

## *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 FERI 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 FERI. Particularly for institutional investors and high net-worth families, the need for consulting services is on the rise, above all in the field of alternative investments. DOMCURA is the service provider for 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