

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

In 2017, we recorded growth and achieved our forecast numbers with good earnings. This could by no means be taken for granted as our industry is far from booming. We are overall satisfied as a result. To ensure we remain successful in future, we will adhere tenaciously to the strategy we have been pursuing for the last few years.

After all, it was precisely this strategy – diversifying our revenue basis, together with strict cost management – that benefited us not only, but especially, over the course of the last twelve months. As you know, the further development of our company is embedded in a difficult environment, in which the high-margin old-age provision business is under enormous pressure. This makes our growth all the more remarkable. It is driven by wide-ranging growth in the consulting areas that we have built up and expanded in recent years – above all wealth management, non-life insurance and real estate brokerage.

The demerger of MLP Finanzdienstleistungen AG into MLP Finanzberatung SE and MLP Banking AG was a key focus of work in the past financial year. With a significant increase in free regulatory capital, we are extending our room to manoeuvre considerably. I would like to take this opportunity to thank all employees and MLP consultants for supporting the successful implementation of this large-scale project, as well as for their very successful work in the past year.

The fact that there are unlikely to be any changes in the foreseeable future in terms of the difficult market conditions in which we operate underlines the importance of strengthening the equity base. Low interest rates, reservations regarding signing long-term contracts, as well as regulations which are not market oriented, and in some cases go too far, will continue to burden us over the course of the next few years. However, we anticipated this early on and have been proactively developing our company since 2005. This has made MLP a completely new company today.

In absolute figures, this means that we have been recording average growth of 12.5 percent per year set aside from the old-age provision area since 2005. As such, we have more than compensated for the decline in revenue in the old-age provision of over €160 million. At the same time, we have increased recurring revenue, i.e. revenue that does not require any new contracts to be signed, from around 30 percent to around two thirds.

In detail, total revenue rose by almost 3 percent to EUR 628.2 million in the last financial year – the highest level since the outbreak of the global financial crisis 10 years ago. We were able to record gains across all consulting segments except for old-age provision. The real estate brokerage segment, which we have been expanding since 2014, recorded the highest percentage increase. This is reported under "Other commission and fees", which increased by almost 20 percent to EUR 18.4 million. The second highest increase recorded by MLP Group was in the wealth management area. Revenues increased by almost 15 percent to EUR 190.6 million here. The non-life insurance area also performed better than the previous year, recording a 4 percent increase in revenue. The loans and mortgages area also recorded significant gains. In the health insurance area, sales revenue remained at the previous year's level – despite the prominent discussions regarding citizens insurance during the election campaign.

Only the old-age provision area remained slightly behind the previous year's figures in 2017 with revenue of EUR 208.1 million. This slight decrease can be attributed to market conditions. This reflects the ongoing reservations being displayed by many citizens throughout the sector when it comes to signing long-term contracts.

Assets under management rose to a new record level of EUR 33.9 billion. This reflects significant gains both at our subsidiary FER1 and in MLP's private client business. FER1 primarily enjoyed an increase in its institutional business, both in investment management and investment consulting. At the same time, we observed very significant growth in net cash inflows among MLP's private clients. This underlines just how successfully we have positioned ourselves throughout our entire client base for the extremely important topic of wealth management.

Operating EBIT – before one-off expenses – rose by 33 percent to EUR 46.7 million. At EUR 9.1 million, the one-off expenses for further optimising the Group structure were within the announced range. This resulted in EBIT increasing to EUR 37.6 million. Group net profit also increased around 90 percent to EUR 27.8 million.

With the consent of the Supervisory Board, the Executive Board therefore proposes a significant dividend increase from 8 cents to 20 cents per share. 16 cents of this are attributable to our disclosed Group net profit, while the other 4 cents are the result of our compensating the one-off expenses accrued in the course of separating our banking and brokerage activities for our shareholders.

Our strategic outlook: alongside an attractive dividend policy, our strengthened equity base also offers us further opportunities for investments and acquisitions. Indeed, we could envisage purchases in various segments. This primarily concerns vertical acquisitions, i.e. to extend and strengthen the added value chain. A good example of this from the past is the purchase of the underwriting agency DOMCURA. However, we also remain open for acquisitions in the traditional MLP private client business and in the markets of our two subsidiaries DOMCURA and FER1.

We will continue to invest, above all in our IT systems. These investments will essentially focus on the continued implementation of our digitalisation strategy. We believe that our investment in this digitalisation has been confirmed by the steps we have already taken:

- We have established a range of contents for our young target group under the name MLP finacify.
- Last year, we acquired more than 35,000 new leads through social media activities and our homepage.
- We also established online policy sales.
- With the client portal, we have also laid the foundations for existing clients to enjoy the benefits of MLP around the clock. We offer a wide range of services here, in particular for the approximately 420,000 accounts at MLP – from "Scan2Bank", through electronic signature, right up to an online account switching service.
- Digitalisation of the administrative processes is also progressing. For example, during client consultations our consultants can have a policy issued online by DOMCURA in under a minute.

We will remain resolute in continuing all of these measures, always working on the premise of providing a complement to face-to-face consulting. In particular with regard to complex issues, face-to-face consulting is of utmost importance for our clientèle.

Alongside digitalisation, our three strategic focuses continue to be the diversification of our revenue basis, strengthening of our university business and cost management.

- In the further *diversification of the revenue basis*, we are building on the successes recorded over the last years. The key focus here is on the consulting fields of wealth management and non-life insurance. We are keen to continue the highly positive trend in MLP's private client business in both of these segments. The respective business of our subsidiaries FERI and DOMCURA also provides additional potential.
- The goal of the *measures to strengthen the university segment* initiated in 2017 is to further expand the two central value drivers in MLP's private client business, i.e. recruiting young consultants and acquiring clients. By taking this step, we are addressing the increasing potential of university graduates. Operational implementation started on July 1, 2017 and we have already seen an increase in the numbers of applicants within this short period. This was also reflected in a significantly higher number of recruitments in the closing quarter than in comparable time periods.
- In addition to this, we have been pressing ahead with our *continuous cost management*. We reduced administration costs very successfully in 2017 and will continue to keep a tight rein on costs in future. At the same time, however, we are also keen to continue investing in future projects. In 2017, funds of around EUR 3.6 million were channelled into strengthening the university segment. The successes achieved are therefore making us all the more determined to continue this work in 2018. In concrete terms, we are anticipating expenses of around EUR 7 million for strengthening the university segment. Although this may limit growth in earnings in the short term, it will greatly increase our future profit potential in the long term.

This brings me to our forecast. What exactly are we expecting on the revenue side? Following the decline recorded last year, we are anticipating slight growth in the old-age provision area. Alongside implementing legislation to strengthen occupational pension provision in Germany, the main determining factors here are our successful efforts in leveraging and capitalising on potential in the university segment and the topic of retirement planning. We are also anticipating slight growth in the non-life insurance area. In the areas of wealth management, loans & mortgages and real estate brokerage, we expect revenue to continue at the same very high level recorded in the last financial year. Likewise, we are anticipating stable development in the health insurance segment.

Following the significant growth in earnings recorded in 2017 and based on revenue and cost development, we are anticipating an EBIT for 2018 around the level of the operating EBIT recorded in 2017 of around EUR 46.7 million. Since no one-off expenses are to be accrued in 2018, this means a significant increase over the EBIT of EUR 37.6 million recorded in 2017. With this step, we are combining sustainable earnings with comprehensive investments to secure future growth.

We would be delighted if you – our shareholders – continue to join us on this journey. On behalf of the entire Executive Board, I would like to express my sincere thanks for the trust you showed in us throughout the last financial year.

Yours sincerely,



Dr. Uwe Schroeder-Wildberg