

Business performance

In the old-age provision area, the ongoing period of low interest rates and critical media reports on life insurers throughout the market were the main factors that led to continued reservations in terms of signing long-term contracts. However, MLP was able to gain an advantage in this area by being quick to recognise and adapt to the growing significance of new guarantee products, which are proving a popular alternative to classic concepts among clients. Indeed, these guarantee products already represented 72% of all newly concluded contracts at MLP in 2016. Occupational disability insurance also provided positive stimulus here. Total revenue in the old-age provision area was slightly above the previous year's level in the reporting year.

In the health insurance area, we continued to encounter reservations in terms of signing new comprehensive private insurance policies. Factors such as premium increases in this area and a critical media coverage contributed to this development. Yet despite this, our revenues in the health insurance area displayed stable development. This is thanks to our good client basis, as well as the close and intensive support our clients receive. As anticipated, the supplementary insurance area also displayed positive development in 2016.

Together with our subsidiary FERI, we have developed the wealth management area into a key revenue pillar in the last few years. FERI was able to acquire new clients in all business segments in the reporting year. 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, hedge funds and real estate).

With the divestment of ratings agency FERI EuroRating Services AG in the reporting period, FERI now concentrates on its three core business segments of investment research, investment management and investment consulting.

Total revenue in the wealth management area remained at the previous year's level. In terms of assets under management, we exceeded our forecast and are above the previous year's level. This development also continued to be supported by net cash inflows at MLP Finanzdienstleistungen AG.

As anticipated, revenues in the non-life insurance area were considerably above the previous year's level. This was due to the first consolidation of DOMCURA for a full financial year. Alongside the existing business of the DOMCURA Group, the cooperation with MLP provided positive stimulus, for example through the implementation of new concepts (see below).

As expected, it was not quite possible to repeat the previous year's record result in the property financing segment. Other commission and fees, an item that primarily reflects the brokerage of real estate objects, remained at the previous year's level. Reasons for this development were above all the shortage of listed buildings, which together with existing real estate had been the focus of brokerage activities. To expand the revenue basis, MLP extended its portfolio in the reporting year to include new buildings, as well as existing and concept-driven properties (microliving, nursing care properties).

Portfolio extended in the real estate segment

MLP further diversified its revenue basis in 2016. The successful integration of the DOMCURA Group represents a key contribution to this strategic objective, whereby business with other market members (sales partners) continued to enjoy positive development. One important advancement in this regard was the introduction of a new online calculation tool for commercial insurance policies. MLP consultants also receive comprehensive process support in the non-life insurance segment. Aside from

Diversification of revenue streams is progressing

this, an initial joint concept for private clients (“DOMCURA comprehensive cover”) was also developed and successfully launched to market in the period under review. The positive developments observed in the wealth management and health insurance areas also made an important contribution to diversification of the revenue basis.

As announced at the start of the year, MLP adjusted the way it counts clients to the modified corporate structure in the reporting year. Since Q1 2016, we have been reporting according to family clients served at MLP Finanzdienstleistungen AG and in the FERI Group and according to corporate and institutional clients. These include clients in the occupational pension provision area and institutional clients at FERI as well as sales partners at DOMCURA. On the basis of this definition, the Group served 517,400 family clients as of December 31, 2016 (December 31, 2015: 510,200). The gross number of newly acquired family clients increased by 10.8% to 20,500 in 2016. In addition to this, the MLP Group provided its services to a total of 19,200 corporate and institutional clients (December 31, 2015: 18,200).

Adjustment to the way we count clients

The distribution of revenues has changed since the reporting year. Although MLP generates a large proportion of its revenues in the final quarter, the acquisition of DOMCURA has also made the first quarter significantly more important. This is due to the seasonal nature of the DOMCURA business model. Accordingly, the subsidiary records high sales revenue and comparably high earnings in the first quarter of each year and subsequently records a loss from Q2 to Q4. Examining the whole year, earnings are significantly positive.

New distribution of revenues due to DOMCURA acquisition

To increase the productivity of our consultants, we increased the staffing level at the MLPdialog GmbH client service center in Bad Segeberg in the reporting year and further extended the service for our consultants and clients.

Client service center further extended

Within the scope of implementing our online strategy, MLP intensified its cooperation with the fintech company massUp in the reporting year. Since the roll-out at the start of the year, our clients have also been able to sign up for basic insurance products online using the MLP client websites mlp.de and mlp-financify.de. During this period, a total of 1,000 contracts have already been concluded, including electronics insurance, bicycle insurance and in particular travel health insurance policies. Plans for further expansion are currently underway. In addition to this, vehicle insurance policies can also be concluded online at MLP. Video conferencing was once again made available to all consultants in the reporting year. The pilot group for the eSignature was expanded in a step-by-step approach in 2016. Another roll-out is planned for 2017.

Digitalisation strategy successfully pressed ahead

Within the scope of our online strategy, MLP further increased its presence on social media platforms such as Facebook, YouTube and Twitter in the reporting year. In addition to this, we worked on permanently improving our websites. These two approaches each help win participants online for seminars held at the branch offices and develop consulting needs. In the survey “Customer-oriented websites of listed companies 2016” conducted by consultancy Service Value for the German daily newspaper “Die Welt”, MLP’s revised online presence was rated as the best overall offer of a listed financial services provider. MLP FinancePilot, which offers our clients various online options including processing of their day-to-day banking needs, received new functionalities in 2016. These include the SecureGo process, as well as the GiroCode function, with which invoices can be scanned via QR code.

Social media activities as a way of acquiring new clients

In 2016, the foundations were laid for an extended client portal. The MLP client portal is an application which has been adapted to the modern design of the MLP homepage and in particular links up FinancePilot Banking and Report and provides them with new features. The main focus is on the “digital budget book”, which presents financial topics such as client income and expenditure in a clearly structured way. With the infrastructural basis of the client portal already in place and planned extensions, MLP now offers an application which clients can use to access further individual MLP applications just by logging in and which makes it particularly easy for them to manage their financial matters. The pilot phase for the client portal was launched at the end of 2016, and across-the-board roll-out is planned for early 2017.

New client portal launched

In 2016, MLP introduced a new application for the selection of products. This new application offers considerable operating and process benefits over the previous software. It offers consultants valuable support – from selecting products, the entire application process right through to the advisory documentation. The new MLP.net Intranet was also launched at the end of October 2016. It facilitates targeted information transfer to both consultants and employees, while promoting the exchange of professional information with one another.

Roll-out of new consultant applications

We are consistently working on further developing our consulting approach, which is being supported by a new consulting application (“Budget guide”). This was successfully tested and combined with a comprehensive training concept in 2016. A further, step-by-step roll-out is due to follow from 2017 onward. In parallel to this, the counterpart for advising young clients has been developed in the form of the “Budget guide easy” application. The application was released for testing in November and the roll-out (together with corresponding training sessions) is scheduled for 2017. You can find further information on this in the section entitled → [“Anticipated business development”](#).

As in the previous year, acquiring new consultants continued to be a key topic in the reporting year. The new further training allowance introduced in 2015 for those wishing to begin a career as a client consultant has established itself as an important concept within our recruiting initiative. You can find further information on this in the section entitled → [“Employees and freelance client consultants”](#).

Recruiting initiative starting to bear fruit

The Corporate University has been collaborating with the School of Management and Innovation at the Steinbeis University in Berlin since September to offer an MSc course in “Financial Planning and Management”. The extra-occupational master’s course is aimed both at experienced MLP consultants and those who are working for MLP after completing their bachelor’s degree. It therefore represents a supplementary instrument of our recruiting initiative and an additional further training opportunity for our consultants.

Financial Planning master’s programme launched

As the market environment remains challenging, in February 2016 MLP introduced measures to again significantly reduce costs in the financial year 2017 and subsequent years and to achieve a positive EBIT effect of € 15 million compared to the financial year 2015. This incurred one-off expenses of approximately € 15 million in the financial year 2016. The savings predominantly relate to material costs. In addition to this, MLP chose not to fill positions that became vacant and instead relied more on synergies between the Group companies in the back office. MLP already lowered administrative costs by around € 60 million between 2008 and 2012.

Consistent efficiency management programme supports growth strategy

In the reporting year, FERI AG announced the sale of FERI EuroRating Services AG. The transaction was then concluded on August 1, 2016. FERI is now continuing to focus on its core strengths of investment management, investment consulting and investment research, as well as on strategic further development to become the leading investment company in Germany, Luxembourg, Switzerland and Austria.

Changes in corporate structure

Within the scope of the additional focus of the corporate structure in the DOMCURA Group, companies including Ralf W Barth GmbH and F&F Makler AG were merged into nordias GmbH insurance brokers in the reporting year. All activities of the broker business segment have been bundled in this company including specialist brokers for commercial and industrial solutions.