

Opportunity report

Opportunity management

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

This takes place within the scope of a standardised business strategy process that is conducted 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 examined and updated by the Executive Board on an annual basis. The current internal and external framework conditions and 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 in addition to 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 responsible member of the Executive Board. Product Management is a key player here, as it determines opportunities through intensive contact with product providers and industry experts, mostly in the form of product innovations. In addition Customer Management undertakes extensive market research. Other important protagonists in terms of opportunity management are Controlling, which examines the market to detect potential acquisition opportunities, and the organisational units of Risk Management and Compliance, which examine potential regulatory changes at an early stage.

Opportunities

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

Economic forecasts for the year 2019 suggest only limited opportunities for MLP. Economic experts are still predicting that Germany will enjoy further growth, albeit with significantly waning dynamics. The aforementioned reservations on the part of clients when it comes to signing long-term savings contracts will hinder progress. In the medium to long term, however, the greater need for private and also occupational pension provision is likely to increase demand for these two products significantly again – particularly among MLP's target groups. Should the German economy enjoy better development than assumed in our forecast, this will only have an indirect influence on short-term operating developments.

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 administrative costs increase and processes in the Company have to be adapted. However, regulation also tightens the quality standards required of market players. This will accelerate the consolidation of the market, as individual brokers will not be able to comply with the stricter requirements. The overall number of providers is likely to reduce. At the same time, this development could lead to qualified brokers from other market players displaying a stronger desire to work for MLP. With our consulting approach, which focuses on clients and their financial affairs, we are able to clearly differentiate ourselves in the marketplace. In addition, 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 medium term.

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. In addition to support for private clients, we are now increasingly focusing on our business with corporate clients and institutional investors. In cooperation with our Group companies TPC, DOMCURA, nordias and FERL, we will further expand our portfolio of 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. In the private client business itself, MLP's broad positioning gives us an important USP. Further developing these opportunities offers important potential for the next few years. Additional increases are also possible, particularly in the wealth management area, in which MLP clearly sets itself apart from the market through its highly transparent price model, yet also in the non-life insurance area, in which MLP is developing the business of its subsidiary DOMCURA.

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 we are a pure service provider, our operational tasks comprise sales, product purchasing/product selection and sales support.

Business performance
opportunities

In the field of sales, our 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 graduate target group. The number of graduates capable of and seeking employment is set to rise in the medium term, which will lead to greater new client potential for MLP.

More targeted penetration of our client base, particularly in the wealth management and non-life insurance areas, will also help us to achieve further growth. Since our clients are generally highly qualified and therefore 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 and institutional clients, which we have now bundled at our FERL subsidiary. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments. DOMCURA is the service provider for agents and other brokers in the non-life insurance area, providing comprehensive solutions for both private and commercial business – in part with a high degree of individualisation.

Over the last few years we have 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 even more effectively, as well as the realignment of the university segment with a clear focus on the recruitment of young consultants, also contribute 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 with its processes and expertise, and it will continue to do so in 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.

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 opportunities already mentioned arising from changing framework conditions, corporate strategy and business performance, further opportunities could also arise from interest rate developments or lower loan-loss provisions due to economic developments.

Opportunities from the development of asset and risk positions

In the banking segment MLP also engages in current account and credit card business as well as classic lending. Focusing on cross-selling, these business activities are subject to the acceptance of counterparty default risks. Special profit opportunities arise for MLP through its preferred clientele and their predominantly good credit ratings. In addition, positive developments in 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 MLP's portfolio. Depending on the positioning/alignment and interest rate development, they could potentially lead to both risks and 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 changing framework conditions will present only limited opportunities.

Summary