

JOINT MANAGEMENT REPORT

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

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

FUNDAMENTAL PRINCIPLES OF THE GROUP

Business model

MLP – The partner for all financial matters

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

Broad range of services

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

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

Client requirements in focus

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

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 supervisory regulations.

Supervisory requirements

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

Transparent partner and product selection process

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

Qualifications and further training of key importance

In the reporting period, the brokerage branch of activity was spun off from MLP Banking AG (operating under the name MLP Finanzdienstleistungen AG until November 30, 2017) with retroactive effect from October 1, 2017. With this step, all regulated banking activities, including investment advisory services, were bundled at MLP Banking AG, while all other consulting services (old-age pension provision, health insurance, non-life insurance, real estate, finance brokerage) are now provided by the new MLP Finanzberatung SE.

Division of MLP Banking AG (operating as MLP Finanzdienstleistungen AG until November 30, 2017)

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

MLP Banking AG

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

Atrium 105. Europäische VV SE was acquired with effect from May 17, 2017 and was renamed MLP Finanzberatung SE by entry in the commercial register on July 6, 2017. In the 2017 financial year, the brokerage division was spun off from MLP Finanzdienstleistungen AG and transferred to MLP Finanzberatung SE with retroactive effect from October 1, 2017.

MLP Finanzberatung SE

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

As an insurance broker, MLP Finanzberatung SE is also committed to selecting the most suitable product options for clients from the broad range 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 designs, develops and implements extensive coverage concepts for private and commercial clients in the non-life insurance segments. The products of DOMCURA are currently used by approximately 5,000 insurance brokers and insurance sales.

DOMCURA and nordias – non-life insurance specialists

With the acquisition of the DOMCURA Group in 2015, MLP also acquired several brokers in the commercial non-life insurance area alongside the primary underwriting agent business. These companies were further developed in the reporting year and integrated into nordias GmbH Versicherungsmakler (nordias) as a direct subsidiary of MLP SE and as a parent company of the other brokerage companies in the DOMCURA Group. DOMCURA AG and nordias have thereby become sister companies within the MLP Group. Over the course of the further development in the DOMCURA Group, nordias assumed additional functions and services for MLP Sales.

As an investment house for institutional investors, high net worth families and foundations, the FERI Group (FERI) offers services in the fields of investment research, investment management and investment consulting. The FERI Cognitive Finance Institute, which was established in 2016, acts as a strategic research centre within the FERI Group with a focus on analyses and method development for long-term economic and capital market research.

FERI – Wealth management with independent research

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

As a specialist in occupational old-age provision management, TPC GmbH (TPC) offers companies and associations consultancy services covering all issues relating to occupational pension provision and remuneration – from requirements analysis through to individual concept development and implementation, all the way to continuous checking of existing occupational old-age provision systems. The key focus here is on providing consulting services to medium-sized companies from various sectors, as well as employer consulting services to tax advisers, auditors, solicitors, physicians and architects.

TPC – Sector concepts for occupational pension provision management

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

Represented throughout Germany

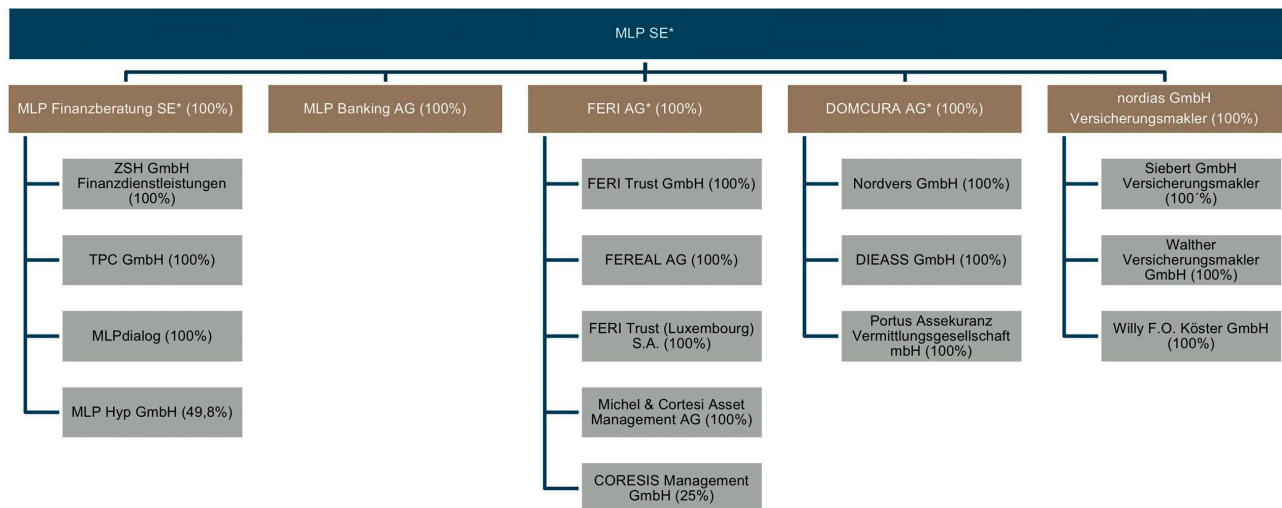
Locations of the MLP Group in Germany



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 this (see chart). The business divisions each carry end-to-end accountability for results. This organisation reflects the Group's strategic goals and client requirements.

Current Group structure of operating companies



* Plus further direct and indirect subsidiaries

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

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

The core 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. FERREAL AG acts as a capital management company for alternative asset classes, such as real estate, private equity and infrastructure. In Switzerland, FERI offers investment solutions for private and institutional investors outside the eurozone via Michel & Cortesi Asset Management AG at the Zurich location. As a fund administrator, FERI Trust (Luxembourg) S.A. coordinates the entire fund structuring and fund floating process. In the field of real estate, FERI AG holds investments in CORESIS Management GmbH.

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

Changes in corporate structure

The change in the corporate form of the MLP holding from a German stock corporation (AG) to a European stock corporation (Societas Europaea/SE) was effectively completed in the reporting period with entry in the Commercial Register on September 21, 2017. This new legal status means that the Supervisory Board can permanently maintain its current size and composition. In addition to this, the SE form is more attractive for foreign investors. The rights of the shareholders, the company's membership in the SDAX index and the stock exchange code remain unaffected by this changeover.

Change in corporate form of MLP Holding to an SE

On February 21, 2017 the MLP AG Supervisory Board consented to the change in Group structure passed by the Executive Board. The brokerage branch of activity was spun off from MLP Banking AG (operating under the name MLP Finanzdienstleistungen AG until November 30, 2017) and integrated into MLP Finanzberatung SE with retroactive effect from October 1, 2017. Furthermore, the supervisory scope of consolidation was narrowed down. These steps should significantly increase free regulatory equity capital by the end of 2021. We anticipate free equity capital to gradually increase by around € 75 million compared to 2016. MLP will thereby expand its scope for action above all for acquisitions and investments, but also in terms of the distribution of dividends. The Federal Financial Supervisory Authority (BaFin), which here performs its supervisory role, was kept up to date regarding the implementation of these measures throughout the whole process. With effect from October 1, 2017 all regulated banking activities were bundled at MLP Banking AG, while the brokerage business is continued by MLP Finanzberatung SE.

Separation of banking operations and brokerage business

The merger of Schwarzer Familienholding GmbH (SFH) with MLP AG under commercial law already took place in the first half of the year with retroactive effect from January 1, 2017. From this date on DOMCURA AG and nordias GmbH Versicherungsmakler have been 100% subsidiaries of MLP SE, formerly MLP AG.

Factors affecting business development

Economic developments in Germany have a significant impact on the business operations of the MLP Group, as the company generates or initiates almost all of its revenue in this country. Particularly important non-financial performance indicators in this regard are economic growth, developments in the labour 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 wealth management, old-age provision, non-life insurance, health insurance, real estate as well as loans and mortgages, which we analyse in the corresponding chapters of the → [Economic report and forecast](#). Another important factor is the regulatory environment, which is examined in more detail in the chapter entitled → [Economic report and forecast – regulation and competition](#).

Organisation and administration

The Executive Board at MLP SE comprises three members. The positions on the Board continue to be held by Dr Uwe Schroeder-Wildberg (Chief Executive Officer), Manfred Bauer (Product Management) and Reinhard Loose (Finance). In January 2017 the Supervisory Board at MLP SE had already extended the contract of Chief Executive Officer, Dr Uwe Schroeder-Wildberg, which was running until December 31, 2017 by a further five years to the end of 2022. No personnel changes to the company's Executive Board were made in the last financial year. However, new appointments were also necessary for the members of the Executive Board within the scope of the company's change of corporate form.

The Supervisory Board, which is required to monitor the Executive Board under German law, comprises six members. There were no changes to the personnel on this committee in the reporting year. However, the term in office of the Supervisory Board at MLP AG ended by operation of law as a result of the change in corporate form. As per the approved conversion plan, the newly formed Supervisory Board of MLP SE comprises the same members that previously sat on the equivalent body at MLP AG, i.e. Dr Peter Lütke-Bornefeld, Dr. h.c. Manfred Lautenschläger, Mrs Tina Müller, Dr Claus-Michael Dill, Mr Burkhard Schlingermann and Mr Alexander Beer.

On the Executive Board at FERI AG, Marcel Renné assumed responsibility for Operations on January 1, 2017. He thereby succeeded Dr Matthias Klöpper, who left the Board on expiry of his contract. At the same time, Chief Executive Officer Arnd Thorn assumed responsibility for Finance.

Control system

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

Corporate management

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 tax (EBIT) and total revenue (sales revenue) represent the central benchmark at MLP for overall business development in the individual business segments. Alongside this, the Executive Board also receives regular information on the macroeconomic, political and legislative factors that influence developments in the individual consulting fields. Analysis of the old-age provision, wealth management, non-life insurance, health insurance, loans and mortgages and real estate brokerage consulting fields is performed with the objective of explaining the performance of the business segments in the past, anticipating changes in the environment and exerting targeted influence on the future development of the segments. In line with MLP's comprehensive consulting approach, which focuses on the views and expectations of the client, the Executive Board does not manage the Group on the basis of the contribution margin of the individual consulting fields.

EBIT and revenue as the most crucial key performance indicators

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

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

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

Beside the important key performance indicators of EBIT and revenue, other KPIs include administration costs (defined as the sum of personnel expenses, other operating expenses, as well as regular depreciation and impairments), the return on equity, assets under management, brokered new business in the old-age provision area, the existing portfolio of non-life insurance contracts 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). As such, the Group objectives are broken down across all Group companies and key segments, thereby allowing each business unit to know its own contribution to meeting the defined targets. This ensures end-to-end incorporation of all organisational units and integration into the planning and management process. The ISA grants all business segments the opportunity to get actively involved in planning targets. This promotes motivation among everyone involved and increases planning quality throughout the organisation. At the end of the mandatory ISA process (which is binding throughout the Group), the target achievement level of each unit is tracked through 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 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 assess the success of our business. Important early indicators include assets under management, which reflect developments in the wealth management area, 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 a low annual turnover rate for self-employed consultants of no more than 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 company is a service provider, we are not engaged in any research or development in the classic sense. Nevertheless, we make resources available, for example to develop our own software or refine acquired software.