board, the ability to judge the correctness, efficiency, legality and expediency of the business decisions to be assessed also represents an absolute qualification requirement for members of the Supervisory Board. Alongside this, candidates should also be capable of understanding and evaluating the annual financial statements and associated documents. The member to be proposed should possess commercial experience gained from having worked in corporate management or as a senior executive and/or member of a Supervisory Board or comparable corporate body.

The legislation on the equal participation of women and men in management positions came into force on 1 May 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 30 June 2017. After that, deadlines can be up to five years. The targets and deadlines are to be specified in concrete terms. Moreover, it must be stated whether the specified targets have been achieved and, if not, information as to the reasons must be specified.

The Supervisory Board at MLP has set internal rules for the composition of both the Executive Board and Supervisory Board. Assuming equal personal and professional aptitude, these stipulate a minimum 25% representation of women in both bodies (in the case of the Supervisory Board on the shareholder side). MLP SE has met this quota on the shareholder side of the Supervisory Board. Indeed, as Ms Müller has been a member of the Supervisory Board since 2015, MLP considers the quota pursuant to the obligation as per the GCGC as being met. The quota has therefore been met for many years. As such, another explanation of the deviation from the corresponding recommendation of the government commission appears superfluous here, as does any further reporting on the implementation steps regarding meeting the quota.

In November 2020, the Supervisory Board confirmed the target of at least 25 percent for the proportion of women on the Executive Board – which currently only comprises three persons – and set itself the end of the financial year 2025 as the implementation deadline. Therefore, it is currently also not possible to report on any concrete measures for achieving these objectives in the Declaration of Corporate Governance.

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 their meetings with the Executive Board. The Supervisory Board discussed the Group's corporate planning and plans for strategic growth with the Executive Board.

Cooperation between
Executive Board and
Supervisory 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.

Pursuant to Art. 19 of the Market Abuse Regulation (MAR), persons assuming executive positions at the issuer of shares must notify the issuer and the Federal Financial Supervisory Authority (BaFin) of

Directors' Dealings

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 per calendar year are exempt from the reporting obligation.

Three transactions pursuant to Art. 19 of the Market Abuse Regulation (MAR) were reported to us in the financial year 2020. Reported transactions from previous years can be viewed on our website at www.mlp-se.com.

Corporate governance practices

Compliance as a management task

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.

Compliance regulations

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 in connection with 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. Considering the constantly changing regulatory requirements and market conditions, Compliance steers the continuous further development of our internal behavioural standards and monitors implementation of applicable requirements.

Based on 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 Code of Business Conduct and Ethics, represent an important element of our risk prevention measures. They particularly 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 internal suspicious transactions in connection with criminal activities or violations against our compliance regulations. Any violations determined are investigated promptly, 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 guidelines for execution of employee transactions. Our Code of Conduct also ensures that confidential information is handled responsibly at MLP and defines 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 of gifts. These policies are regularly reviewed and adapted to changing requirements.

MLP 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.

Defined company values

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 governance 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 the active expansion and optimisation of the family-friendly framework conditions associated with working at MLP. Another action area revolves around actively working towards greater participation of women at all management levels within the company, which will become even more important at MLP in 2021.

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.

The legislation on equal participation of women and men in management positions came into force on 1 May 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 30 June 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.

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

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.

In November 2020, the Executive Board at MLP SE approved a target of at least 33 percent for female managers at the first management level below the Executive Board at MLP SE, whereby this percentage is to be achieved by the end of the financial year 2025. It is therefore not yet possible to report on the realisation of the targets at this point.

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

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

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 2 July 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 as defined by 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).

Special legal provisions

As per Recommendation F.4 of the GCGC, the Supervisory Board and Executive Board as listed companies that are subject to special legal provisions should specify in the Declaration of Corporate Governance which recommendations of the Code could not be applied due to statutory provisions. It is the opinion of the Executive Board and Supervisory Board that the provisions of the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV) take precedence over the provisions of the German Stock Corporation Act (AktG) or the GCGC in certain cases.

"Pay system for the Executive Board at MLP SE" in accordance with the requirements of § 87a of the German Stock Corporation Act (AktG)

The following compensation system will be submitted to the MLP SE Annual General Meeting on June 24, 2021 for approval

Introduction

The present pay system is based on the stipulations of § 87a of the German Stock Corporation Act (AktG), which was incorporated into the German Stock Corporation Act on January 1, 2020, as well as on the recommendations of the government commission "German Corporate Governance Code" in the version dated December 1, 2019 (GCGC 2019). It applies to all Executive Board service contracts at MLP SE to be newly concluded or extended as of January 1, 2021. Executive Board service contracts concluded before January 1, 2021 remain unaffected by these stipulations and therefore deviate in parts from the MLP SE pay system described below.

Stipulation of a maximum compensation for members of the Executive Board (§ 87a (1) Sentence 2 No. 1 of the German Stock Corporation Act (AktG) and stipulation of the target total compensation (Principle 1 GCGC 2019)

The Executive Board service contracts contain the stipulation of a maximum compensation. The maximum compensation of the Chief Executive Officer is set at € 2,700 thsd, while the maximum compensation for the other members of the Executive Board is set at € 1,800 thsd.

The overall target compensation is stipulated by the Supervisory Board for each financial year in the first quarter of the respective financial year on the basis of budget planning.

Contribution of compensation to promoting the business strategy and long-term development of the company (§ 87a (1) Sentence 2 No. 2 of the German Stock Corporation Act (AktG))

The key strategic objective is to bring about profitable and sustainable growth. The sustainable development of the company should be the primary focus and, where necessary, take priority over short-term success. One of the most important prerequisites for ensuring this prioritisation is continuity in the composition of the Executive Board. Executive Board compensation appropriate to the size, sector, and economic situation of the company ensures profits and, in particular, long-term retention of suitable executive personalities.

The Executive Board compensation is generally made up of fixed and variable portions. The level of the fixed portions of compensation is calculated in such a way that there is no significant dependency on the variable portions of compensation. The target and basis of assessment for the variable portion of compensation must be set in a way that encourages the seizing of opportunities but prevents taking disproportionate risks. Furthermore, the predominant portion of the variable compensation is to be set up over several years.

Fixed and variable portions of compensation and their respective relative proportion of compensation (§ 87a (1) Sentence 2 No. 3 of the German Stock Corporation Act (AktG))

The fixed compensation generally consists of the following components:

- Monthly base salary
- Company car, also for private use
- Contribution to occupational pension scheme

The variable compensation comprises the following components:

- Variable compensation linked to EBIT (immediate payment)
- Variable compensation linked to EBIT (deferred payment)

Further fringe benefits in line with standard market practices can be granted within the limits of the agreed maximum compensation.

The variable compensation should amount to 100 % of and no more than 200 % of the fixed compensation. The portion of long-term variable compensation (deferred payment) should exceed the portion of short-term variable compensation (immediate payment). In order to calculate these components, the variable compensation is taken into consideration in the target amount.

The company is subject not only to Stock Corporation Act regulations but also to the special compensation law regulations of the German Banking Act (KWG) and the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV). Accordingly, the maximum variable compensation is limited to 200 % of the fixed compensation.

Financial and nonfinancial performance criteria for granting variable portions of compensation (§ 87a (1) Sentence 2 No. 4 of the German Stock Corporation Act (AktG))

Group EBIT is used as a measure to calculate the variable compensation. The key figure is therefore 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 total of the EBITs of operations to be continued and discontinued is applicable. Costs and income that are directly related to the discontinuation or sale of business segments are not included.

Explanation of how these criteria contribute to attaining the goals pursuant to § 87a (1) Sentence 2 No. 2 of the German Stock Corporation Act (AktG)

Profitability essentially results from the correlation of revenue and expenses. It is reflected in EBIT. EBIT as the basis of assessment for the variable compensation of the members of the Executive Board is therefore considered a suitable measure for supporting the key strategic objective. As such, the variable compensation is based on the EBIT achieved by the company. This also ensures the desired holistic thinking within the collegial body of the Executive Board.

Description of the methods used to determine fulfilment of the performance criteria

EBIT is determined in the process of drawing up the financial statements and is certified by the auditors. The certified financial statements are used as the basis for calculating the variable compensation of the members of the Executive Board and thus establish fulfilment of the performance criteria.

Deferred periods for the payment of portions of compensation (§ 87a (1) Sentence 2 No. 5 of the German Stock Corporation Act (AktG))

The variable portions of compensation which are granted as immediate payment are paid out within the first half of the year following the end of the financial year for which the payment is granted.

The variable portions of compensation which are granted as deferred payment are paid out at the earliest three years and no later than four years after the end of the financial year for which the payment is granted.

Possibilities for the company to claim back variable portions of compensation (§ 87a (1) Sentence 2 No. 6 of the German Stock Corporation Act (AktG))

The service contracts contain a regulation for claiming back variable portions of compensation that have already been paid out (claw-back clause) in the event of serious infringements of legal duties or the rules of procedures for the Executive Board.

The Executive Board service contracts also contain adjustment options whereby the Supervisory Board can adjust the variable compensation upwards or downwards at its discretion for one financial year to take into account the individual performance of the members of the Executive Board or extraordinary developments in the sense of § 87 (1) Sentence 3 of the German Stock Corporation Act (AktG).

Share-based compensation (§ 87a (1) Sentence 2 No. 7 of the German Stock Corporation Act (AktG))

The variable compensation is generally granted as a monetary benefit; there is no plan to grant share-based variable compensation.

Pay-related legal transactions (§ 87a (1) Sentence 2 No. 8 of the German Stock Corporation Act (AktG))

Terms and prerequisites for their termination, including the respective notice periods

The Executive Board contracts usually have a term of three years in the case of initial appointments; extensions are made with a maximum term of five years.

There are no plans for ordinary termination of any of the Executive Board service contracts.

The Supervisory Board can only terminate an Executive Board service contract for an important reason. These important reasons include, in particular, any member of the Executive Board significantly violating any of the provisions of the respective Executive Board service contract, the provisions included in the rules of procedure for the Executive Board or the provisions of the company's articles of association, as well as any other breaches of duty that make continuation of the contract with the company appear unreasonable.

In the event of a reduction in compensation, the respective member of the Executive Board can terminate the Executive Board service contract at the end of the subsequent quarter with a notice period of six weeks pursuant to § 87 (2) Sentence 4 of the German Stock Corporation Act (AktG)

Change-of-control clauses are agreed with members of the Executive Board, granting the right to termination for good cause in the event that

- shares with voting rights in the company change as per §§ 33 et seq. of the German Securities Trading Act and the person acquiring the shares thereby exceeds the threshold of 50 % of the shares with voting rights, unless the person acquiring the shares already held more than a 10 % stake in the company at the time signing the respective Executive Board service contract;
- 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, spin-offs in line with § 123 (3) of the German Reorganisation of Companies Act or for mergers in accordance with the provisions of the Transformation Act (UmwG), in which the company is the incorporating legal entity.

Granting of severance settlements

If one of the members of the Executive Board resigns on the basis of the conditions of the change-of-control clause, he/she shall receive 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, a pro-rata-temporis regulation applies.

Main features of the retirement salary and early retirement schemes

The occupational pension scheme is granted in the form of an employer-financed, contribution-related performance commitment by relief fund.

Explanation of how the compensation and employment conditions of the employees were taken into account when determining the pay system, including an explanation of which group of employees was considered (§ 87a (1) Sentence 2, No. 9 of the German Stock Corporation Act (AktG))

The target and maximum compensation as well as the concrete distribution between fixed and variable portions of compensation are defined by the Supervisory Board. Any necessary adjustments are made upon extension of the contracts. Compensation in the sector, business performance, and the special features of MLP's business model are given appropriate consideration. This involves a vertical and a horizontal comparison, as does a review of the adequacy of the Executive Board compensation. For the horizontal comparison, the peer group consists of companies that are comparable to MLP in terms of the criteria "Size", "Sector", "Country", "Recruiting Fit" and "Governing Regulations and Compliance". Comparability in four of the five criteria mentioned is sufficient for inclusion in the peer group.

The following is understood by these criteria:

- Size:
Companies of a comparable size in terms of earnings, number of employees, market capitalisation
- Sector:
Direct competitors and companies in other sectors with comparable key characteristics (financial sales organisations, banks, insurance providers, other financial services providers)
- Country:
German companies with a comparable reputation, comparable economic, financial, and strategic situation, and comparable complexity in the corporate structure
- Recruiting Fit:
Companies with which the company competes for qualified executive staff
- Governing regulations and compliance:
Companies that move in a similar regulatory environment (finance and insurance sector with special requirements for compensation)

The vertical comparison also takes into account the development of compensation for the individual employee groups over time. This includes a comparison both with the average compensation of the senior management level within the MLP Group and with the average compensation of the remaining staff. In each case, the previous year and the previous five-year period are considered.

Description of the procedure for determining/implementing and reviewing the pay system, including the role of any committees and the measures for preventing and handling conflicts of interest (§ 87a (1) Sentence 2 No. 10 of the German Stock Corporation Act (AktG))

By law, the Supervisory Board is responsible for determining, implementing and checking both the actual compensation and the pay system employed for the members of the Executive Board. The Supervisory Board has assigned responsibility for preparation of the respective Supervisory Board decisions to its Personnel Committee. The Supervisory Board and/or the Supervisory Board's Personnel Committee can bring in external consultants as and when necessary. When commissioning external compensation consultants, attention is paid to ensure their independence.

The pay system must comply with the relevant legal provisions for the compensation of the members of the Executive Board, in particular the special provisions of the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV). Compliance with the provisions is reviewed annually and as needed according to § 12 of the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV) with the involvement of the relevant controlling units. The result of the check is presented to the Supervisory Board, which then assesses it. Where necessary, changes are made to the pay system in accordance with responsibilities.

Since the legislation stipulates that the Supervisory Board bears responsibility for determining, implementing and checking the system for compensation of the members of the Executive Board, any risk of conflicts of interest can therefore be ruled out from the outset. However, should any such conflicts of interest ever occur in future, these will be addressed using the standard rules in place and applicable to the Supervisory Board at MLP SE. Accordingly, depending on the nature of the conflict of interest, the member of the Supervisory Board in question will be required to abstain from voting and, if necessary, also from any negotiations on the respective item on the agenda. Should a permanent and non-resolvable conflict of interest occur, the member of the Supervisory Board in question will resign from office.

MLP CONSOLIDATED FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

Income statement for the period from 1 January to 31 December 2020

All figures in €'000	Notes	2020	2019
Revenue	→ (8)	745,524	689,561
Other revenue	→ (9)	21,799	19,199
Total revenue		767,323	708,760
Inventory changes	→ (10)	7,284	3,940
Commission expenses	→ (11)	-397,040	-369,925
Interest expenses	→ (12)	-412	-615
Valuation result/loan loss provisions	→ (13)	-3,021	-896
Personnel expenses	→ (14)	-147,971	-135,717
Depreciation and impairments	→ (15)	-27,691	-26,371
Other operating expenses	→ (16)	-142,838	-135,071
Earnings from investments accounted for using the equity method	→ (17)	3,729	2,998
Earnings before interest and taxes (EBIT)		59,363	47,104
Other interest and similar income		1,311	767
Other interest and similar expenses		-4,126	-3,145
Valuation result not relating to operating activities		-213	43
Finance cost	→ (18)	-3,028	-2,335
Earnings before taxes (EBT)		56,335	44,770
Income taxes	→ (19)	-13,093	-7,844
Net profit		43,241	36,925
of which attributable to			
owners of the parent company		43,253	37,327
minority interests		-11	-402
Earnings per share in €	→ (20)		
basic/diluted		0.40	0.34

Statement of comprehensive income for the period from 1 January to 31 December 2020

All figures in €'000	Notes	2020	2019
Net profit		43,241	36,925
Gains/losses due to the revaluation of defined benefit obligations		-4,975	-7,038
Deferred taxes on non-reclassifiable gains/losses	→ (19)	1,528	2,008
Non-reclassifiable gains/losses		-3,447	-5,030
Other comprehensive income		-3,447	-5,030
Total comprehensive income		39,794	31,895
of which attributable to			
owners of the parent company		39,805	32,297
minority interests		-11	-402

Statement of financial position

Assets as of 31 December 2020

All figures in €'000	Notes	31 Dec. 2020	31 Dec. 2019
Intangible assets	→ (21)	178,872	183,070
Property, plant and equipment	→ (22)	125,069	130,914
Investments accounted for using the equity method	→ (17)	5,426	5,138
Deferred tax assets	→ (19)	9,580	7,254
Receivables from clients in the banking business	→ (23)	880,649	872,175
Receivables from banks in the banking business	→ (24)	751,466	728,085
Financial assets	→ (25)	197,623	178,584
Inventories	→ (26)	17,817	10,533
Tax refund claims	→ (19)	9,733	4,493
Other receivables and assets	→ (27)	199,753	168,587
Cash and cash equivalents	→ (28)	859,041	510,778
Total		3,235,028	2,799,611

Liabilities and shareholders' equity as of 31 December 2020

All figures in €'000	Notes	31 Dec. 2020	31 Dec. 2019
Equity attributable to MLP SE shareholders		453,243	436,605
Minority interests		776	787
Total shareholders' equity	→ (29)	454,019	437,392
Provisions	→ (30)	115,799	101,596
Deferred tax liabilities	→ (19)	9,167	10,690
Liabilities due to clients in the banking business	→ (31)	2,271,919	1,894,843
Liabilities due to banks in the banking business	→ (31)	107,471	98,409
Tax liabilities	→ (19)	10,932	6,113
Other liabilities	→ (33)	265,722	250,568
Total		3,235,028	2,799,611

Statement of cash flow

Statement of cash flow for the period from 1 January to 31 December 2020

All figures in €'000	2020	2019
Net profit (total)	43,241	36,925
Income taxes paid/reimbursed	-15,746	1,199
Interest received	15,297	16,791
Interest paid	-2,568	-512
Earnings from investments accounted for using the equity method	-3,729	-2,998
Dividends received from investments accounted for using the equity method	3,441	2,567
Depreciation/impairments/write-ups of intangible assets and property, plant and equipment	27,691	15,012
Depreciation/impairments/write-ups of financial assets	365	60
Allowances for bad debts	2,734	1,538
Earnings from the disposal of intangible assets and property, plant and equipment	-192	199
Earnings from the disposal of financial assets	-46	-9
Adjustments from income taxes, interest and other non-cash transactions	-4,484	-43,755
Changes in operating assets and liabilities		
Receivables from banks in the banking business	-23,381	-33,875
Liabilities due to banks in the banking business	9,062	16,784
Receivables from clients in the banking business	-11,208	-112,686
Liabilities due to clients in the banking business	377,076	255,950
Rights of use as per IFRS 16	-8,493	-53,275
Inventories	-7,284	-10,533
Other assets	-36,406	-2,198
Other liabilities	28,502	97,301
Provisions	14,203	7,111
Cash flow from operating activities	408,075	191,597
Purchase of intangible assets and property, plant and equipment	-9,291	-9,300
Proceeds from disposal of intangible assets and property, plant and equipment	326	152
Repayment of /investment in other investments (fixed and time deposits)	-5,000	-5,000
Repayment of/investment in fixed income securities	-11,849	-5,467
Payments/proceeds from purchase/disposal of other financial assets	-2,509	-1,729
Payments for the acquisition of the DI Group	-	-11,950
Cash flow from investing activities	-28,323	-33,293
Dividends paid to shareholders of MLP SE	-22,959	-21,867
Proceeds from taking out loans	3,507	-
Principal payments of leasing liabilities	-12,036	-11,584
Cash flow from financing activities	-31,488	-33,451
Change in cash and cash equivalents	348,264	124,853
Cash and cash equivalents at beginning of period	510,778	385,926
Liabilities to banks due on demand (excluding the banking business)	-3,244	-
Cash and cash equivalents at end of period	855,797	510,778
Composition of cash and cash equivalents		
Cash and cash equivalents	859,041	510,778
Liabilities to banks due on demand (excluding the banking business)	-3,244	-
Cash and cash equivalents at end of period	855,797	510,778

The notes on the statement of cash flow appear in → [Note 33](#).

Statement of changes in equity

Statement of changes in equity for the period from 1 January to 31 December 2020

All figures in €'000	Equity attributable to MLP SE shareholders						
	Share capital	Capital reserves	Revaluation gains/losses related to defined benefit obligations after taxes	Retained earnings	Total	Minority interests	Total shareholders' equity
As of 1 Jan. 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 31 Dec. 2019	109,334	149,853	-17,547	194,966	436,605	787	437,392
As of 1 Jan. 2020	109,334	149,853	-17,547	194,966	436,605	787	437,392
Acquisition of treasury stock	-8	-	-	-266	-274	-	-274
Share-based payment	-	65	-	-	65	-	65
Dividend	-	-	-	-22,958	-22,958	-	-22,958
Transactions with owners	-8	65	-	-23,225	-23,168	-	-23,168
Net profit	-	-	-	43,253	43,253	-11	43,241
Other comprehensive income	-	-	-3,447	-	-3,447	-	-3,447
Total comprehensive income	-	-	-3,447	43,253	39,805	-11	39,794
As of 31 Dec. 2020	109,326	149,918	-20,995	214,994	453,243	776	454,019

The notes on the statement of changes in equity appear in → [Note 29](#).

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, development and management of real estate as well as banking services.

2 Principles governing the preparation of the financial statements

The consolidated financial statements of MLP SE have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB), taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they apply in the European Union (EU). In addition, the commercial law regulations to be observed pursuant to § 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 2020, the following new or amended accounting principles from the IFRS standards are to be used at MLP for the first time:

- Amendments to IFRS 3: Definition of a Business
- Changes to the framework: Changes to references made to the accounting framework
- Amendments to IFRS 9, IAS 39 and IFRS 7: Elimination of uncertainties in the context of the IBOR reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 16: Covid-19-Related Rent Concessions

No significant effects on the consolidated financial statements of MLP SE result from the amended standards.

Effects of the coronavirus pandemic

In the last financial year, the business and economic environment in which MLP operates was impacted significantly by the coronavirus pandemic.

MLP has gone to great lengths in the past to make its business model both stable and robust through diversification. In contrast to others in the market, the Group is therefore not substantially impacted by the effects associated with the coronavirus pandemic. In particular, there are no risks to the continuation of business operations. Yet despite this, the coronavirus pandemic is still having effects, particularly in terms of the estimates, assumptions and discretionary decisions that also incorporate future expectations and are needed when drafting the IFRS consolidated financial statements, as well as the recognition of financial instruments pursuant to IFRS 9. For further details, please refer to → [Notes 5](#) and → [6](#).

Adoption of the following new or revised standards and interpretations was not yet binding for the financial year commencing on 1 January 2020:

IFRS 17 including amendments to IFRS 17 ^{3,4}	Insurance Contracts
Amendments to IFRS 4 ¹	Adoption of IFRS 9
Amendments to IAS 1 ^{3,4}	Classification of liabilities as current or non-current
Amendments to IFRS 3, IAS 16 and IFRS 37 ^{2,4}	IFRS 3 Reference to the conceptual framework; IAS 16 Property, plant and equipment; Proceeds before intended use; IAS 37: Onerous contracts, cost of fulfilling a contract
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ¹	Reform of reference rates

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

² To be applied for financial years beginning on or after 1 January 2022.

³ To be applied for financial years beginning on or after 1 January 2023.

⁴ 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: 36) fully consolidated domestic subsidiaries, and as was already the case in the previous year, one fully consolidated foreign subsidiary and two (previous year: two) associated companies were incorporated in the consolidated financial statements as of 31 December 2020.

With the resolution dated 6 March 2020 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 2020. The company is included in the 2020 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.

On 6 March 2020, the Annual General Meeting of DOMCURA AG 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 2020. The company is included in the 2020 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 31 December 2020	Registered office	Share of capital in %	Shareholders' equity (€'000)	Net profit €'000
Fully consolidated subsidiaries				
MLP Finanzberatung SE	Wiesloch	100.00	39,658	126
MLP Banking AG ¹	Wiesloch	100.00	108,998	6,068
ZSH GmbH Finanzdienstleistungen ¹ (Wholly-owned subsidiary of MLP Finanzberatung SE)	Heidelberg	100.00	1,190	1,480
FERI AG ¹	Bad Homburg v.d. Höhe	100.00	19,862	38,637
FERI Trust GmbH ¹ (Wholly-owned subsidiary of FERI AG)	Bad Homburg v. d. Höhe.	100.00	13,886	28,701
FERI Trust (Luxembourg) S.A. (Wholly-owned subsidiary of FERI AG)	Luxemburg	100.00	29,508	14,734
DOMCURA AG ¹	Kiel	100.00	2,380	8,197
nordias GmbH Versicherungsmakler ¹	Kiel	100.00	435	-2,168
NORDVERS GmbH ¹ (Wholly-owned subsidiary of DOMCURA AG)	Kiel	100.00	26	-202
MLPdialog GmbH (Wholly-owned subsidiary of MLP Finanzberatung SE)	Wiesloch	100.00	1,262	1,234
DI Deutschland.Immobilien AG (75.1% subsidiary of MLP Finanzberatung SE)	Hannover	75.10	954	444
Vertrieb Deutschland.Immobilien GmbH (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	Hannover	100.00	1,155	754
Web Deutschland.Immobilien GmbH (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	Hannover	100.00	340	252

As of 31 December 2020	Registered office	Share of capital in %	Shareholders' equity (€'000)	Net profit €'000
IT Deutschland.Immobilien GmbH (Wholly-owned subsidiary of DI Deutschland.Immobilien AG) Projekte Deutschland.Immobilien GmbH	Hannover	100.00	24	49
Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	Hannover	100.00	229	698
Pflegeprojekt Haus Netzschkau GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-31	-16
Projekte Deutschland.Immobilien Bad Münde GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-139	-40
Pflegeprojekt Rosenberg UG (94% subsidiary of Projekte Deutschland.Immobilien GmbH)	Minden	94.00	388	34
Sechste Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-2	-15
Projekte Deutschland.Immobilien Göggingen GmbH (formerly: 31. Projekte Deutschland.Immobilien GmbH) (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-910	-897
32. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	0	-11
33. Projekte Deutschland.Immobilien GmbH (80% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	80.00	-178	-34
Projekte Deutschland.Immobilien Magdeburg GmbH (formerly: 40. Projekte Deutschland.Immobilien UG) (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	11	-12
41. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	26	2
53. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	20	-2
54. Projekte Deutschland.Immobilien GmbH (80% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	80.00	-18	-34
Projekte Deutschland.Immobilien Stetten GmbH (formerly: 60. Projekte Deutschland.Immobilien GmbH) (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-12	-20
Projekte Deutschland.Immobilien Moosthenning GmbH (formerly: 61. Projekte Deutschland.Immobilien GmbH) (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	11	-11
62. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	20	-2
Projekte Deutschland.Immobilien Kießlegg GmbH (formerly: 63. Projekte Deutschland.Immobilien GmbH) (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	11	-11
Projekte Deutschland.Immobilien Balingen GmbH & Co. KG (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-49	-27
Projekte Deutschland.Immobilien Waldmössingen GmbH & Co. KG (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	-1,309	-1,279
Zehnte Projekte 2 Deutschland.Immobilien GmbH (75% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	75.00	6	-5
Projekte 2 Deutschland.Immobilien Lauben GmbH (75% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	75.00	5	-6
20. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	10	-2
21. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	10	-2
22. Projekte Deutschland.Immobilien GmbH (Wholly-owned subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	100.00	10	-2
Associates consolidated at equity				

As of 31 December 2020	Registered office	Share of capital in %	Shareholders' equity (€'000)	Net profit €'000
MLP Hyp GmbH (49.8% stake held by MLP Finanzberatung SE)	Wiesloch	49.80	8,363	5,363
Projekte 2 Deutschland.Immobilien GmbH (50% stake held by DI Deutschland.Immobilien AG)	Hannover	50.00	285	-5
Subsidiaries not consolidated due to immateriality				
MLP Assekuranzmakler Holding GmbH (formerly: MLP Consult GmbH, Wiesloch) ²	Wiesloch	100.00	2,291	-9
Uniwunder GmbH ² (39.73% stake held by MLP Finanzberatung SE)	Dresden	39.73	993	228
FERI (Switzerland) AG ^{2 3} (Wholly-owned subsidiary of FERI AG)	Zürich	100.00	1,308 CHF	245 CHF
FPE Private Equity Beteiligungs-Treuhand GmbH ² (Wholly-owned subsidiary of FERI Trust GmbH)	Munich	100.00	256	105
FPE Private Equity Koordinations GmbH ² (Wholly-owned subsidiary of FERI Trust GmbH)	Munich	100.00	69	44
FPE Direct Coordination GmbH ² (Wholly-owned subsidiary of FERI Trust GmbH)	Munich	100.00	46	38
FERI Private Equity GmbH & Co. KG ² (Wholly-owned subsidiary of FERI Trust GmbH)	Munich	100.00	11	-1
FERI Private Equity Nr. 2 GmbH & Co. KG ² (Wholly-owned subsidiary of FERI Trust GmbH)	Munich	100.00	2	0
AIF Komplementär GmbH ² (25% stake held by FERI AG)	Munich	25.00	51	13
AIF Register-Treuhand GmbH ² (Wholly-owned subsidiary of FERI AG)	Bad Homburg v. d. H.	100.00	5	-8
DIEASS GmbH ¹ (Wholly-owned subsidiary of DOMCURA AG)	Kiel	100.00	26	-14
innoAssekuranz GmbH, Kiel ¹ (Wholly-owned subsidiary of DOMCURA AG)	Kiel	100.00	259	-266
DIFA Research GmbH ² (49% stake held by MLP Finanzberatung SE)	Berlin	49.00	1,019	-206
WiD Wohnungen in Deutschland GmbH & Co. KG (50% stake held by Projekte Deutschland.Immobilien GmbH)	Mainz	50.00	2	72
Projekt Deutschland.Immobilien Tengen GmbH (50% stake held by DI Deutschland.Immobilien AG)	Saarbrücken	50.00	-267	-68
Convivo Wohnparks Deutschland.Immobilien Wittmund GmbH & Co. KG (50% stake held by DI Deutschland.Immobilien AG)	Hannover	50.00	-3,870	-3,141
Projekte Deutschland.Immobilien Bad Goetting GmbH (50% stake held by DI Deutschland.Immobilien AG)	Neustadt an der Donau	50.00	9	-3
30. Projekte Deutschland.Immobilien GmbH (50% stake held by DI Deutschland.Immobilien AG)	Hannover	50.00	-112	-21
Achte Projekte 2 Deutschland.Immobilien GmbH (100% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	50.00	162	-20
Neunte Projekte 2 Deutschland.Immobilien GmbH (100% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	50.00	6	-4
Zwölfte Projekte 2 Deutschland.Immobilien GmbH (100% subsidiary of Projekte Deutschland.Immobilien GmbH)	Hannover	50.00	16	-4
Care Beteiligungs GmbH (50% stake held by Projekte 2 Deutschland.Immobilien GmbH)	Gießen	25.00	56	11
Seniorenresidenz Dr. Unruh Str. Wismar Immobilien GmbH & Co.KG (41% stake held by Projekte 2 Deutschland.Immobilien GmbH)	Gießen	20.50	-2,911	-2,777
Seniorenresidenz Velten GmbH & Co. KG (41% stake held by Projekte 2 Deutschland.Immobilien GmbH)	Gießen	20.50	-2,602	-357
Convivo Wohnparks Deutschland Immobilien GmbH (50% stake held by DI Deutschland.Immobilien AG)	Hannover	50.00	15	0
WD Wohnungsverwaltung Deutschland GmbH (Wholly-owned subsidiary of DI Deutschland.Immobilien AG)	Hannover	100.00	-112	-54
Grundstücksgesellschaft Berlin Methfesselstraße 29/31 GmbH & Co. KG (50% stake held by Projekte Deutschland.Immobilien GmbH) ⁴	Berlin	50.00	-	-

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 2019 annual financial statements.

³ Currency conversion rate as at the balance sheet date: € 1 = CHF 1.08443.

⁴ Acquired in 2020; no data available.

Disclosures on non-consolidated structured entities

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

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

The 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 € 51 thsd as of 31 December 2020 (previous year: € 103 thsd). In the financial year 2020, MLP SE recorded an income of € 1,395 thsd from non-consolidated structured entities (previous year: € 2,298 thsd).

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

5 Significant discretionary decisions, estimates and changes in estimates

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

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

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

- → [Note 4](#) – aggregation principles for structured entities
- → [Note 6](#), → [8](#) – recognition of revenue at a point in time or over time, as well as determination of the revenue level with variable transaction prices
- → [Note 6](#) and → [21](#) – impairment test (discounted cash flow forecasts and significant assumptions applied)
- → [Note 6](#), → [23](#), → [24](#), → [25](#), → [27](#), → [28](#), → [30](#) and → [36](#)
 - classification and measurement of financial instruments, as well as fair value disclosures
 - allowances for bad debts
- → [Note 6](#), → [30](#) and → [35](#) – provisions and corresponding refund claims as well as contingent assets and liabilities
- → [Note 6](#) and → [30](#) – measurement of defined benefit obligations
- → [Note 6](#) – Measurement of leasing liabilities
- → [Note 19](#) – recognition of tax receivables/tax reserves
- → [Note 28](#) – cash and cash equivalents – composition of cash and cash equivalents

6 Accounting policies

The application scope of IFRS 15 "**Revenue from Contracts with Customers**" 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. As is the case with commissions from the brokerage 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 time period, which leads to a situation in which respective revenue is to be recognised over time. The contractual conditions stipulate a 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 results 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 (performance-linked compensation) 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. When **selling portfolio properties**, the revenue is recognised at the time when the respective real estate is handed over to the purchaser. In the case of **real estate development**, revenue is recognised on the basis of the degree of completion and the anticipated revenue over time. Pursuant to IFRS 15, this recognition of revenue over time must always be performed when a contract is in place with the client, if an asset is created as a result of the services provided by MLP that does not present MLP with any alternative opportunity for use and MLP has a right to payment (including a profit margin) on the performance completed to date, which is normally the case with property development. The progress of a real estate project is measured based on the ratio of the costs already accrued relative to the estimated total cost of construction (cost-to-cost method). The cost-to-cost method is applied in order to determine the progress of a project, as this is the most reliable way to measure the performance progress, since the customer's rights to payment are based on the degree of completion of the construction project.

Insofar as the cumulative performance (contract costs and, where relevant, results of the contract) exceed the advance payments in individual cases, the construction contracts are recognised on the assets side of the balance sheet under **contract assets**. The contract asset represents the Group's claim for counterperformance. In accordance with the German Ordinance on Estate Agents and Property Developers (MaBV), payments are typically made in parallel to performance provision on the basis of regular invoices.

If a negative balance remains following deduction of the advance payments from the disclosed contract assets, this is disclosed on the liabilities side of the balance sheet under **contract liabilities** as a performance obligation. At the project-based level, this is presented on a net basis.

The contract initiation costs are determined on the basis of the invoiced brokerage commission of the respective entity, insofar as they were not to be eliminated within the scope of the group accounting process. The contract initiation costs are recognised on the assets side of the balance sheet under contract assets and amortised based on the degree of completion.

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 36](#).

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 15](#).

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 21](#).

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. With the exception of undeveloped land, inventories are recognised in the balance sheet at the lower value of acquisition/manufacturing costs and net realisable value. Undeveloped land is recognised at the lower value of either acquisition costs or net realisable value.

Leasing

The Group rents office buildings and vehicles in particular. The rental agreements for office buildings are typically concluded for up to ten years, while the rental agreements for vehicles have an average term of between three and four 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 dictates 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. 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 measured using the index or 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 implicit 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 → [Note 18](#).

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 a change 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 rated at acquisition costs, which have the following structure:

- 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 lease 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 lease 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 properties in the financial year. For further details, please refer to → [Note 22](#).

Investments accounted for using the equity method

The acquisition costs are adjusted on an annual basis by the corresponding changes in equity of the associated company. The change in pro rata shareholders' equity is performed either according to MLP's capital share or on a disquotal basis. 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 17](#).

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 in the "Hold" business model exclusively with the objective of collecting contractual cash flows. This means that divestments prior to the end of the term will generally be excluded. 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 "Hold" business model. In addition, MLP uses the "Hold and Sell" business model to purchase financial assets, albeit in a limited scope. With this business model, the objective is both to collect contractual cash flows and to make a profit through divestment. The asset assigned to this business model does not meet the cash flow condition and is rated at fair value through profit or loss. Financial assets that cannot be assigned to any of the aforementioned business models are disclosed under the business model "Others". As of 31 December 2020, there is no financial asset attributable to the business model "Others".

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 such 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 31 December 2020, 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 31 December 2020.

The **impairment model** under IFRS 9 includes 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. If a client is more than 90 days in arrears, this client is assigned default status. Once the default status is removed, the asset is only transferred back out of Stage 3 following a three-month good conduct period.

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 performance and the unemployment rate) and forecasts regarding future economic framework conditions. In terms of the macroeconomic input factors, the stabilisation measures due to the COVID pandemic are also incorporated in the underlying forecasts. 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, as well as the future-oriented factors required by IFRS 9 are taken into account. Here, the through-the-cycle PDs derived from rating data are transformed into point-in-time PDs through a multiplicative factor, the shift factor. Inclusion of a one-year, three-year and five-year outlook ensures that short-term developments are not overweighted.

- 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. The review period of portfolios, in which MLP anticipates effects resulting from the COVID-19 pandemic, was extended in the financial year for the loss rate calculation. The selected period encompasses fewer economically strong years and more economically weak years.

- 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. For example, clients were individually subjected to a COVID-19 scenario in the financial year in order to give appropriate consideration to the special circumstances.

In the event of substantial contract adjustments, the original asset is derecognised and a new asset recognised (modification). MLP is currently only making minor non-significant modifications on a small scale. The modifications performed are contractual period extensions, 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.

If the reason for the adjustment is not primarily due to other financial difficulties, but rather a legal moratorium (pursuant to Art. 240 § 3 (1) of the Introductory Act to the German Civil Code (EGBGB)) in connection with the COVID pandemic, the institution is then obligated to grant the client a deferral. As such, MLP interprets these legal moratoria as contractual bases and does not classify these contractual adjustments as modifications in the sense of IFRS 9. Also, legally substantiated contract adjustments do not automatically lead to intensive client support. This ensures that those clients that are currently receiving intensive support are not clients facing short-term liquidity squeezes.

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.

The **tax liabilities** are due to taxes on the income and profit of the individual companies based on the corresponding national tax regime. In principle, the income tax assessment is carried out at the level of the individual item, taking into account potential correlations. If the approval of the tax treatment is probable, current and deferred taxes are to be recognised on this basis. If, on the other hand, there is any uncertainty with respect to the approval (not probable), the amount most probable to meet tax approval will generally be used, unless the expected value for a specific scenario leads to a more meaningful result. It is always assumed that the tax authorities have complete knowledge of the circumstances. Finally, the assumptions and decisions made are reviewed on each reporting date and adjusted if necessary on the basis of new information.

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 are given in → [Note 30](#).

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.

If MLP has an onerous contract, the current contractual obligation is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs (i.e. the costs that MLP cannot avoid because the contract is in place) for fulfilment of the contractual obligations are higher than the anticipated economic benefit. However, before a separate provision is recorded for an onerous contract, MLP records the impairment losses for assets that are associated with the contract.

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 2020, as well as to MLP consultants and MLP branch office managers whose contracts remained unexpired and in place on 31 December 2020. 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 2020 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 34](#).

7 Reportable business segments

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

- Financial Consulting
- Banking
- FERI
- DOMCURA
- Holding 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, 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, and FERI Trust (Luxembourg) S.A.

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 and nordias GmbH Versicherungsmakler.

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 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 business segments of Financial Consulting, Banking, FERI and DOMCURA, at least 10% of aggregated turnover of € 234,329 thsd was generated with two product partners in the financial year. In the previous year, revenue of € 242,925 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	377,382	369,287	87,601	81,366	194,193	161,572	97,937	88,984	4,491	108	-16,081	-11,757	745,524	689,561
of which total inter-segment revenue	10,797	7,870	5,284	3,887	-	-	-	-	-	-	-16,081	-11,757	-	-
Other revenue	24,118	21,609	7,507	5,337	3,544	5,139	1,694	2,092	13,771	10,380	-28,835	-25,358	21,799	19,199
of which total inter-segment revenue	13,110	12,630	2,833	3,400	-	17	8	-	12,884	9,311	-28,835	-25,358	-	-
Total revenue	401,500	390,896	95,108	86,703	197,738	166,711	99,631	91,077	18,262	10,487	-44,916	-37,115	767,323	708,760
Inventory changes	-	-	-	-	-	-	-	-	7,284	3,940	-	-	7,284	3,940
Commission expenses	-193,827	-186,474	-36,905	-33,568	-107,126	-99,052	-63,353	-57,812	-10,146	-3,980	14,317	10,962	-397,040	-369,925
Interest expenses	-	-	-268	-540	-	-	-	-	-	-	-144	-75	-412	-615
Valuation result/loan loss provisions	-448	-13	-2,202	-802	-229	-87	-22	15	-120	-9	-	-	-3,021	-896
Personnel expenses	-72,779	-69,566	-12,461	-11,877	-37,114	-32,842	-17,908	-15,974	-7,709	-5,457	-	-	-147,971	-135,717
Depreciation and impairment	-20,186	-19,719	-382	-281	-2,296	-2,371	-2,392	-2,159	-2,436	-1,840	-	-	-27,691	-26,371
Other operating expenses	-105,283	-98,626	-36,354	-34,296	-9,154	-9,082	-8,487	-8,822	-11,670	-9,737	28,111	25,492	-142,838	-135,071
Earnings from investments accounted for using the equity method	3,645	3,011	-	-	-	-	-	-	85	-13	-	-	3,729	2,998
Segment earnings before interest and taxes (EBIT)	12,622	19,509	6,535	5,339	41,819	23,276	7,469	6,325	-6,450	-6,609	-2,631	-735	59,363	47,104
Other interest and similar income	261	458	1,028	131	-77	-7	-116	-51	275	217	-60	19	1,311	767
Other interest and similar expenses	-3,038	-2,276	-53	-39	-519	-541	-36	-32	-2,400	-1,008	1,920	750	-4,126	-3,145
Valuation result not relating to operating activities	-187	23	-	-	-25	-3	-	-1	-1	25	-	-	-213	43
Finance cost	-2,965	-1,795	976	92	-621	-551	-152	-85	-2,126	-766	1,860	770	-3,028	-2,335
Earnings before taxes (EBT)	9,657	17,714	7,511	5,432	41,198	22,725	7,317	6,240	-8,576	-7,375	-772	34	56,335	44,770
Income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-13,093	-7,844
Net profit													43,241	36,925
of which attributable to owners of the parent company													43,253	37,327
minority interests													-11	-402
Investments accounted for using the equity method	5,283	4,630	-	-	-	-	-	-	143	508	-	-	5,426	5,138
Investments in intangible assets and property, plant and equipment	3,356	4,630	321	682	2,574	1,459	2,474	1,281	567	1,247	-	-	9,291	9,300
Major non-cash expenses:														
Impairments/reversal of impairments on receivables	448	13	1,916	1,443	22	87	229	-15	120	9	-	-	2,734	1,538
Increase/decrease of provisions/accrued liabilities	57,258	48,922	4,174	3,111	3,775	495	814	-21	10,467	5,792	-	-	76,489	58,298

Notes to the income statement

8 Revenue

All figures in €'000	2020	2019
Wealth management	262,067	223,515
Old-age provision	214,590	225,825
Non-life insurance	137,229	126,569
Health insurance	50,589	48,308
Real estate brokerage	39,453	23,650
Loans and mortgages	21,827	20,782
Other commissions and fees	4,607	4,291
Total commission income	730,362	672,941
Interest income	15,162	16,620
Total	745,524	689,561

The commission income disclosed under revenue is recognised on a regular and point-in-time basis. Revenue recognised over time totalling € 306,125 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, from the real estate brokerage business in the Holding and Others segment and from the wealth management business in the Financial Consulting, Banking and FERl segments (previous year: € 260,845 thsd). Revenue from the interest rate business includes negative interest from lending and money market transactions of € 3,180 thsd (previous year: € 2,352 thsd).

9 Other revenue

All figures in €'000	2020	2019
Cost transfer to MLP consultants and branch office managers	4,751	3,453
Income from the sales tax (VAT) adjustment	3,361	827
Compensation of management	2,007	1,111
Income from investments	1,749	2,422
Offset remuneration in kind	1,436	1,370
Income from the reversal of deferred obligations	1,333	2,204
Income from the reversal of provisions	711	1,120
Rent	383	402
Income from the disposal of fixed assets	289	20
Own work capitalised	110	354
Income from currency translation	41	73
Sundry other income	5,629	5,843
Total	21,799	19,199

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 sales tax adjustment is the result of subsequently asserted input tax amounts for previous years due to subsequent recognition of VAT unity for 2012.

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

Income from the reversal of deferred obligations essentially result from the reversal of provisions for outstanding invoices.

For more information on income from the reversal of provisions, please refer to → [Note 30](#). Income from the reversal of provisions for economic loss, which is offset by expenses from the derecognition of 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 13](#) here.

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

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

10 Inventory changes

Inventory changes are € 7,284 thsd as of 31 December 2020 (previous year: € 3,940 thsd). These can be attributed to changes in inventory of the DI Group.

11 Commission expenses

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

12 Interest expenses

All figures in €'000	2020	2019
Interest and similar expenses IFRS 9		
Financial instruments measured at amortised cost	412	615
Liabilities due to clients from the banking business	75	234
Liabilities due to banks from banking business	337	381
Total	412	615

13 Valuation result/loan loss provisions

All figures in €'000	2020	2019
Provisions for risks from potential bad debts	-2,871	-1,590
Provisions for risks from the lending business	137	53
Valuation result	-287	642
Total	-3,021	-896

As of 31 December 2020, provisions for anticipated losses of € -2,734 thsd were recognised in accordance with IFRS 9 (previous year: € -1,538 thsd). This comprises expenses in connection with the recognition of impairment losses for receivables of € -2,871 thsd (previous year: € -1,590 thsd), as well as income from changes in provisions for anticipated losses from the lending business of € 137 thsd (previous year: € 53 thsd).

See → [Notes 23](#), → [24](#), → [25](#), → [27](#), → [28](#) and → [30](#) 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 € -287 thsd (previous year: € 642 thsd).

14 Personnel expenses

All figures in €'000	2020	2019
Salaries and wages	127,246	116,847
Social security contributions	17,069	15,902
Expenses for old-age provisions and benefits	3,656	2,968
Total	147,971	135,717

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.

15 Depreciation and impairments

All figures in €'000	2020	2019
Depreciation		
Intangible assets	9,882	9,218
Property, plant and equipment	17,763	17,152
Impairment	45	-
Total	27,691	26,371

In the financial year 2020, the depreciation of property, plant and equipment include amortisation of rights of use as per IFRS 16 of € 11,657 thsd (previous year: € 11,358 thsd), some € 10,522 thsd of which (previous year: € 10,296 thsd) can be attributed to amortisation of rights of use for real estate and € 1,135 thsd (previous year: € 1,062 thsd) can be attributed to amortisation of rights of use for vehicles. Impairment charges of € 45 thsd (previous year: € 0 thsd) relate to rights of use for real estate resulting from vacant rental properties.

16 Other operating expenses

All figures in €'000	2020	2019
IT operations	51,970	48,547
Consultancy	19,002	16,019
Administration operations	10,673	10,323
External services – banking business	10,474	8,965
Other external services	9,867	10,191
Representation and advertising	6,147	5,879
Expenses for commercial agents	4,979	2,819
Premiums and fees	4,768	4,767
Insurance	3,467	3,307
Goodwill	3,329	1,139
Maintenance	2,831	2,812
Training and further education	2,467	2,979
Other employee-related expenses	2,048	2,508
Travel expenses	1,705	4,105
Audit	1,361	1,491
Entertainment	1,253	2,905
Supervisory Board compensation	988	948
Rental and leasing	388	567
Sales tax (VAT) expense	371	45
Sundry other operating expenses	4,750	4,756
Total	142,838	135,071

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

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.

Other external services essentially include expenses for online acquisition of potential new clients.

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

Expenses for commercial agents include costs such as for former consultants and the training allowance granted for MLP consultants.

The item "Premiums and fees" essentially comprises premiums paid to the compensation scheme and deposit protection of German banks, premiums and fees paid to the European Central Bank, premiums and fees paid to the Federal Financial Supervisory Authority, as well as postage and freight costs.

Among other things, the rental and lease expenses comprise expenses that do not require capitalisation according to IFRS 16. These include expenses for short-term leases of € 42 thsd (previous year: € 15 thsd) and expenses for low-value leases of € 4 thsd (previous year € 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 lease agreement) were € 37 thsd (previous year: € 31 thsd).

Sundry other operating expenses include coronavirus-related cancellation costs for conventions and events, as well as expenses for other taxes, donations and cars.

17 Investments accounted for using the equity method

Earnings from investments accounted for using the equity method were € 3,729 thsd in the financial year (previous year: € 2,998 thsd) and are made up from the share of earnings in MLP Hyp GmbH of € 3,645 thsd and in Projekte 2 Deutschland.Immobilien GmbH of € 85 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, Hannover. 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	2020	2019
Share as of 1 Jan.	4,630	4,186
Dividend payouts	-2,991	-2,567
Pro rata profit after tax	3,645	3,011
Share as of 31 Dec.	5,283	4,630

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

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Non-current assets	205	55
Current assets	13,979	11,486
Non-current liabilities	-	-
Current liabilities	5,821	4,103
Net assets (100%)	8,363	7,438
of which MLP's share in net assets (49.8%)	4,165	3,704
Incidental acquisition costs	151	151
Dividend payout	-4,308	-3,528
Cumulative disproportionate profit	5,276	4,302
Carrying amount of the investment	5,283	4,630
Revenue	29,606	23,542
Total comprehensive income (100%)	5,363	4,438
of which MLP's share in total comprehensive income (49.8%)	2,671	2,210
Disproportionate profit for the current financial year (68%/previous year 67.2%)	974	801
MLP's share in total comprehensive income	3,645	3,011

The shares of Projekte 2 Deutschland.Immobilien GmbH developed as follows:

All figures in €'000	2020	2019
Share as of 1 Jan. (previous year 1 Sep.)	508	520
Dividend payouts	-450	-
Pro rata profit after tax	85	-13
Share as of 31 Dec.	143	508

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

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Non-current assets	88	76
Current assets	197	957
Non-current liabilities	-	-
Current liabilities	-	17
Net assets (100%)	285	1,016
of which MLP's share in net assets (50%)	143	508
Incidental acquisition costs	-	-
Dividend payout	-	-
Carrying amount of the investment	143	508
Revenue	0	0
Total comprehensive income (100%)	169	-25
of which MLP's share in total comprehensive income (50%)	-85	-13
MLP's share in total comprehensive income	85	-13

18 Finance cost

All figures in €'000	2020	2019
Other interest and similar income	1,311	767
Interest expenses from financial instruments	-2,629	-1,554
Interest expenses from net obligations for defined benefit plans	-431	-443
Other interest costs	-1,066	-1,148
Other interest and similar expenses	-4,126	-3,145
Valuation result not relating to operating activities	-213	43
Finance cost	-3,028	-2,335

Other interest and similar income of € 5 thsd (previous year: € 0 thsd) relates to interest income from deposits with financial institutions which are not attributable to the banking business and € 18 thsd (previous year: € 23 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 € -468 thsd (previous year: € -211 thsd). Other interest and similar expenses include expenses from the accrued interest of other provisions totalling € 287 thsd (previous year: € 363 thsd).

In addition, the item comprises expenses from the accrued interest of leasing liabilities pursuant to IFRS 16 of € 544 thsd (previous year: € 587 thsd). For further details, please refer to → [Note 6](#).

19 Income taxes

All figures in €'000	2020	2019
Income taxes	13,093	7,844
of which current taxes on income and profit	15,414	8,571
of which deferred taxes	-2,321	-727

The current taxes on income and profit include expenses of € 585 thsd (previous year: € -2,046 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 13.6% (previous year: 13.34%) and amounts to 29.42% (previous year: 29.19%).

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	2020	2019
Earnings before tax	56,335	44,770
Group income tax rate	29.42%	29.19%
Calculated income tax expenditure in the financial year	16,574	13,068
Tax-exempt earnings and permanent differences	-3,325	-4,461
Non-deductible expenses	1,002	1,103
Divergent trade taxation charge	423	184
Effects of other taxation rates applicable abroad	-786	-743
Income tax not relating to the period (current and deferred)	-475	-1,699
Change of impairment of net yet utilised losses	-293	605
Other	-27	-213
Income taxes	13,093	7,844

The effective income tax rate applicable to the earnings before tax is 23.24% (previous year: 17.52%).

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 and Uniwunder 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.

As of December 31, 2020, the MLP Group recognised deferred tax assets from temporary differences of € 241 thsd (previous year: € 1 thsd) that exceed deferred tax liabilities in entities which have suffered a loss in either the current or preceding period.

At companies with taxable unrecognised differences, deferred tax assets were recorded on tax loss carryforwards, taking into account the minimum level of taxation. Legal or economic restrictions were in place with regard to the usability of corporation tax losses of € 2,387 thsd (previous year: € 1,757 thsd) and trade tax losses of € 1,939 thsd (previous year: € 1,757 thsd) with regard to their usability. No deferred tax assets were therefore recognised. If full utilisation of the losses had been possible, it would have theoretically been necessary to recognise deferred tax assets of € 673 thsd (previous year: € 573 thsd).

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

All figures in €'000	Deferred tax assets		Deferred tax liabilities	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Intangible assets	725	978	11,361	11,864
Property, plant and equipment	-	-	5,094	4,782
Financial assets	43	115	44	118
Other assets	2,531	1,175	4,895	3,450
Provisions	15,119	12,812	27	-
Liabilities	3,319	2,334	511	504
Tax loss carryforwards	1,398	-	-	-
Impairment of loss carryforwards	-673	-	-	-
Deferred income	-	-	117	131
Gross value	22,462	17,414	22,049	20,850
Netting of deferred tax assets and liabilities	12,882	10,160	12,882	10,160
Total	9,580	7,254	9,167	10,690

The deferred tax income recognised under other comprehensive income outside the income statement is € 1,528 thsd (previous year: € 2,008 thsd).

Tax refund claims include € 6,186 thsd (previous year: € 3,198 thsd) of corporation tax and € 3,546 thsd (previous year: € 1,304 thsd) of trade tax. € 1,030 thsd of tax refund claims (previous year: € 476 thsd) are attributable to MLP SE, € 8,475 thsd (previous year: € 3,882 thsd) to MLP SE, € 20 thsd (previous year: € 0 thsd) to FERI Trust (Luxembourg) S.A. and € 208 thsd (previous year: € 134 thsd) to the DI Deutschland.Immobilien AG Group.

Tax liabilities are made up of € 5,830 thsd (previous year: € 2,777 thsd) of corporation tax and € 5,102 thsd (previous year: € 3,336 thsd) of trade tax. € 10,634 thsd of tax liabilities (previous year: € 5,603 thsd) are attributable to MLP SE, € 0 thsd (previous year: € 308 thsd) to MLP Finanzberatung SE, € 183 thsd (previous year: € 194 thsd) to FERI Trust (Luxembourg) S.A. and € 116 thsd (previous year: € 9 thsd) to the DI Deutschland.Immobilien AG Group.

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 31 December 2020, we had undistributed profits of subsidiaries of around € 64.0 million (previous year: € 75.4 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.

20 Earnings per share

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

All figures in €'000	2020	2019
Basis of the basic net profit per share	43,253	37,327

All figures in number of units	2020	2019
Weighted average number of shares for the basic net profit per share	109,206,759	109,220,014

The basic earnings per share is € 0.40 (previous year: € 0.34).

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

All figures in €'000	2020	2019
Basis of the diluted net profit per share	43,253	37,327

All figures in number of units	2020	2019
Weighted average number of shares for the diluted net profit per share	109,334,686	109,334,686

The diluted earnings per share is € 0.40 (previous year: € 0.34).

Notes to the statement of financial position

21 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 1 Jan. 2019	94,964	13,493	100,523	1,405	57,255	267,640
Additions	-	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 31 Dec. 2019	122,502	18,014	103,481	549	58,995	303,541
Additions	-	-	1,929	3,864	2	5,795
Addition to the scope of consolidation	-	-	-	-	-	-
Disposals	-	-	-2,123	-3	-3	-2,129
Transfers	-	99	843	-942	-	-
As of 31 Dec. 2020	122,502	18,113	104,130	3,468	58,994	307,207
Depreciation and impairments						
As of 1 Jan. 2019	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
Impairments	-	-	-	-	-	-
Disposals	-	-	-537	-	-	-537
As of 31 Dec. 2019	3	13,735	82,612	-	24,122	120,471
Depreciation	-	1,064	7,138	-	1,680	9,882
Addition to the scope of consolidation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Disposals	-	-	-2,015	-	-3	-2,018
As of 31 Dec. 2020	3	14,799	87,735	-	25,798	128,335
Carrying amount 1 Jan. 2019	94,962	457	24,553	1,405	34,515	155,892
Carrying amount 31 Dec. 2019	122,500	4,279	20,869	549	34,873	183,070
Carrying amount 1 Jan. 2020	122,500	4,279	20,869	549	34,873	183,070
Carrying amount 31 Dec. 2020	122,500	3,314	16,395	3,468	33,195	178,872

Intangible assets comprise definite-lived and indefinite-lived assets. Depreciation/amortisation and impairment on intangible assets are presented in → [Note 15](#).

Useful lives of intangible assets

	Useful life as of 31 Dec. 2020	Useful life as of 31 Dec. 2019
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	5; 10-25 years	5; 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 goodwill accrued on the basis of the provisional purchase price allocation resulting from the acquisition of the DI Group in the last financial year has been confirmed in the final purchase price allocation and was distributed to two cash-generating units. The reportable Financial Consulting business segment contains the following groups of cash-generating units: (1) financial consulting, (2) occupational pension provision, (3) ZSH and (4) DI Sales. 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. The cash-generating unit DI Projects is included in the Holding and Others segment. Cash-generating units were allocated the following goodwill values arising from business combinations:

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Financial Consulting	22,042	22,042
Occupational pension provision	9,955	9,955
ZSH	4,072	4,072
DI Sales	12,974	-*
Financial Consulting	49,043	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 Projects	14,564	-*
Holding and Others	14,564	-*
DI (provisional)	-	27,538*
Total	122,500	122,500

*Goodwill from the preliminary purchase price allocation in the financial year 2019 not yet allocated to cash generating units.

As was already the case in the previous year, there was no need for an impairment of capitalised goodwill in the financial year 2020. The significant assumptions presented in the following were based on the impairment test performed.

Reportable financial consulting business segment

Financial Consulting		
Weighted average (in %)	2020	2019
Discount rate (before tax)	9.2	9.0
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	*	10.0
Occupational pension provision		
Weighted average (in %)	2020	2019
Discount rate (before tax)	9.5	9.4
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	26.4	3.1
ZSH		
Weighted average (in %)	2020	2019
Discount rate (before tax)	9.5	9.1
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	1.6	12.9
DI Sales		
Weighted average (in %)	2020	2019**
Discount rate (before tax)	9.0	-
Growth rate of the terminal value	1.0	-
Planned EBT growth rate (relative average EBT increase per year)	120.7	-

* Growth rates cannot be arithmetically determined due to a negative starting basis.

** Goodwill from the preliminary purchase price allocation in the financial year 2019 not yet tested and assigned to cash generating units.

Reportable FERI business segment

FERI Assetmanagement		
Weighted average (in %)	2020	2019
Discount rate (before tax)	12.8	12.6
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	-4.5	5.1

Reportable DOMCURA business segment

DOMCURA		
Weighted average (in %)	2020	2019
Discount rate (before tax)	9.5	9.2
Growth rate of the terminal value	1.0	1.0
Planned EBT growth rate (relative average EBT increase per year)	5.5	4.3

Other Holding and Others segment

DI Projects		
Weighted average (in %)	2020	2019**
Discount rate (before tax)	13.6	-
Growth rate of the terminal value	1.0	-
Planned EBT growth rate (relative average EBT increase per year)	*	-

* Growth rates cannot be arithmetically determined due to a negative starting basis.

** Goodwill from the preliminary purchase price allocation in the financial year 2019 not yet tested and assigned to cash generating units.

The global COVID-19 pandemic was taken into account in the key underlying assumptions. MLP bases its planned EBT figures on the assumption that the coming year will also be impacted by the pandemic and its consequences and that the situation is unlikely to normalise again until the second half of 2021. The capitalisation rate is made up of a risk-free interest rate of 0.1% (previous year: 0.2%), a market risk premium of 7.6% (previous year: 7.5%), as well as an individual beta for each cash-generating unit in the range from 0.88 to 1.17 (previous year: 0.85 to 1.15).

Within the scope of its impairment testing MLP carried out sensitivity analyses. A so-called adverse scenario was developed in order to simulate an economic downturn that potentially continues beyond the year 2021. This scenario leads to a 30% reduction in the planned EBT growth rate. As such, a reduction in the planned EBT growth rate of 30% (previous year 12%) was analysed. In addition to this, the effects of increasing the discount interest rates by one percentage point were analysed (previous year 50 BP). The reduction in planned EBT growth, as well as the increase in discount interest rates does not lead to the carrying amount exceeding the recoverable amount at any of the cash-generating units.

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 2020, own services with a value of € 110 thsd were capitalised (previous year: € 354 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"** essentially 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	2020	2019
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	2020	2019
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 € 174 thsd as of 31 December 2020 (previous year: € 771 thsd).

22 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 1 Jan. 2019	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 31 Dec. 2019	92,393	51,765	614	144,772
Additions	350	2,911	234	3,495
Addition to the scope of consolidation	-	-	-	-
Disposals	-199	-1,658	-1	-1,859
Transfers	294	429	-723	0
As of 31 Dec. 2020	92,838	53,446	124	146,408
Depreciation and impairment				
As of 1 Jan. 2019	28,218	40,335	-	68,553
Depreciation	2,297	3,497	-	5,794
Addition depreciation	-	62	-	62
Impairment	-	-	-	-
Disposals	-154	-7,123	-	-7,277
As of 31 Dec. 2019	30,361	36,771	-	67,132
Depreciation	2,205	3,902	-	6,106
Addition depreciation	-	-	-	-
Impairment	-	-	-	-
Disposals	-181	-1,655	-	-1,835
As of 31 Dec. 2020	32,385	39,017	-	71,403
Carrying amount 1 Jan. 2019	63,438	14,746	86	78,270
Carrying amount 31 Dec. 2019	62,032	14,994	614	77,640
Carrying amount 1 Jan. 2020	62,032	14,994	614	77,640
Carrying amount 31 Dec. 2020	60,453	14,429	124	75,005

Useful lives of property, plant and equipment

	Useful life/residual value 31 Dec. 2020	Useful life/residual value 31 Dec. 2019
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 15](#).

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 € 273 thsd net as of 31 December 2020 (previous year: € 348 thsd).

Leases

Rights of use from leases are disclosed under the "property, plant and equipment" item. As of 31 December 2020, rights of use of € 50,063 thsd are in place (previous year: € 53,275 thsd), € 48,079 thsd (previous year: € 51,723 thsd) thereof is attributable to rented properties and € 1,984 thsd (previous year: € 1,551 thsd) to vehicle leases.

In the financial year, the acquisition costs of the rights of use from leases developed as follows. There were additions of € 9,104 thsd (previous year: € 11,415 thsd) and disposals of € 2,247 thsd (previous year: € 1,655 thsd). Amortisation of rights of use from leases of € 1,636 thsd (previous year: € 452 thsd) were recognised in the financial year. The changes are mainly due to rented properties.

In the financial year 2020 some properties were sublet, resulting in revenue of € 343 thsd (previous year: € 127 thsd).

The table below shows a maturity analysis of inflows from the sub-lease of properties and of use and reflects the undiscounted payments received after the balance sheet date of the financial year and of the previous year:

All figures in €'000	Up to 1 year	1-5 years	>5 years	Total
Sublease agreements 2020	146	154	10	310
Sublease agreements 2019	148	79	-	227

23 Receivables from clients in the banking business

Receivables from clients in the banking business

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Originated loan	543,223	483,069
Corporate bond debts	231,065	254,950
Receivables from credit cards	87,421	110,099
Receivables from current accounts	22,411	27,172
Receivables from wealth management	1,126	805
Other	4,884	3,753
Total, gross	890,130	879,849
Impairment	-9,481	-7,674
Total, net	880,649	872,175

As of 31 December 2020, receivables (net) with a term of more than one year remaining to maturity are € 712,850 thsd (previous year: € 674,139 thsd).

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

Reconciliation statement for gross carrying amounts of receivables from clients in the banking business for 2020

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 (POCI)	Total
As of 1 Jan. 2020	817,896	56,728	5,181	44	879,849
Transfer to Stage 1	18,188	-17,892	-296	-	-
Transfer to Stage 2	-24,954	25,333	-379	-	-
Transfer to Stage 3	-1,371	-7,641	9,011	-	-
Allocation	100,829	7,775	-	-	108,605
of which newly acquired or issued financial assets	100,829	7,775	-	-	108,605
of which existing business	-	-	-	-	-
Disposals	-92,123	-4,979	-1,216	-5	-98,323
of which financial assets derecognised in their entirety	-90,282	-2,967	-1,032	-5	-94,287
of which existing business	-1,841	-2,011	-600	-	-4,452
of which write-offs	-	-	-184	-	-184
As of 31 Dec. 2020	818,466	59,325	12,300	39	890,130

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

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 (POCI)	Total
As of 1 Jan. 2019	713,391	44,746	11,867	46	770,051
Transfer to Stage 1	16,500	-16,314	-186	-	-
Transfer to Stage 2	-26,646	27,912	-1,267	-	-
Transfer to Stage 3	-142	-46	189	-	-
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 31 Dec. 2019	817,896	56,728	5,181	44	879,849

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 € 39 thsd (previous year: € 44 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 from Stage 1 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 6](#) for further details on the impairment methods used and calculation of the impairment.

Modifications were performed to 25 contracts due to the effects of the coronavirus pandemic in the reporting year (previous year: one contract). These essentially relate to the suspension of next due principal payments at an unchanged interest rate and do therefore not apply to substantial modifications. The modification gain resulting from recalculating the present value of the receivable throughout the contractual period is not presented in the statement of comprehensive income, as it is not significant.

As the result of the application of the legal moratorium (pursuant to Art. 240 § 3 (1) of the Introductory Act to the German Civil Code (EGBGB)) MLP has granted 15 clients a deferral of payment in the current financial year. Since the deferrals were not primarily granted on the grounds of financial hardship, they have not been classified as modifications.

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

Reconciliation of expected losses 2020

All figures in €'000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL – not impaired)	Stage 3 (lifetime ECL – impaired credits)	Purchased or originated credit-impaired financial instruments(POCI)	Total
As of 1 Jan. 2020	1,800	3,233	2,638	3	7,674
Transfer to Stage 1	108	-97	-11	-	-
Transfer to Stage 2	-76	127	-50	-	-
Transfer to Stage 3	-16	-420	436	-	-
Allocation	665	1,971	2,543	-	5,180
of which newly acquired or issued financial assets	287	534	-	-	821
of which existing business	378	1,438	2,543	-	4,359
Disposals	-602	-1,553	-1,217	-	-3,373
of which usage	-	-	-269	-	-269
of which reversal	-602	-1,553	-947	-1	-3,104
As of 31 Dec. 2020	1,879	3,261	4,339	2	9,481

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 instruments(POCI)	Total
As of 1 Jan. 2019	1,768	2,359	4,862	36	9,024
Transfer to Stage 1	78	-76	-	-	-
Transfer to Stage 2	-111	188	-78	-	-
Transfer to Stage 3	-2	-2	4	-	-
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 31 Dec. 2019	1,800	3,233	2,638	3	7,674

Loan loss provisions increased from € 7,674 thsd to € 9,481 thsd in the financial year. The loan loss provision on existing business increased by € 2,543 thsd as a result of deteriorations in terms of credit ratings, as well as transfers to Stage 3 (previous year: € 2,002 thsd). Some € 2,400 thsd of these funds were allocated due to the effects of the coronavirus pandemic. In addition there are allocations in Stage 2 of € 1,971 thsd (previous year: € 2,037 thsd) which are mainly due to deteriorations of creditworthiness resulting in a transfer from Stage 1 to Stage 2. These are offset by Stage 2 reversals of € 1,553 thsd (previous year: € 1,273 thsd) and Stage 3 reversals of € 1,217 thsd (previous year: € 4,149 thsd) as a result of credit enhancements.

Taking into account direct write-offs of € 184 thsd (previous year: € 523 thsd) as well as income recovered from written off receivables € 241 thsd (previous year: € 254 thsd), allocations of € 5,180 thsd (previous year: € 4,721 thsd) and reversals of € 3,103 (previous year: € 3,620 thsd) recognised in income resulted in a net loan loss provision of € 2,020 thsd in the reporting year (previous year: € 1,370 thsd).

Qualitative and quantitative information on contributions from anticipated losses 2020

All figures in €'000	Max. default risk without taking into account collateral or other credit enhancement factors as of 31 Dec. 2020	Financial instruments of Stage 3 and POCI	
		of which max. default risk of Stage 3/POCI	of which risk reduction by collateral
Receivables from clients in the banking business (AC)	880,649	7,998	925
Receivables from banks in the banking business (AC)	751,466	-	-
Financial assets (AC)	171,799	-	-
Other receivables (AC)	159,632	952	-
Contingent liabilities	5,356	-	-
Irrevocable credit commitments	67,662	-	-
Total	2,036,564	8,950	925

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 31 Dec. 2019	Financial instruments of Stage 3 and POCI	
		of which max. default risk of Stage 3/POCI	of which risk reduction by collateral
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	355

As of the balance sheet date, the maximum default risk corresponds to the carrying amount after impairment of each of the categories of financial assets listed above. Credit impaired or defaulted receivables from clients in the banking business disclosed in Stage 3 as of 31 December 2020 of € 7,998 thsd (previous year: € 8,363 thsd) are secured by land charges of € 925 thsd (previous year: € 355 thsd). The maximum default risk of contingent liabilities and irrevocable credit commitments corresponds to the face value of € 73,018 thsd (previous year: € 58,430 thsd).

The Group holds forwarded loans of € 106,089 thsd (previous year: € 97,970 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 € 47 thsd (previous year: € 237 thsd) serving as collateral for originated loans and receivables, was acquired. The assets mainly concern receivables from claimed life insurance policies.

Information on the fair value of financial assets is provided in → [Note \(36\)](#).

24 Receivables from banks in the banking business

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Due on demand	113,621	121,330
Other receivables	637,845	606,755
Total	751,466	728,085

All receivables from banks in the banking business are due from domestic credit institutions. As of 31 December 2020, receivables with a term of more than one year remaining to maturity are € 147,324 thsd (previous year: € 131,182 thsd). The receivables are not collateralised. At the closing date there are no receivables from banks which are overdue. As at the closing date, there are no receivables with a high risk of default which are assigned to Stage 2 (previous year: € 4,000 thsd). Receivables from banks of € 751,466 thsd (previous year: € 724,085 thsd) are disclosed in Stage 1 and an anticipated 12-month loss is determined. The anticipated losses on receivables from banks are € 195 thsd in the financial year (previous year: € 203 thsd). This results in a net income from loan loss provisions in the reporting year of € 8 thsd (previous year: net expense from loan loss provisions: € 32 thsd).

Further information on receivables from financial institutions in the banking business is disclosed in → [Note 36](#).

25 Financial assets

All figures in €'000	31 Dec. 2020	31 Dec. 2019
By public-sector issuers	14,964	14,951
By other issuers	96,941	85,358
Debenture and other fixed income securities	111,905	100,309
Shares and certificates	359	342
Investment fund shares	6,725	5,056
Shares and other variable yield securities	7,084	5,398
Other investments (fixed and time deposits)	69,949	64,996
Investments in non-consolidated subsidiaries	7,973	7,751
Shares in associates (not at equity)	660	-
Investments	51	131
Total	197,623	178,584

As of 31 December 2020, MLP has portfolios amounting to € 88,945 thsd (previous year: € 83,800 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	31 Dec. 2020	31 Dec. 2019
AC	101,849	90,214
FVPL	10,056	10,095
Debenture and other fixed income securities	111,905	100,309
Fixed and time deposits (AC)	69,949	64,996
Shares and other variable yield securities (FVPL)	7,084	5,398
Investments in non-consolidated subsidiaries*	7,973	7,751
Shares in associates (not at equity)*	660	-
Investments (FVPL)	51	131
Total	197,623	178,584

*No financial instruments in the sense of IFRS 9

In the financial year 2020, shares and other variable yield securities of € 7,084 thsd (previous year: € 5,398 thsd) are measured at fair value through profit or loss. These are debt instruments that do not fulfil the cash flow criterion and therefore need to be measured at fair value through profit or loss. The figure includes investment funds of € 4,509 thsd, which are assigned to the "Hold and Sell" business model. This leads to valuation differences from exchange losses of € 247 thsd (previous year: € 485 thsd), which are recognised in the valuation result.

In addition, debentures and other fixed income securities of € 10,056 thsd (previous year: € 10,095 thsd) are measured at fair value through profit or loss in the financial year 2020. This leads to valuation differences from exchange losses of € 40 thsd (previous year: € 170 thsd), which are also recognised in the valuation result.

Debentures and other fixed income securities of € 101,849 thsd (previous year: € 90,214 thsd) are measured at amortised costs.

The anticipated 12-month loss on debentures and other fixed income securities measured at amortised costs is € 48 thsd in the financial year (previous year: € 40 thsd). As at the closing date, two debentures are in place with increased default risk in Stage 2 and a lifetime expected loss of € 33 thsd. These result in total loan loss provisions of € 41 thsd to be recognised in income (previous year: € 12 thsd).

The fair value changes to fixed income securities triggered by a change in creditworthiness are € 5 thsd (previous year: € 89 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 € 35,297 thsd (previous year: € 30,834 thsd) with a face value of € 38,450 thsd (previous year: € 32,700 thsd).

For further disclosures regarding financial assets, please refer to → [Note 36](#).

26 Inventories

Inventories break down as follows:

All figures in €'000	2020	2019
Inventories – land	10,069	7,339
Inventories – buildings	7,621	2,948
Inventories – finished goods	126	246
Total	17,817	10,533

Due to the sale of residential units, € 3,076 thsd of inventories were accounted for as an expense in the item "Inventory changes" in the last financial year.

27 Other receivables and assets

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Trade accounts receivable	92,997	81,903
Contractual assets	40,700	39,845
Refund receivables from recourse claims	20,161	19,842
Receivables from underwriting business	13,202	7,413
Receivables from MLP consultants	6,056	5,529
Advance payments	45	1
Other assets	31,230	18,355
Total, gross	204,390	172,888
Impairment	-4,637	-4,302
Total, net	199,753	168,587

As of 31 December 2020, receivables (net) with a term of more than one year remaining to maturity are € 41,782 thsd (previous year: € 38,230 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	2020	2019
As of 1 Jan.	39,805	41,602
Additions from new contracts	7,279	8,239
Payments received	-9,593	-9,996
Change of transaction price	-	-
Gross receivable as of 31 Dec.	37,491	39,845
Impairment pursuant to IFRS 9	-37	-40
As of 31 Dec.	37,453	39,805

The contractual assets relating to DI projects developed as follows:

All figures in €'000	2020
As of 1 Jan.	-
Effects from the first-time adoption	-
Additions from new contracts including contract initiation costs	3,307
Payments received	-
Amortisation of contract initiation costs	-98
Gross receivable as of 31 Dec.	3,209

Figure includes contract initiation costs of € 964 thsd.

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 2020

All figures in €'000	Stage 2	Stage 3	Total
As of 1 Jan. 2020	1,846	2,456	4,302
Allocation	416	153	569
Disposals	-164	-70	-234
of which usage	-10	-4	-14
of which reversal	-154	-66	-221
As of 31 Dec. 2020	2,097	2,540	4,637

Development of impairments on other receivables and assets 2019

All figures in €'000	Stage 2	Stage 3	Total
As of 1 Jan. 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 31 Dec. 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.

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 which are disputed and where legal action is pending.

Taking into account direct write-offs of € 535 thsd (previous year: € 271 thsd), allocations of € 569 thsd (previous year: € 536 thsd) as well as reversal of € 221 thsd (previous year: € 798 thsd) recognised in income resulted in a net loan loss provision of € 817 thsd in the reporting year (previous year: € 9 thsd).

As of 31 December 2020, the total volume of receivables recognised in Stage 2 is € 152,092 thsd (previous year: € 130,174 thsd). An impairment loss of € 2,097 thsd was recognised for this (previous year: € 1,846 thsd).

As of 31 December 2020, the total volume of receivables recognised in Stage 3 is € 3,867 thsd (previous year: € 4,006 thsd). There are objective indications of an impairment or default status for these receivables. An impairment loss of € 2,540 thsd was recognised for this (previous year: € 2,456 thsd).

Additional disclosures on other receivables and assets can be found in → [Note 36](#).

28 Cash and cash equivalents

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Bank deposits and cash on hand	83,296	107,979
Deposits at Deutsche Bundesbank	775,746	402,800
Total	859,041	510,778

As was the case in previous years, cash and cash equivalents include deposits at the Deutsche Bundesbank. In the financial year 2020, holding funds with commercial banks were transferred to the Bundesbank. This resulted in an increase in cash and cash equivalents. Changes in cash and cash equivalents during the financial year are shown in the statement of cash flow. The impairment in line with IFRS 9 is € 10 thsd (previous year: € 12 thsd), the holdings are assigned to Stage 1.

29 Shareholders' equity

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Share capital	109,334	109,334
Treasury stock	-9	0
Capital reserves	149,918	149,853
Retained earnings		
Statutory reserve	3,129	3,129
Other retained earnings and net profit	211,865	191,836
Revaluation reserve	-20,995	-17,547
Equity attributable to MLP SE shareholders	453,243	436,605
Non-controlling interest	776	787
Total shareholders' equity	454,019	437,392

Share capital

The share capital of MLP SE is made up of 109,326,186 (31 December 2019: 109,334,300). 566,000 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 14 June 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 13 June 2023.

Acquisition of treasury stock

The Annual General Meeting on 29 June 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 28 June 2022. On 24 September 2019, the Executive Board at MLP SE approved a share buyback, which was carried out by MLP Finanzberatung SE. The shares were to be used for share-based payments under the 2019 participation programme. The buyback of shares for the 2020 participation programme starts in 2021. Please refer to [Note 34](#) 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 34](#).

Other retained earnings and net profit

Other retained earnings comprise retained earnings of the MLP Group and a reserve for treasury shares of € 267 thsd (previous year: € 1 thsd).

Revaluation reserve

The provision includes losses from the revaluation of defined benefit obligations of € 29,816 thsd (previous year: € 24,842 thsd) and deferred taxes attributable to this of € 8,822 thsd (previous year: € 7,294 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 € 25,147 thsd (previous year: € 22,960 thsd) for the financial year 2020 at the Annual General Meeting. This corresponds to € 0.23 (previous year: € 0.21) per share.

30 Provisions

Pension provisions

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

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

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

The defined benefit obligation for retirement income, funded only by means of provisions, amounts to € 20,574 thsd (previous year: € 23,469 thsd). Pension insurance policies are in place for all other pension obligations (defined benefit obligation of € 36,573 thsd; previous year: € 33,463 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	
	2020	2019	2020	2019	2020	2019
As of 1 Jan.	56,933	49,753	-26,234	-25,826	30,699	23,927
Current service cost	330	272	-	-	330	272
Interest expenses (+)/ income (-)	625	933	-293	-491	331	442
Recognised in profit or loss	954	1,205	-293	-491	661	714
Actuarial gains (-)/ losses (+) from:						
financial assumptions	4,658	7,257	-	-	4,658	7,257
experience adjustments	-101	61	-	-	-101	61
Gains (-)/ losses (+) from pension scheme assets without amounts recognised as interest income	-	-	-620	-336	-620	-336
Gains (-)/ losses (+) from revaluations*	4,557	7,318	-620	-336	3,937	6,982
Contributions paid by the employer	-	-	50	-147	50	-147
Payments made	-1,565	-1,343	690	567	-875	-776
Other	-1,565	-1,343	740	419	-826	-923
As of 31 Dec.	60,879	56,933	-26,407	-26,234	34,472	30,699

*recognised in other comprehensive income

Net liabilities of € 2,029 thsd recognised in the balance sheet (previous year: € 1,941 thsd) are attributable to Executive Board members active at the end of the reporting period.

With regard to net pension provisions, payments of € 1,671 thsd are anticipated for 2021 (previous year: € 1,462 thsd). € 961 thsd thereof (previous year: € 872 thsd) is attributable to direct, anticipated company pension payments, while € 710 thsd (previous year: € 590 thsd) is attributable to anticipated reinsurance policy premiums.

Actuarial calculations incorporate the following assumptions:

	2020	2019
Assumed interest rate	0.65%	1.10%
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 31 December 2020, 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
	0.5%	-5,143
Assumed interest rate	-0.5%	5,871
	0.5%	4,957
Pension trend	-0.5%	-4,442
Mortality	80.0%	5,691

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 2020 they total € 11,748 thsd (previous year: € 11,158 thsd).

Other provisions are made up as follows:

All figures in €'000	31 Dec. 2020			31 Dec. 2019		
	Current	Non-current	Total	Current	Non-current	Total
Cancellation risks	13,288	20,217	33,505	12,974	20,315	33,289
Bonus schemes	26,013	2,165	28,177	25,424	-	25,424
Litigation risks/ costs	3,390	397	3,787	1,207	53	1,260
Share-based payments	823	2,257	3,081	1,834	2,865	4,699
Claim settlement contributions/ commission reductions	1,517	-	1,517	950	-	950
Economic loss	700	-	700	488	-	488
Phased retirement	261	416	676	91	214	305
Provisions for expected credit losses	422	231	653	595	194	790
Anniversaries	235	409	644	184	399	583
Rent	121	34	155	97	84	181
Other	7,281	825	8,106	2,300	627	2,927
Total	54,051	26,950	81,001	46,144	24,752	70,897

Other provisions have changed as follows:

All figures in €'000	01. Jan 20	Utilisation	Reversal	Compounding/Discounting	Allocation	31 Dec. 2020
Cancellation risks	33,289	-12,884	-51	110	13,041	33,505
Bonus schemes	25,424	-25,271	-302	-	28,326	28,177
Litigation risks/ costs	1,260	-90	-63	-	2,679	3,787
Share-based payments	4,699	-2,140	-36	17	542	3,081
Claim settlement contributions/ commission reductions	950	-59	-153	-	779	1,517
Economic loss	488	-84	-121	-	417	700
Phased retirement	305	-123	-	8	486	676
Provisions for expected credit losses	790	-	-581	-	444	653
Anniversaries	583	-152	-1	2	212	644
Rent	181	-78	-	2	49	155
Other	2,927	-937	-91	-3	6,210	8,106
Total	70,897	-41,817	-1,399	136	53,185	81,001

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.

Provisions for litigation risks/costs are formed for risks resulting from legal disputes.

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.

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.

The provisions for economic loss due to liability risks are offset by claims for reimbursement from liability insurance policies with a value of € 573 thsd (previous year: € 435 thsd).

The provision for anticipated losses from the lending business is recognised as a result of the impairment regulations pursuant to IFRS 9. Please refer to → [Note 35](#) for further information on the provision for anticipated losses from the lending business.

Other provisions are formed for obligations from IT services and incentive trips.

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 33 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 1 Jan. 2020	265	260	265	790
Transfer to Stage 1	11	-11	-	-
Transfer to Stage 2	-13	14	-	-
Transfer to Stage 3	-	-1	1	-
Allocation	148	255	18	420
of which newly acquired or issued financial assets	109	82	-	191
of which existing business	39	173	18	230
Disposals	-127	-175	-255	-557
of which usage/consumption	-	-	-	-
of which reversal	-127	-175	-255	-557
As of 31 Dec. 2020	283	341	29	653

All figures in €'000	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL – not impaired)	Stage 3 (lifetime ECL – impaired credits)	Total
As of 1 Jan. 2019	294	239	310	842
Transfer to Stage 1	13	-12	-1	-
Transfer to Stage 2	-12	14	-2	-
Transfer to Stage 3	-1	-1	1	-
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 31 Dec. 2019	265	260	265	790

31 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	31 Dec. 2020			31 Dec. 2019		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to clients	2,265,389	6,529	2,271,919	1,888,676	6,166	1,894,843
Liabilities due to banks	3,913	103,557	107,471	2,901	95,507	98,409
Total	2,269,303	110,086	2,379,389	1,891,578	101,674	1,993,251

The change in liabilities due to banking business from € 1,993,251 thsd to € 2,379,389 thsd is essentially attributable to the increase in short-term client deposits in current accounts.

As of 31 December 2020, liabilities due to clients from savings deposits with an agreed notice period of three months amounted to € 22,357 thsd (previous year: € 19,758 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 36](#) and → [37](#).

32 Other liabilities

All figures in €'000	31 Dec. 2020			31 Dec. 2019		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities due to MLP consultants and branch office managers	49,352	17,695	67,047	48,485	19,273	67,758
Leasing liabilities	10,473	40,684	51,157	10,769	43,387	54,156
Trade accounts payable	33,760	-	33,760	28,173	-	28,173
Personnel-related liabilities	32,858	-	32,858	28,955	-	28,955
Liabilities due to underwriting business	28,056	-	28,056	24,882	-	24,882
Purchase price liabilities	-	19,063	19,063	-	18,279	18,279
Liabilities due to other taxes	9,243	-	9,243	9,072	-	9,072
Liabilities due to banks	3,244	5,007	8,251	31	1,500	1,531
Liabilities due to social security contributions	7	-	7	15	-	15
Other liabilities	13,771	2,510	16,281	15,190	2,558	17,748
Total	180,763	84,959	265,722	165,571	84,997	250,568

Liabilities due to MLP consultants and branch office managers represent unsettled commission claims. Usually they are non-interest-bearing and due on the 15th of the month following the settlement with the insurance company. Since 1 January 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 31 December 2020 this figure was € 25,070 thsd (previous year: € 26,515 thsd), € 17,695 thsd of this amount was non-current (previous year: € 19,273 thsd).

Leasing liabilities of € 51,157 thsd (previous year: € 54,156 thsd) include liabilities for lease payments on real estate of € 49,184 thsd (previous year: € 52,624 thsd) and liabilities for lease payments on vehicles of € 1,973 thsd (previous year: € 1,532 thsd). The total outflow of cash and cash equivalents for leases was € 12,036 thsd in the financial year 2020 (previous year: € 11,584 thsd).

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

Purchase price liabilities include variable purchase price components resulting from the acquisition of the DI Group. Adjustments to the earnings targets of the DI Group were performed due to the coronavirus pandemic in the time period relevant for the purchase price. This leads to a reduction in the purchase price of € 1,479 thsd, which was recognised in the income statement.

Other liabilities comprise commissions withheld from MLP consultants due to cancellations amounting to € 2,359 thsd (previous year: € 2,291 thsd). Commissions withheld are charged with interest. Their term is mainly indefinite.

MLP has agreed-upon and non-utilised lines of credit amounting to € 160,029 thsd (previous year: € 168,961 thsd).

Further disclosures on other liabilities can be found in → [Note 35](#) and → [36](#).

Notes to the statement of cash flow

33 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 joint 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 as well as the repayment portions of leasing liabilities.

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

Cash and cash equivalents

All figures in €'000	31 Dec. 2020	31 Dec. 2019
Cash and cash equivalents	859,041	510,778
Liabilities to banks due on demand (excluding the banking business)	-3,244	-
Cash and cash equivalents	855,797	510,778

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 not considered to be cash and cash equivalents and are therefore not included. All deposits at the Deutsche Bundesbank are disclosed under cash and cash equivalents.

Miscellaneous information

34 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 31 December 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
Holdings as of 1 Jan. 2020 (units)	128,235	84,785	59,650	92,376	365,046
SARs expired in 2020 (units)	-	-845	-734	-1,849	-3,428
Paid out in 2020 (units)	-128,235	-	-	-	-128,235
Holdings as of 31 Dec. 2020 (units)	0	83,940	58,916	90,527	233,383
Expenses recognised in 2020 (€'000)	327	75	70	70	542
Income recognised in 2020 (€'000)	-26	-1	-4	-5	-36
	301	73	66	66	506
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
Provision as of 31 Dec. 2019 (€'000)	1,834	752	1,012	1,101	4,699
Provision as of 31 Dec. 2020 (€'000)	-	823	1,084	1,174	3,081

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. Its objective was 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 2020. 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 2019 participation programme (taking into account income tax effects where applicable). This number is calculated by dividing the "2019 bonus amount" by the average closing price of the MLP share. The "2019 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 2020. An average of 557,886 shares (previous year: 539,947) were issued in the last financial year. An expense of € 3,191 thsd (previous year: € 3,126 thsd) was recognised for the 2020 bonus amount in the consolidated financial statements with a reserve-increasing effect.

35 Contingent assets and liabilities, as well as other liabilities

As it is composed of companies operating in different lines of business, 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 (BdBe.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 € 5,356 thsd in contingent liabilities on account of sureties and warranties (face value of the obligation) (previous year: € 3,799 thsd) and irrevocable credit commitments (contingent liabilities) of € 67,662 thsd (previous year: € 54,631 thsd). In terms of sureties and warranties, any utilisation remains unlikely as in the past. The irrevocable credit commitments are generally utilised. In addition to this, MLP has committed to taking over the properties in question itself if necessary as part of the real estate sales process. However, no significant outflow of cash and cash equivalents is anticipated in this regard.

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

All figures in €'000	Up to 1 year	1-5 years	>5 years	Total
Outsourcing IT technology	38,968	21,570	-	60,538
Project development for ongoing building projects	22,784	9,859	-	32,643
Licence contracts	15,690	3,183	-	18,873
Land purchases contracted under a condition precedent	12,181	-	-	12,181
Other obligations	5,019	2,439	132	7,590
Purchase commitment	6,948	-	-	6,948
Total	101,590	37,051	132	138,773

As of 31 December 2019, 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 purchases contracted under a condition precedent	14,765	-	-	14,765
Other obligation	5,866	3,385	152	9,403
Purchase commitments	3,969	-	-	3,969
Total	80,405	51,107	223	131,735

Lease contracts concluded in the financial year 2020 which were not included in the leasing liability as of 31 December 2020, as the lease only commences in the following year, will lead to future outflows of cash and cash equivalents of € 209 thsd (previous year: € 200 thsd).

36 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							31 Dec. 2020
	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)	17,191	1,816	5,320	10,056	-	17,191	8,633
Financial assets (structured bonds)	10,056	-	-	10,056	-	10,056	
Financial assets (investment fund shares)	7,084	1,764	5,320	-	-	7,084	
Investments	51	51	-	-	-	51	
Investments in non-consolidated subsidiaries	-	-	-	-	-	-	7,973
Shares in associates (not at equity)	-	-	-	-	-	-	660
Financial assets measured at amortised cost (AC)	2,822,587	1,316,016	54,889	684,939	815,715	2,871,559	40,121
Receivables from banking business – clients	880,649	113,767	-	-	815,715	929,482	
Receivables from banking business – banks	751,466	113,626	-	637,336	-	750,962	
Financial assets (fixed and time deposits)	59,951	59,951	-	-	-	59,951	
Financial assets (loans)	9,998	9,998	-	-	-	9,998	
Financial assets (bonds)	101,849	-	54,889	47,603	-	102,493	
Other receivables and assets	159,632	159,632	-	-	-	159,632	40,121
Cash and cash equivalents	859,041	859,041	-	-	-	859,041	
Financial liabilities measured at amortised cost	2,586,665	2,440,878	-	138,214	-	2,579,092	58,447
Liabilities due to banking business – clients	2,271,919	2,232,221	-	29,306	-	2,261,527	
Liabilities due to banking business – banks	107,471	1,382	-	108,908	-	110,290	
Other liabilities	207,275	207,275	-	-	-	207,275	58,447
Sureties and warranties*	5,356	5,356				5,356	5,356
Irrevocable credit commitments*	67,662	67,662				67,662	67,662

* off balance sheet items. Figures before loan loss provisions.

	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 investments (shares and structured bonds)	10,095	-	-	10,095	-	10,095	
Financial investments (shares and 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 assets (fixed and time deposits)	54,997	54,997	-	-	-	54,997	
Financial assets (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

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 € 3,535 thsd (previous year: € 3,649 thsd). These financial guarantees are measured on the basis of the impairment provisions defined in IFRS 9. Impairments of € 125 thsd (previous year: € 119 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 equity were to fall (rise).

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

All figures in €'000	2020	2019
Financial assets measured at amortised cost	12,378	15,122
Financial assets measured at fair value	1,870	2,227
Liabilities measured at amortised cost	-3,304	-2,259

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 € 15,149 thsd (previous year: € 16,708 thsd) and interest expenses of € 3,304 thsd (previous year: € 2,259 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.

37 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 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 joint 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 31 Dec. 2020	Due on demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	2,236,685	142,821	107,379	98,032	2,584,917
Liabilities due to banking business – clients	2,232,701	18,959	5,058	5,105	2,261,824
Liabilities due to banking business – banks	3,984	-6,216	29,611	80,091	107,471
Other liabilities	-	119,151	43,374	-	162,525
Leasing liabilities	-	10,928	29,336	12,835	53,098
Financial guarantees and credit commitments	73,018				73,018
Sureties and warranties	5,356	-	-	-	5,356
Irrevocable credit commitments	67,662	-	-	-	67,662
Total	2,309,703	142,821	107,379	98,032	2,657,935

Total cash flow (principal and interest) in €'000 as of 31 Dec. 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

38 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.

39 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 and CEO 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 Affairs, Risk Management	• DOMCURA AG, Kiel • DI Deutschland.Immobilien AG, Hannover	–
Manfred Bauer, Leimen Responsible for Product Purchasing and Product Management, Services	• DOMCURA AG, Kiel (Chairman) • DI Deutschland.Immobilien AG, Hannover	• MLP Hyp GmbH, Wiesloch (Supervisory Board)

Supervisory Board	Mandates in other statutory Supervisory Boards of companies based in Germany	Memberships in comparable domestic and foreign control bodies of commercial enterprises
Dr Peter Lütke-Bornefeld, Everswinkel Chairman Formerly Chairman of the Executive Board of General Reinsurance AG, Cologne	<ul style="list-style-type: none"> • VHV Vereinigte Hannoversche Versicherung a. G., Hannover (Chairman) • VHV Holding AG, Hannover (Chairman) • VHV Allgemeine Versicherung AG, Hannover • Hannoversche Direktversicherung AG, Hannover (until 30 June 2020) • MLP Banking AG, Wiesloch (Chairman) • MLP Finanzberatung SE, Wiesloch (Chairman) 	-
Dr Claus-Michael Dill, Murnau Formerly Chairman of the Executive Board at AXA Konzern AG, Cologne	<ul style="list-style-type: none"> • HUK-COBURG Holding AG, Coburg • HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G., Coburg • HUK-COBURG-Allgemeine Versicherung AG, Coburg • HUK-COBURG Lebensversicherung AG, Coburg • HUK-COBURG Krankenversicherung AG, Coburg 	<ul style="list-style-type: none"> • CONVEX Group Ltd., Hamilton, Bermuda (Independent Non-Executive Director) • CONVEX Re Ltd., Hamilton, Bermuda (Independent Non-Executive Director) • CONVEX Insurance UK Ltd, London, UK (Independent Non-Executive Director)
Tina Müller, Düsseldorf Chairwoman of the Management Board, CEO, at Douglas GmbH, Düsseldorf	-	-
Matthias Lautenschläger, Heidelberg Managing Partner at USC Heidelberg Spielbetrieb GmbH, Heidelberg Managing Partner at LEC Capital GmbH, Heidelberg	• wob AG, Viernheim	-
Burkhard Schlingermann, Düsseldorf Employees' representative (until 31 December 2020) Employee of MLP Finanzberatung SE, Wiesloch Works Council member at MLP SE and MLP Finanzberatung SE, Wiesloch	• MLP Finanzberatung SE, Wiesloch (employees' representative, Deputy Chairperson) (until 31 Dec. 2020)	-
Monika Stumpf, Schriesheim Employees' representative (since 1 January 2021) Employee of MLP Finanzberatung SE, Wiesloch Deputy Chairperson of the Works Council at MLP SE and MLP Finanzberatung SE, Wiesloch	• MLP Finanzberatung SE, Wiesloch (employees' representative) (since 1 Jan. 2021)	-
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 € 6,243 thsd (previous year: € 5,310 thsd). The legal transactions were completed under standard market or employee conditions.

As of 31 December 2020, members of the Executive Bodies had current account credit lines and surety loans totalling € 582 thsd (previous year: € 572 thsd). Surety loans are charged an interest rate of 1.0% (previous year: 1.0%) and the current account debits 6.25% to 8.50% (previous year: 6.25% to 8.50%).

The total compensation for members of the Executive Board active on the reporting date is € 3,510 thsd (previous year: € 3,298 thsd). In the financial year, expenses of € 300 thsd (previous year: € 300 thsd) were accrued for occupational pension provision. As of 31 December 2020, pension provisions of € 20,290 thsd were in place for former members of the Executive Board (previous year: € 20,334 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 2020 (previous year: € 500 thsd). In addition, € 15 thsd (previous year: € 17 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 joint 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 2020

All figures in €'000	Receivables	Liabilities	Income	Expenses
MLP Assekuranzmakler Holding GmbH, Wiesloch	-	-	3	-
MLP Hyp GmbH, Wiesloch (associate)	2,769	4	17,236	346
Uniwunder GmbH, Dresden	-	548	104	4,971
FERI (Switzerland) AG, Zurich	10	213	114	789
FPE Private Equity Beteiligungs-Treuhand GmbH, Munich	1	-	61	2
FPE Private Equity Koordinations GmbH, Munich	-	-	40	-
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	-	54	578	-
DIFA Research GmbH, Berlin	-	716	1	-
WD Wohnungsverwaltung Deutschland GmbH, Hannover	138	-	41	-
Projekt Deutschland.Immobilien Tengen GmbH, Saarbrücken	1	-	1	-
Convivo Wohnparks Deutschland.Immobilien Wittmund GmbH & Co. KG, Hannover	30	1	3,153	-
Projekte Deutschland.Immobilien Bad Goetting GmbH, Neustadt a.d. Donau	3,374	-	284	-
30. Projekte Deutschland.Immobilien GmbH, Hannover	1,835	0	143	-
Total	8,158	1,550	21,771	6,133

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 Goetting 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

40 Auditor's fees

The total fees for services performed by the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in the financial year 2020 (including expenses, but excluding statutory value added tax) are as follows:

All figures in €'000	2020	2019
Audit services	655	734
Other audit-related services	182	186
Other services	14	14
Total	851	934

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

41 Disclosures on equity/capital control

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

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, intangible assets and good will reduce Tier 1 common capital.

As in the previous year, MLP has fulfilled all legal requirements relating to the minimum core capital backing during the financial year 2020. The relationship between core capital requirement and core capital as of the balance sheet date is illustrated below.

All figures in €'000	2020	2019
Tier 1 common capital	301,223	289,606
Tier 1 additional capital	-	-
Tier 2 capital	-	-
Eligible own funds	301,223	289,606
Capital adequacy requirements for counterparty default risks	89,568	89,487
Capital adequacy requirements for operational risk	23,477	31,147
Equity ratio (at least 10.5%) (at least 8 % + 2.5% capital conservation buffer)	21.32	19.21
Tier 1 common capital ratio (at least 4.5%)	21.32	19.21

42 Number of employees

The average number of staff employed increased from 1,783 in 2019 to 1,850 in 2020.

	2020			2019		
		of which executive employees	of which marginal part-time employees		of which executive employees	of which marginal part-time employees
Financial Consulting	1,097	32	25	1,071	28	26
Banking	193	6	2	187	6	3
FERI	221	9	29	236	8	42
DOMCURA	293	9	20	274	9	18
Holding and Others	46	1	4	16	1	-
Total	1,850	57	80	1,783	52	90

An average of 91 people (previous year: 81) underwent vocational training in the financial year.

43 Events after the balance sheet date

On 8 February 2021, MLP Assekuranzmakler Holding GmbH (formerly: MLP Consult GmbH) signed the acquisition agreement for 100% of the shares in RVM Versicherungsmakler GmbH & Co. KG., including its key subsidiaries ("RVM"). With effect from 12 February 2021, MLP Finanzberatung SE granted MLP Assekuranzmakler Holding GmbH a loan in the mid-double-digit million range in order to complete this acquisition. MLP Finanzberatung SE will use external financing to cover around half of the loan amount granted.

With its well-established business model, the industrial insurance broker RVM has a strong focus on small and medium-sized enterprises and supports more than 2,500 companies in this segment. The acquisition constitutes the essential basis for developing the commercial and industrial insurance market segment. The objective with the acquisition of RVM is to lay the foundations for the systematic expansion of the new industrial insurance broker segment. The acquisition is scheduled to be completed in the second quarter of 2021 with economic effect from 1 January 2021, subject to approval from the competition authorities.

The total purchase price that MLP is to pay to the two shareholders is in the mid-double-digit million range. This includes a mechanism via which a portion of the purchase price is linked to the quality of business development displayed up to the end of 2022. MLP will finance around half of the purchase price from cash funds.

MLP does not have any further information requiring disclosure in accordance with IFRS 3.59.

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

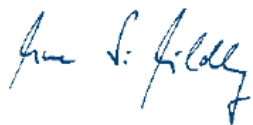
44 Release of consolidated financial statements

The Executive Board prepared the consolidated financial statements on 4 March 2021 and will present them to the Supervisory Board on 18 March 2021 for publication.

Wiesloch, 4 March 2021

MLP SE

Executive Board



Dr Uwe Schroeder-Wildberg



Manfred Bauer



Reinhard Loose

Independent Auditor's report

To MLP SE, Wiesloch

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

Opinions

We have audited the consolidated financial statements of MLP SE and its subsidiaries (the Group), which comprise the balance sheet as of December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, and the cash flow statement for the financial year from January 1 to December 31, 2020 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the report on the situation of the Company and of the Group (hereafter called "joint management") of MLP SE for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements we have not audited the content of the components of the joint management report referred to in 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, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, 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 consolidated financial statements and of the joint management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we

declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the joint management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of goodwill

For information on the accounting principles applied, please refer to → [Note 6 "Accounting policies"](#) and → [Note 21 "Intangible assets"](#) to the consolidated financial statements.

FINANCIAL STATEMENT RISK

As of December 31, 2020, 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 FER1 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 business segments and the controlling unit, and we have discussed the anticipated cash flows and expected long-term growth rates with those responsible for the planning. In addition to this, we acknowledged the appropriateness of the valuation model together with our valuation experts and, using the calculation of dedicated scenarios based on the DCF process of MLP SE, assessed the appropriateness of the planning assumptions. We obtained assurance of the forecasting

quality of the planning undertaken by the company by comparing planning figures from previous financial years with the results actually recorded.

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

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

OUR OBSERVATIONS

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

Commission income from the brokering of old-age provision products

For information on the accounting principles applied, please refer to → [Note 6 "Accounting policies"](#) and → [Note 8 "Revenue"](#) to the consolidated financial statements.

FINANCIAL STATEMENT RISK

The consolidated financial statements of MLP SE recognise revenue of € 745.5 million for the period from January 1 to December 31, 2020. This figure contains commission income of € 214.6 million from the brokering of old-age provision products that was mainly 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 companies.

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

OUR AUDIT APPROACH

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

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

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

In addition to this, we understood the development of commission income over time on the basis of analytical audit procedures within the scope of the statement-based audit procedures. For this, we established an anticipated value for commission income, specified an acceptable deviation and performed a comparison to determine whether the recognised commission income of the financial year is within acceptable 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

Report on assurance in accordance with Section 317 (3b) of the German Commercial Code (HGB) on the electronic reproduction of the consolidated financial statements and the joint management report prepared for publication purposes

We have performed assurance work in accordance with Section 317 (3b) of the German Commercial Code (HGB) to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the joint management report (hereafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection "MLP_SE_KA+KLB_ESEF-2020-12-31.zip" (SHA256-Hash value: 034581c620457a81f8bed74c6be35f100dda7a2a8920797db7d960e0663f4416) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the joint management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the joint management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying joint management report for the financial year from January 1, 2020 to December 31, 2020 contained in the "report on the audit of the annual financial statements and the joint management report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the joint management report contained in the above-mentioned and attached electronic file in accordance with Section 317 (3b) of the German Commercial Code (HGB) and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section § 317 (3b) of the German Commercial Code (HGB) on the electronic reproduction of financial statements and management reports prepared for publication purposes (IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the joint management report in accordance with Section 328 (1) Sentence 4 No. 1 of the German Commercial Code (HGB) and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 of the German Commercial Code (HGB).

In addition, the Company's Management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material – intentional or unintentional – non-compliance with the requirements of Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format.

The Company's Management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited joint management report as well as other documents to be published to the operator of the German Federal Gazette (Bundesanzeiger).

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material – intentional or unintentional – non-compliance with the requirements of Section 328 (1) of the German Commercial Code (HGB). We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material – intentional or unintentional – non-compliance with the requirements of Section 328 (1) of the German Commercial Code (HGB), design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 25, 2020. We were engaged by the Chairman of the Supervisory Board on June 25, 2020. 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.
- Support provided for implementing the Covid-19-related changes to the FINREP taxonomy of MLP Banking AG.
- Audit of FERI Trust GmbH in accordance with Section 89 (1) of the German Securities Trading Act (WpHG).
- 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.
- Audit of Achte Projekte 2 Deutschland. Immobilien GmbH.
- Audit of Convivo Wohnparks Deutschland. Immobilien Wittmund GmbH & Co. KG.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Jens Hahn.

Frankfurt am Main, March 8, 2021
KPMG AG
Wirtschaftsprüfungsgesellschaft

Kügler
Auditor

Hahn
Auditor

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

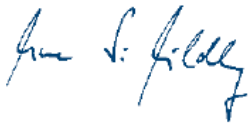
We did not audit the content of the following components of the joint management report:

- the Group's Declaration of Corporate Governance, provided in the section → "Corporate Governance Report – Declaration of Corporate Governance (Section 289f of the German Commercial Code (HGB))" 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. Disclosures that are not normally part of the management report in the combined management report are disclosures that are neither required as per Sections 315, 315a, Sections 315b to 315d of the German Commercial Code (HGB).
- P. 3: The MLP Group – The partner for all financial matters
- P. 3: The MLP Group (MLP) is the partner for all financial matters.
- P. 3: Five brands, each of which enjoys a leading position in their respective markets, offer a broad range of services:
- P. 4: For the implementation we examine the offers of all relevant product providers in the market.
- P. 5: 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.
- P. 113 to P. 16: Report on compensation transparency – Appendix to the management report

Responsibility statement

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

Wiesloch, 4 March 2021



Dr Uwe Schroeder-Wildberg



Manfred Bauer



Reinhard Loose

Financial calendar 2021

FEBRUARY

25 February 2021

Publication of the results for the financial year 2020
Annual Analyst Conference and Press Conference

MARCH

25 March 2021

Publication of the Annual Report for the financial year 2020

MAY

12 May 2021

Publication of the results for the first quarter 2021

JUNE

24 June 2021

Annual General Meeting of MLP SE

AUGUST

12 August 2021

Publication of the results for the first half-year and the second quarter 2021

NOVEMBER

11 November 2021

Publication of the results for the first nine months and the third quarter 2021

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

Any questions?

MLP SE

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Follow us on



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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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