HYPOPORT
THE FINANCE INTEGRATOR

Hypoport AG
annual report for 2013

HYPOPORT
THE FINANCE INTEGRATOR

Key performance indicators

Financial performance (€'000)	01.01. - 31.12.2013	01.01. - 31.12.2012	Change
Continuing operations			
Revenue	101,058	87,753	15%
Gross profit	49,579	44,719	11%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,156	8,131	0%
Earnings before interest and tax (EBIT)	3,966	3,197	24%
EBIT margin (EBIT as a percentage of gross profit)	8.0	7.1	13%
Earnings per share (€)	0.51	0.32	59%
Hypoport Group			
Net profit (loss) for the year	3,175	-815	490%
attributable to Hypoport AG shareholders	3,149	-825	482%
Earnings per share (€)	0.51	-0.13	492%
Financial position (€'000)	**31.12.2013**	**31.12.2012**	
Current assets	37,016	35,283	5%
Non-current assets	37,385	35,464	5%
Equity	33,053	29,844	11%
attributable to Hypoport AG shareholders	32,797	29,614	11%
Equity ratio (%)	44.4	42.2	5%
Total assets	74,401	70,747	5%

HYPOPORT
THE FINANCE INTEGRATOR

Contents

HYPOPORT
THE FINANCE INTEGRATOR

1. Report of the supervisory Board

Dear shareholder,

Hypoport's three business units support private and institutional clients and partners in the loan brokerage and insurance markets. In 2013, the Group generated revenue of €101.1 million (2012: €87.8 million) and crossed the threshold to the next revenue size category. Earnings before interest and tax (EBIT) amounted to €4.0 million, well above the previous year's level (2012: €3.1 million). One of the reasons for this strong – albeit cost-intensive – growth in revenue is undoubtedly that Hypoport has developed advanced business models which meet the challenges now faced by the financial services sector. The new market with its wide-ranging regulation increasingly requires lean, low-cost and legally secure processes, high-quality advice and brokerage of good financial products. These are the very combination of pillars on which Hypoport's core business has been built.

However, the current environment also called for Hypoport to make great efforts to consolidate its position. The Private Clients business unit was hit hard by the turmoil in the insurance market during the year. A further adverse factor was that the year-end business typical of this sector failed to materialise in 2013. The efficiency measures introduced, the rigorous focus on the management of insurance portfolios, and the ongoing growth of mortgage finance in the Private Clients business unit could not fully offset the dramatic decline in new insurance business before the end of the year.

In 2013, the Financial Service Providers business unit generated a transaction volume of over €30 billion for the first time. This achievement was attributable to the business unit's solid start to the year coupled with its performance in the second quarter and, more especially, the third quarter. The pressure for change triggered by Basel III and Solvency II considerably enhances the appeal of a flexible marketplace solution for more and more banks and financial institutions. The fact that its partners now number around 250 is impressive proof of this.

The Institutional Clients business unit generated increased revenue across all business lines, but innovative products and services, in particular, still required a significant amount of preparatory work. The business unit also failed to replicate its exceptionally successful third quarter in the face of sluggish interest rates towards the year end.

Hypoport expects its Financial Service Providers and Institutional Clients business units to continue to grow in 2014 and believes the restructuring of the Private Clients insurance business will be reflected in its earnings. Consequently, double-digit revenue growth is anticipated for 2014, as well as earnings above the record levels seen in 2010 and 2011.

Kind regards,
Ronald Slabke

Chief Executive Officer

2. Highlights

January

EUROPACE marketplace grows by 36 per cent
The volume of transactions processed on Germany's biggest marketplace for financial products grew by 36 per cent year on year to approximately €29 billion in 2012. This increase of €7.7 billion compared with 2011 is the largest annual growth achieved in absolute terms since EUROPACE was launched. Some 15 per cent of the total volume of mortgage finance provided in Germany is now routed via EUROPACE.

Dr. Klein: double-digit growth in advisors and branches
The Private Clients division of financial service provider Dr. Klein & Co. AG generated significant growth in 2012, with the number of its advisors rising by 18 per cent year on year to 759. Dr. Klein's branch network expanded by 16 per cent to 206 outlets, strengthening the Company's position as the largest franchise organisation in the German financial services industry. The nationwide increase in the numbers of Dr. Klein's advisors and branches is also reflected in the transaction volumes generated across its various business lines. The value of loan brokerage transactions advanced by 19 per cent, while the volume of insurance transactions failed to escape the tough market conditions unscathed and fell by 13 per cent year on year.

February

Online financial marketplace establishes itself as model of the future for German savings banks
FINMAS tops €1 billion in volume of mortgage finance transactions. The cumulative volume of mortgage finance transactions processed via FINMAS, the online financial marketplace for savings banks, reached €1 billion in late January 2013, marking a major milestone for the financial platform three years after it came into operation. FINMAS GmbH, a joint venture between Ostdeutscher Sparkassenverband, (the association of savings banks in eastern Germany) and Hypoport AG, now has 43 savings banks as its partners.

March

Hypoport generates revenue growth and shrugs off market turmoil
Hypoport AG continued to increase its market share in 2012. The financial service provider raised its revenue by 4 per cent to approximately €88 million, consolidating its market position. However, its growth was hampered by the operational and regulatory changes taking place in the financial services market. Although the Hypoport Group was able to use its diversified business model to mitigate the market disruption, its earnings before interest, tax, depreciation and amortisation (EBITDA) declined year on year to €8.1 million.

April

EUROPACE maintains robust growth in the new year
Growth in all product areas is keeping the transaction volume on EUROPACE at the high level seen in the previous quarter. The transaction volume on Germany's biggest marketplace for financial products is also impressive in terms of a year-on-year comparison. Mortgage finance remained unchanged, there was sharp growth in building finance products and the biggest rise was in personal loans. Despite one-off items falling out of the figures, transaction volume growth has remained robust.

May

GENOPACE offers integrated building finance with Bausparkasse Schwäbisch Hall
Cumulative transaction volume since GENOPACE was set up is around €2.25 billion. Just in time for its fifth anniversary, GENOPACE, the online financial market place for local cooperative banks adds building finance products provided by Bausparkasse Schwäbisch Hall to its offering. From early May, the credit cooperatives and mutually owned banks that use GENOPACE have been able to offer their customers the FuchsBau and Fuchs Langzeit home savings products of Germany's largest building society as endowment loans or to lock in low interest rates after their fixed-rate borrowing periods have expired.

June

Dr. Klein & Co. AG interest rate commentary: Is a turnaround in sight?
At its June meeting, the European Central Bank (ECB) left its key lending rate at its lowest level of 0.5 per cent. At the end of May, however, mortgage interest rates rose sharply from their historic low. Whether this heralds a turnaround in interest rates remains to be seen, but the period of waiting for further falls in interest rates is now over for investors looking for certainty. Stephan Gawarecki, CEO of Dr. Klein & Co. AG now advises customers who want certainty for planning their future spending to find about the benefits of building finance and forward loans.

July

EUROPACE reflects the upward trend in the market in the first half of 2013
In the first half of 2013, the volume of transactions processed on the EUROPACE marketplace for financial products was up by 7.4 per cent year on year. The volume of personal loan transactions rose by 17.3 per cent on the back of a broader product range. The building finance and home loans product areas saw increases of 15.3 per cent and 5.2 per cent respectively in their transaction volumes.

August

Dr. Klein's transaction volume grows in stable to challenging market environment
The Private Clients division of financial service provider Dr. Klein & Co. AG increased its volume of loan and insurance transactions in the first six months of this year compared with the corresponding period of 2012. The considerable appeal of mortgage finance and building finance products remains undiminished, as does demand for general insurance.

Hypoport adapts successfully to changes in the market
Online financial service provider Hypoport generated double-digit revenue growth in the first six months of 2013. The figure of €2.8 million for EBITDA reflected the cost-intensive measures taken to adjust to what remained a challenging market environment: although it declined overall year on year, it rose sharply towards the end of the reporting period.

September

Vergleich.de reveals how mortgage providers are benefiting from changes to Riester savings products
New German pension reform legislation (AltvVerbG) brings into effect changes to Riester savings products, which include removing withdrawal limits and increasing the options for their use.

DTI – South: Residential property prices in Munich have risen by 13.75 per cent in a year
In the second quarter of 2013, prices for owner-occupied housing in Munich were up by 13.75 per cent in real terms on the same quarter the previous year. This is the strongest growth since DTI (Dr. Klein's property price trend indicator) records began. In the south Germany region, housing prices in Stuttgart rose by 7.66 per cent in the same period, while those in Frankfurt am Main fell slightly, by 0.81 per cent.

October

EUROPACE achieves new record of €8.6 billion in the third quarter of 2013
The volume of transactions processed on the EUROPACE financial marketplace in the first nine months of 2013 grew by 11.4 per cent compared with the corresponding period of 2012. This impressive result was attributable to EUROPACE's solid start to the year coupled with its performance in the second quarter and, especially, the third quarter. Its volume of transactions from July to September 2013 expanded by 19.3 per cent compared with the third quarter of 2012. The mortgage finance and personal loans product segments increased by 18.3 per cent and 18.8 per cent respectively during this period, while building finance generated the strongest growth, advancing by 24 per cent.

Dr. Klein: double-digit growth in transaction volume
The Private Clients division of financial service provider Dr. Klein & Co. AG achieved double-digit growth rates in its volumes of loan and insurance transactions in the first nine months of 2013 compared with the corresponding period of 2012. The Company's insurance portfolio – a key indicator of future success in the increasingly tough market environment – posted the strongest growth, increasing by 37 per cent.

November

Dr. Klein: Three wishes for income protection insurance
Income protection insurance is one of life's most important safeguards, but there is still plenty of room for improvement in this area. In the Dr. Klein blog we put forward what we believe are the most urgent requirements for better income protection insurance.

Hypoport sticks to its forecasts
Online financial service provider Hypoport generated revenue growth of 20 per cent in the first nine months of 2013, while earnings before interest, tax, depreciation and amortisation (EBITDA) equalled the record level of previous years. Although the start of the year had proved tough, Hypoport achieved its best-ever quarterly results from July to September on the back of record figures in its Financial Service Providers and Institutional Clients business units as well as the rapidly progressing restructuring of its insurance business.

December

Qualitypool: High-quality advice has a huge impact on mortgage terms and conditions
Despite higher purchase prices, low mortgage interest rates are making home buying more attractive. Significant savings on borrowing costs can be achieved by comparing the interest rates offered by all providers and selecting the product that is right for each borrower's needs.

3. Bericht des Aufsichtsrats

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2013 financial year.

In 2013 the Supervisory Board continued to apply due care and diligence in discharging the responsibilities incumbent upon it under the law, the Company's statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board regularly advised the Management Board on the running of the Company and continuously supported and monitored its actions. This advisory and monitoring function was based on the detailed written and oral reports submitted by the Management Board, which informed the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, its risk management, important transactions and the current position of the Company and the Hypoport Group. The Supervisory Board was informed at regular intervals either during or in advance of Supervisory Board meetings. The Management Board and the Supervisory Board were also in regular contact outside the meetings, so the Supervisory Board was kept abreast of particularly important events at all times. The Supervisory Board also obtained information about key developments for itself and supported the Management Board in an advisory capacity. All decisions and actions of fundamental importance that required approval were discussed with the Supervisory Board at an early stage and submitted to the Supervisory Board for approval.

The Supervisory Board held five scheduled meetings in 2013. In addition, three regular Supervisory Board meetings were held by telephone. Three further resolutions were adopted in writing (by email) at the request of the Supervisory Board chairman following detailed preparation and dissemination of information in each case. All members of the Supervisory Board always attended each meeting and took part in the other resolutions adopted outside meetings.

No members of the Supervisory Board were subject to conflicts of interest.

Key points of the Supervisory Board's deliberations

The Supervisory Board's deliberations centred primarily on matters concerning the corporate strategy and business activities of the Company and the Hypoport Group, important transactions, the effectiveness of the internal control and risk management system, and decisions and action taken by the Management Board that required approval.

At the meeting held on **25 January 2013** the Supervisory Board noted with approval the budget for 2013 submitted by the Management Board.

In addition, the Supervisory Board adopted a resolution on compliance with the German Corporate Governance Code and issuance of a declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG).

On **1 March 2013** the Supervisory Board adopted a written resolution outside a meeting to amend the wording of section 3 (1) of the Company's statutes owing to the amendment of the German law on regulations concerning official proclamations and announcements.

A representative of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, attended the meeting held on **15 March 2013** and presented a comprehensive report on their audit of the single-entity and consolidated financial statements for 2012. As required by section 171 AktG, the Supervisory Board reviewed and approved the single-entity and consolidated financial statements for 2012 as well as both management reports.

Furthermore, the Supervisory Board examined the Management Board's proposal for the appropriation of profit, which it approved and voted to adopt.

In addition, the Supervisory Board discussed its own report on the 2012 financial year and voted to adopt it.

The Management Board reported on the fourth quarter of 2012, adding that 2013 had got off to a less promising start and that the net profit expected to be earned for the first quarter of that year would be higher than the prior-year figure but below target.

The Supervisory Board noted with approval the most recent internal audit report. It conducted an extensive discussion with the Management Board on the improvements made to the internal risk control system and the organisational structure of internal audit. The Management Board was able to provide the Supervisory Board with evidence that the risk management system was being constantly monitored and improved.

After the Supervisory Board had made appropriate preparations and discussed the draft agenda for the 2013 Annual Shareholders' Meeting, on **5 April 2013** it adopted a written resolution approving the convening of the 2013 Annual Shareholders' Meeting and its agenda.

The Supervisory Board meeting held by telephone on **3 May 2013** mainly discussed the interim report for the first quarter of 2013.

The meeting held on **7 June 2013** discussed the Management Board's report on the first quarter of 2013. The meeting also discussed the Company's second-quarter performance to date as well as recent developments and trends in the sale of insurance to private clients.

The Supervisory Board meeting held by telephone on **2 August 2013** mainly discussed the Management Board's report on the Hypoport Group's performance in the second quarter of 2013 and the interim report for the period ended 30 June 2013.

At the Supervisory Board meeting held on **30 August 2013** the Management Board reported on the second quarter of 2013 and on specific developments and trends in the individual business units. In addition, the progress made on the restructuring of the Company's insurance business was discussed. The Management Board and Supervisory Board also examined the risk report.

The main item on the agenda of the Supervisory Board meeting held by telephone on **1 November 2013** was the interim report for the period ended 30 September 2013. Furthermore, the schedule for 2014 was approved.

HYPOPORT
THE FINANCE INTEGRATOR

The written resolution adopted on **12 November 2013** approved the renewal of the framework agreement with RICOH Deutschland GmbH concerning multi-function devices and document management.

The Company's operating performance in the third quarter of 2013 as well as the latest developments and trends in the business units were extensively discussed with the Management Board at the Supervisory Board meeting held on **13 December 2013**. The Management Board and Supervisory Board also scrutinised the Company's liquidity planning.

Furthermore, the meeting discussed the reappointment of Stephan Gawarecki and Hans Peter Trampe as members of the Management Board of Hypoport AG as well as the extension and amendment of their employment contracts.

When the Management Board members were not present, the Supervisory Board reviewed the effectiveness of its own work over the course of 2013. This review revealed no shortcomings of any kind.

No committees

The Supervisory Board of Hypoport AG has not set up any committees because it consists of only three members.

German Corporate Governance Code

In 2013 the Supervisory Board once again discussed the content of the German Corporate Governance Code and adopted the necessary resolutions on compliance with its recommendations and on individual exceptions from these recommendations. Further information on corporate governance at the Company can be found in the corporate governance report. The remuneration report contains detailed information on the level and structure of remuneration paid to the Supervisory Board and Management Board. The Management Board and Supervisory Board voted to issue the declaration of conformity required by section 161 AktG and have made it permanently available on the Company's website.

The Supervisory Board and Management Board are aware that good corporate governance that safeguards the interests of shareholders and the capital markets is essential for the Company's success. The Management Board and Supervisory Board regard the recommendations and suggestions of the German Corporate Governance Code and the pertinent statutory legislation as an integral part of the function that they perform for the Company. They examine compliance with these standards at regular intervals, thereby ensuring that the Company's shareholders and employees and, not least, the Company itself are fully compliant.

Single-entity and consolidated financial statements

The Management Board submitted to the Supervisory Board the 2013 single-entity financial statements that it had prepared in accordance with the German Commercial Code (HGB), the 2013 consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), both management reports, the proposal for the appropriation of profit, and the corresponding independent auditors' reports.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, the auditors appointed by the Company, audited its single-entity financial statements, the consolidated financial statements and both management reports for the year ended 31 December 2013 and they issued an unqualified opinion in each case. As required by section 171 AktG, the Supervisory Board reviewed and discussed the single-entity and consolidated financial statements for 2013 and both management reports. At the Supervisory Board meeting held on **14 March 2014** to discuss the Company's financial statements the auditors reported in person to the Supervisory Board and provided exhaustive answers to the questions put to them. The Supervisory Board also examined the Management Board's proposal for the appropriation of profit.

The Supervisory Board agreed with the auditors' findings. Having completed its own examination, it had no objections to raise. The Supervisory Board reviewed and approved the single-entity and consolidated financial statements for 2013 prepared for the Company by the Management Board. The single-entity financial statements have thus been adopted. After itself examining the Management Board's explanation of its proposed appropriation of profit, and after considering all the arguments, the Supervisory Board approved the proposal.

The Supervisory Board would like to thank the Management Board and all employees for their hard work and valuable support.

Berlin, 14 March 2014

Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board

4. Corporate Governance

The Management Board and Supervisory Board of Hypoport AG are committed to the principles of responsible corporate governance. Hypoport AG is of the firm belief that transparent corporate governance adds value to the Company over the long term. It is also essential if Hypoport AG is to honour the trust placed in it by investors, financial markets, business partners, customers, employees and the public at large. The Management Board and Supervisory Board regard the recommendations and suggestions of the German Corporate Governance Code and the pertinent statutory legislation as an integral part of the function that they perform for the Company. They examine compliance with these standards at regular intervals, thereby ensuring that the Company's shareholders and employees and, not least, the Company itself are fully compliant.

Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board have carefully examined the German Corporate Governance Code as amended on 13 May 2013, which was published in the German Federal Gazette on 10 June 2013. The declaration of conformity was submitted by the Management Board and Supervisory Board of Hypoport AG on 24 January 2014 and is reproduced below. The declaration of conformity has been made permanently available to the public and can be viewed at www.hypoport.de/corporate-governance.html.

Declaration of conformity with the recommendations of the German Corporate Governance Code (DCGK) pursuant to section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of Hypoport AG, Berlin, hereby declare the following:

After the most recent declaration of conformity was submitted on 25 January 2013, Hypoport AG complied – with the exception of the recommendations listed below – with the recommendations made by the German government commission on the German Corporate Governance Code as amended on 15 May 2012, which were publicly announced by the Federal Ministry of Justice in the official section of the German Federal Gazette and were published in the German Federal Gazette on 15 June 2012. Since 11 June 2013, Hypoport AG has – with the exception of the recommendations listed below – complied with the corresponding recommendations made by the German government commission on the German Corporate Governance Code as amended on 13 May 2013, which were published in the German Federal Gazette on 10 June 2013. In future, Hypoport AG will continue to comply with the recommendations made by the German government commission on the German Corporate Governance Code as amended on 13 May 2013 with the exception of the recommendations listed below.

1. Paragraph 3.8 (3) of the German Corporate Governance Code recommends that an appropriate excess should be agreed when taking out directors' and officers' liability insurance for members of a supervisory board. The D&O insurance concluded by Hypoport AG for members of its Supervisory Board does not at present specify any excess.

   Hypoport AG does not believe that an excess of this type would increase the motivation and sense of responsibility with which the members of its Supervisory Board perform their role. Consequently, Hypoport AG does not intend to change its D&O insurance contracts for members of the Supervisory Board.

2. Since it was amended on 13 May 2013, paragraph 4.2.3 (2) of the German Corporate Governance Code has recommended that the amount of remuneration paid to the members of the Management Board overall and with respect to their variable remuneration components should be capped. The existing employment contracts of the members of the Management Board of Hypoport AG contain no such caps on the amount of remuneration paid.

   Hypoport AG is of the view that the existing structure of the remuneration paid to the members of the Management Board – which is designed to ensure a sustainable corporate culture, comprises both fixed and variable components (with variable remuneration components being assessed over a period of several years) and takes account of both positive and negative developments and trends – is, on the whole, appropriate without the imposition of any caps on the amount of remuneration paid and, even in its existing form, does not encourage individuals to take inappropriate risks. Moreover, the Company is of the view that the existing remuneration structure has proved itself over a period of several years to be appropriate and suited to furthering the Company's interests. Even if no caps are imposed on the amount of remuneration paid, the specific way in which this remuneration system is designed should ensure that the existing remuneration structure does not create incentives that are contrary to or incompatible with the sustainable corporate culture of Hypoport AG. For these reasons the Company is of the view that it is not necessary to amend the Management Board members' existing employment contracts. On an ongoing basis and, in particular, in connection with the extension of existing Management Board members' employment contracts, however, the Supervisory Board of Hypoport AG will carefully and properly examine and then decide whether it should in future comply with the recommendation made in paragraph 4.2.3 (2) of the German Corporate Governance Code – including with respect to the imposition of a cap on the amount of remuneration paid – or whether the existing remuneration structure should be retained without any such cap being imposed.

3. Paragraph 5.1.2 of the German Corporate Governance Code recommends, among other things, that an age limit should be specified for members of the management board. Paragraph 5.4.1 makes the same recommendation for members of the supervisory board. No age limit has been specified for members of either the Management Board or the Supervisory Board of Hypoport AG.

   Hypoport AG believes that setting an age limit would be an inappropriate general restriction on the Supervisory Board's selection of suitable Management Board members and it would restrict shareholders in their selection of Supervisory Board members, because a director's experience and personal and professional skills, rather than his or her age, are the relevant factors for recruiting members of the Management or Supervisory Boards.

4. Paragraph 5.3.1 of the German Corporate Governance Code recommends that supervisory boards should set up properly qualified committees in line with the specific circumstances of the company concerned and the number of persons on its supervisory board. Accordingly, paragraph 5.3.2 of the German Corporate Governance Code recommends that an audit committee be set up and paragraph 5.3.3 recommends that a nominations committee should be formed. The Supervisory Board of Hypoport AG has not set up any committees.

Because the Supervisory Board consists of only three members, as specified in the Company's statutes, all aspects of its work are carried out by the entire Supervisory Board. Consequently, Hypoport AG does not consider it necessary to form committees. The Supervisory Board in particular believes that the formation of committees would unnecessarily impede its work because it has such a small number of members.

5. Paragraph 5.4.1 (2) of the German Corporate Governance Code recommends that the Supervisory Board should set specific targets for its composition which, while taking account of the Company's particular situation, cover the Company's international activities, potential conflicts of interest, a specific age limit for members of the Supervisory Board, and diversity. In particular, these specific targets are supposed to include appropriate quotas for the number of female Supervisory Board members. The Supervisory Board of Hypoport AG has not yet set such targets for its composition.

   The term of appointment of the current members of the Company's Supervisory Board is due to end in 2015 because the current Supervisory Board members were elected at the Company's Annual Shareholders' Meeting in 2010. Consequently, the Supervisory Board was and still is of the view that there is currently no need to set the specific targets for its composition recommended by paragraph 5.4.1 (2) of the German Corporate Governance Code. The Supervisory Board is of the opinion that its current composition takes full and proper account of the Company's particular situation. The Supervisory Board is also of the view that the question of whether it should set specific targets for its composition – which take account of the Company's particular situation, especially its size and the number of members of the Supervisory Board – should not be conclusively discussed and decided until Hypoport AG actually has to organise the next scheduled Supervisory Board elections, which are due to be held in 2015. In this connection the Supervisory Board will conduct a full and proper assessment based on the actual circumstances prevailing at the time and then decide accordingly whether it should in future comply with the recommendation made in paragraph 5.4.1 (2) of the German Corporate Governance Code – while taking account of the particular situation of Hypoport AG – or whether the Company should retain its existing model.

6. Paragraph 5.4.6 (2) sentence 2 of the German Corporate Governance Code recommends that any performance-related remuneration granted to the members of the Supervisory Board should be designed to enhance the Company's long-term development and performance. Since the Company's statutes were amended accordingly in 2010, the remuneration paid to the members of the Supervisory Board of Hypoport AG has consisted of fixed and variable components. The variable remuneration amounts to 0.1 per cent of any positive earnings before interest and tax (EBIT) as reported in the Company's IFRS consolidated annual financial statements, but in any event no more than €5,000 for each full financial year, although the chairman of the Supervisory Board receives twice this amount of remuneration and the vice-chairman receives 1.5 times this amount. Because variable remuneration is based on EBIT, which is an annual performance indicator, the Company does not comply with the recommendation that such remuneration should be designed to enhance the Company's long-term development and performance, and nor has it done so in the past.

Hypoport AG is of the view that the existing remuneration arrangements can be retained for as long as the current Supervisory Board members remain in post. Although this means that the Company does not comply with the recommendation made in paragraph 5.4.6 (2) sentence 2 of the German Corporate Governance Code, Hypoport AG is of the opinion that the Supervisory Board's remuneration is, in particular, appropriate in relation to the Supervisory Board members' responsibilities and the Company's situation. Although the variable remuneration component is not assessed over a period of several years, the Company is of the view that the Supervisory Board's remuneration in its current form is practicable, appropriate and suited to furthering the Company's interests. In particular, the specific way in which this type of remuneration is designed and the limits imposed on the amount of remuneration paid should ensure that this arrangement does not create incentives to earn purely short-term returns. This is partly due to the ratio of variable remuneration to fixed remuneration. Even if it reaches its maximum amount, the additional variable remuneration component constitutes less than 50 per cent of the equally appropriate fixed remuneration component. For these reasons the Company is of the view that it is currently not necessary to comply with the recommendation made in paragraph 5.4.6 (2) sentence 2 or to propose to the Annual Shareholders' Meeting that the Company's statutes be amended. Hypoport AG will continuously and properly examine the nature and structure of the Supervisory Board's remuneration based on the actual circumstances prevailing at the time and, within this context, the Company will then decide in each case whether it should in future comply with the recommendation made in paragraph 5.4.6 (2) sentence 2 of the German Corporate Governance Code or whether it should retain its existing model.

Management Board and Supervisory Board

The Management Board is responsible for running the Company. Its remit includes formulating the Company's targets, objectives and strategy; managing and monitoring its business activities; and establishing and monitoring an effective risk management system. The statutes of Hypoport AG specify that its Management Board should comprise a minimum of two persons. Apart from this stipulation it is the responsibility of the Supervisory Board to determine the number of members on the Management Board, which currently consists of four members. The Management Board informs the Supervisory Board in a regular, comprehensive and timely fashion about the Company's strategic planning and budgeting, changes in its business performance and financial position, its strategic development, its risk management, important transactions, and the current position of the Company and the Hypoport Group.

The Supervisory Board of Hypoport AG consists of three members. The chairman of the Supervisory Board is elected from among the members of this body. The current members of the Supervisory Board were elected at the 2010 Annual Shareholders' Meeting for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the actions of the Supervisory Board for the 2014 financial year. The Supervisory Board of Hypoport AG has not yet set any targets for its composition.

The Supervisory Board appoints the members of the Management Board. It monitors the Management Board and advises it on the running of the Company. Material decisions taken by the Management Board must be approved by the Supervisory Board. The Supervisory Board meets at least four times a year and, if necessary, meets without the participation of the Management Board or individual members of the Management Board. The Supervisory Board reviews and approves the single-entity and consolidated financial statements prepared by the Management Board, thereby adopting the single-entity financial statements.

Shareholders and the Annual Shareholders' Meeting

The shareholders of Hypoport AG exercise their rights at the Company's Annual Shareholders' Meeting. This meeting provides the Company's shareholders with a forum in which to exercise their voting rights, obtain information and conduct a dialogue with the Management Board and Supervisory Board. The Annual Shareholders' Meeting is held within the first six months of each financial year. The chairman of the Supervisory Board chairs the Annual Shareholders' Meeting. The Annual Shareholders' Meeting decides on all matters assigned to it by law.

Hypoport organises and runs its Annual Shareholders' Meetings in such a way that all shareholders are informed in a timely, comprehensive and effective manner both prior to and during the meeting. The aim is to make it as easy as possible for shareholders to attend the meeting. All documentation to be made available is published on the Company's website as required by law. Shareholders who are unable to attend the Annual Shareholders' Meeting in person have the option of appointing in writing or by email a bank, a shareholder association or another person as a proxy – or of having an employee of Hypoport AG appointed by the Company as a proxy – to exercise their voting rights in accordance with their instructions. Furthermore, the Management Board is authorised to enable shareholders to cast their vote in writing or by email (postal vote) without attending the Annual Shareholders' Meeting.

Informative corporate communications

Open and informative corporate communications form an integral part of good corporate governance. This requires all content to be clearly expressed and readily understandable and, in particular, all target groups to have equal access to the information provided by the Company. Hypoport AG therefore attaches great importance to the dissemination of uniform, comprehensive and timely information. Information on the Company's business situation and financial results is published in its annual, half-yearly and quarterly reports. Information is also published in the form of ad-hoc announcements and press releases. In addition, all reports, notifications, presentations, statements and other releases are made permanently available in the Press and Investor Relations sections of the Company's website. The scheduled dates of major recurring events – i.e. the dates on which the annual and interim reports are published and the date on which the Annual Shareholders' Meeting is held – are disclosed in a financial calendar, which is published sufficiently far in advance of these dates and is made available on the Company's website.
Furthermore, Hypoport AG maintains an insider list in the manner prescribed by section 15b of the German Securities Trading Act (WpHG). The persons concerned have been informed about their legal obligations and the potential sanctions in this connection.

Financial reporting and auditing of financial statements

Since 2005 the Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Once the consolidated financial statements have been prepared by the Management Board, they are audited by the independent auditors and then reviewed and approved by the Supervisory Board. The Supervisory Board also reviews and approves the single-entity financial statements prepared by the Management Board, which are thus adopted. The consolidated financial statements are published within 90 days after the end of the financial year.

It has been agreed with the Company's independent auditors that the chairman of the Supervisory Board should be notified immediately of any reasons for exclusions or exemptions or of any misrepresentations in the declaration of conformity that come to light during the course of the audit. The independent auditors notify the Supervisory Board chairman immediately of any matters or events of material importance to the Supervisory Board's work that arise during the course of the audit.

Management Board and Supervisory Board shareholdings and directors' dealings

The members of the Management Board and Supervisory Board hold a considerable number of shares in Hypoport AG. The table below shows the numbers of shares in Hypoport AG directly or indirectly held by the members of the Management Board and Supervisory Board as at 31 December 2013.

		Anzahl der Aktien
Management Board	Ronald Slabke	2,245,831
	Thilo Wiegand	30,000
	Stephan Gawarecki	187,800
	Hans Peter Trampe	144,960
Supervisory Board	Ottheinz Jung-Senssfelder	14,000
	Thomas Kretschmar	814,286
	Christian Schröder	19,000

Directors' dealings are published at www.hypoport.de/directors_dealings.html as soon as they are notified in accordance with section 15a WpHG.

A list of all the directors' dealings published in 2013 can also be found on the Company's website at www.hypoport.de/directors_dealings.html.

The modus operandi of the Management Board and Supervisory Board

The Supervisory Board has appointed a chairman of the Management Board. The Supervisory Board approved the latest version of the rules of procedure for the Management Board on 6 August 2010. These rules of procedure govern the internal workings of the Management Board, the allocation of its responsibilities, and its cooperation with the Supervisory Board.

As specified by the Management Board's business allocation plan and rules of procedure, each member of the Management Board has his own area of responsibility. However, the members of the Management Board are collectively responsible for the overall day-to-day management of the Hypoport Group. Moreover, certain material acts can only be carried out on the basis of a decision taken by the Management Board as a whole. The Management Board is quorate if all members of the Management Board participate in the vote. Decisions are taken by a simple majority of the votes cast. In practice, the Management Board often takes decisions by reaching a consensus.

The Company's statutes stipulate that if only one person has been appointed to the Management Board, Hypoport AG is represented in and out of court by this one person; if two or more persons have been appointed to the Management Board, the Company is represented either by two Management Board members jointly or by one Management Board member in conjunction with one person with full commercial power of attorney (Prokurist). If two or more persons have been appointed to the Management Board, the Supervisory Board can authorise one or more Management Board members to represent the Company on their own. The Supervisory Board can exempt members of the Management Board from the restrictions under section 181 German Civil Code (BGB) within the limits specified by section 112 German Stock Corporation Act (AktG). To date, the Supervisory Board has not given individual power of representation to any member of the Management Board.

The Supervisory Board discharges the responsibilities incumbent upon it under the law, the Company's statutes, its rules of procedure and the German Corporate Governance Code. The Supervisory Board regularly advises the Management Board on the running of the Company and monitors its actions. This advisory and monitoring function is based on detailed written and oral reports submitted by the Management Board, which inform the Supervisory Board in a regular, comprehensive and timely manner about the Company's planning and budgeting, its business performance, its strategic development, its risk management, important transactions, and the current position of the Company and the Hypoport Group. Decisions of fundamental importance are discussed with and submitted to the Supervisory Board for approval.

The provisions of section 11 (3) of the statutes state that the Supervisory Board is quorate if all its members participate in a vote. The Supervisory Board provides itself with rules of procedure pursuant to section 9 (3) of the statutes. The currently applicable rules of procedure were issued on the basis of a resolution adopted by the Supervisory Board on 31 March 2008. The Supervisory Board has not set up any committees at present because it consists of only three members.

The members of the Supervisory Board are elected for the period up to the end of the Annual Shareholders' Meeting that votes on the formal approval of the acts of management for the fourth financial year after the term of appointment commences. The Annual Shareholders' Meeting may stipulate a shorter term of appointment. The next elections to the Supervisory Board are due to be held at the Annual Shareholders' Meeting in 2015.

Berlin, 14 March 2014
Hypoport AG
Management Board and Supervisory Board

HYPOPORT
THE FINANCE INTEGRATOR

5. Hypoport's shares

Share price performance

Hypoport's share price initially remained flat with slight downticks in the first half of 2013, commencing the period at €7.93 on 1 January and closing at €7.03 on 30 June. It fell to the year's low of €7.00 on 7 May. The shares delivered a positive overall performance in the third and fourth quarters, hitting the year's high of €10.45 on 18 November before closing the year at €9.65 on 31 December. The low level of trading activity in Hypoport shares means that their price is heavily impacted by individual buying and selling transactions.

Performance of Hypoport's share price, January to December 2013 (daily closing prices on Frankfurt Stock Exchange)

Earnings per share

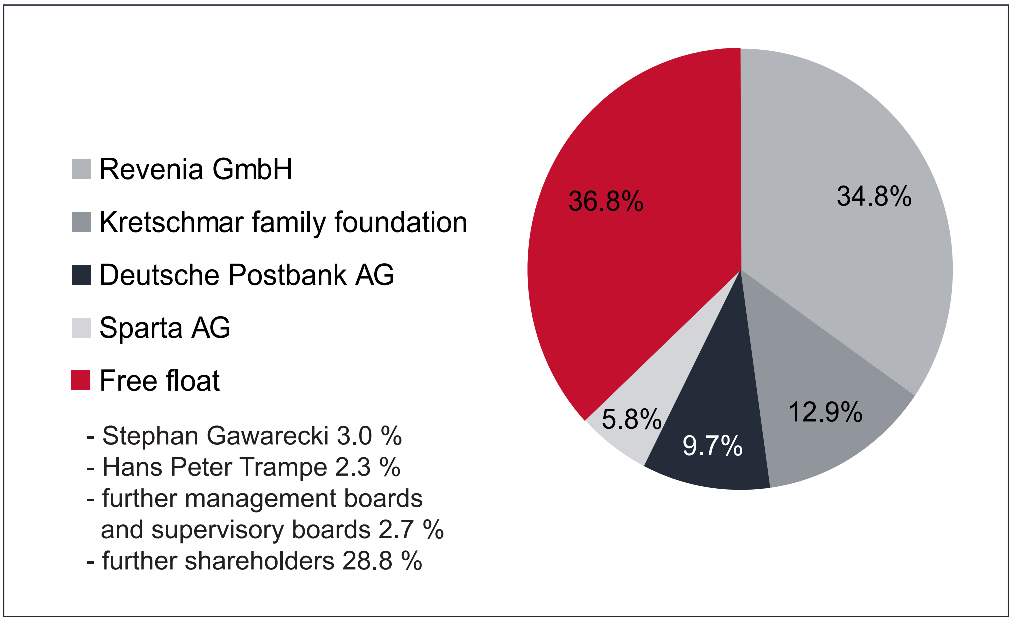
Earnings per share for 2013 amounted to €0.51 (2012: loss per share of €0.13). Continuing operations generated earnings of €0.51 per share (2012: earnings of €0.32 per share).

Trading volumes

The daily volume of Hypoport shares traded in 2013 averaged €9,935.91. The highest average daily turnover was in the third quarter (1,721 shares), followed by the fourth quarter (1,606 shares). The lowest daily turnover was recorded in the first quarter, when an average of only 475 Hypoport shares changed hands. An average of 854 shares per day were traded in the second quarter.

Shareholder structure

The free float in Hypoport's shares amounts to 36.8 per cent.



Breakdown of shareholders as at 31 December 2013

Research

Three analysts published research studies on Hypoport's shares in 2013.

Analyst	Recommendation	Target price	Date
Montega	Buy	12.00 €	05.11.2013
CBS Research	Buy	13.00 €	04.11.2013
Montega	Buy	10.50 €	06.08.2013
CBS Research	Buy	11.00 €	05.08.2013
Montega	Buy	10.50 €	07.05.2013
CBS Research	Buy	11.00 €	06.05.2013
CBS Research	Buy	11.90 €	12.03.2013
Montega	Hold	9.80 €	12.03.2013
Montega	Hold	9.80 €	13.02.2013
Solventis	Buy	12.50 €	30.01.2013
Montega	Hold	9.80 €	28.01.2013

Designated Sponsor

Designated sponsors enhance a share's liquidity by quoting binding prices at which they will buy and sell the share. The designated sponsor for Hypoport AG is Close Brothers Seydler Bank AG, Frankfurt am Main.

Ad-hoc disclosures

As a publicly traded company we are required to make ad-hoc disclosures of facts that could influence our share price. No ad-hoc disclosures were published in 2013. Ad-hoc disclosures can be downloaded from our website at www.hypoport.com.

Notification of directors' dealings

The table below shows the directors' dealings notified and published in 2013.

Transaction date	Notifiying person / entity	Transaction	Stock exchange	Number of shares	Execution price
09.12.13	Hans Peter Trampe	sales	off-market	30,300	9.00
09.12.13	Daniela Trampe	sales	off-market	39,700	9.00
20.11.13	Christian Schröder	sales	XETRA	1,000	10.15
08.11.13	Christian Schröder	sales	Frankfurt	1,000	9.69
08.11.13	Christian Schröder	sales	XETRA	1,000	9.72
04.11.13	Christian Schröder	sales	XETRA	1,500	9.73

Key data on Hypoport's shares

Security code number (WKN)	549 336
International securities identification number (ISIN)	DE 000 549 3365
Stock exchange symbol	HYQ
Type	Stückaktien
Notional value	1,00 €
Subscribed capital	6.194.958,00 €
Stock exchanges	Frankfurt XETRA
Market segment	Regulierter Markt
Transparency level	Prime Standard
Membership of indices	CDAX Classic All Share DAXsector All Financial Services DAXsubsector Diversified Financial GEX Prime All Share
Performance	
Share price as at 1 January 2013	€ 7.93 (Frankfurt)
Share price as at 31 December 2013	€ 9.65 {Frankfurt)
High in 2013	€ 10.45 (18 November 2013)
Low in third quarter 2013	€ 7.00 (7 May 2013)
Market capitalisation	€ 59.8 Mio. (31 Dezember 2013)
Trading volume	€ 9.935,91 (daily average for 2013)

HYPOPORT
THE FINANCE INTEGRATOR

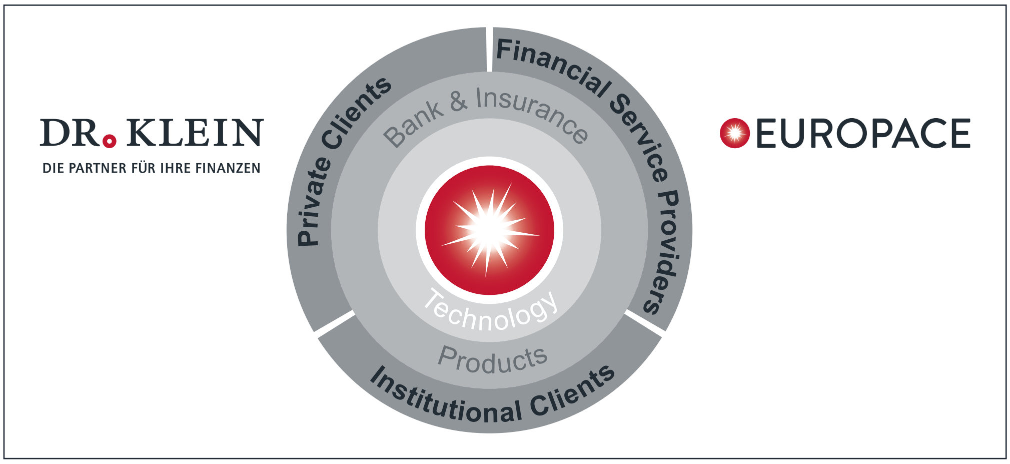
6. Management report

I. Business report

1. Business and economic conditions

Business model and strategy

The Hypoport Group is an internet-based financial service provider. Its parent company is Hypoport AG, which is headquartered in Berlin, Germany. Its business model is based on its three mutually supporting business units: Institutional Clients, Private Clients, and Financial Service Providers.



All three of the Hypoport Group's business units are engaged in the distribution of financial products and services, facilitated or supported by internet technology.

Private Clients business unit

Operating through its subsidiaries Dr. Klein & Co. Aktiengesellschaft, Vergleich.de Gesellschaft für Verbraucherinformation mbH and Qualitypool GmbH (hereinafter also referred to jointly as ‚Dr. Klein'), the Hypoport Group offers private clients internet-based banking and financial products (providing advice, if requested, either by telephone or face to face) ranging from current accounts and insurance to mortgage finance. Dr. Klein selects the best products for its clients from a wide offering of more than 400 leading banks and insurance companies. By using web-based processes, it generates cost advantages that it passes on to its private clients. This usually enables Dr. Klein to offer much better terms and lower prices than individual banks and insurance agents.

Institutional Clients business unit

Dr. Klein & Co. AG has been a major financial service partner to housing companies, local authorities and commercial property investors since 1954. This business unit provides its institutional clients in Germany and the Netherlands with a fully integrated service comprising expert advice and customised solutions in the areas of financial management, portfolio management, and insurance for business customers.

HYPOPORT
THE FINANCE INTEGRATOR

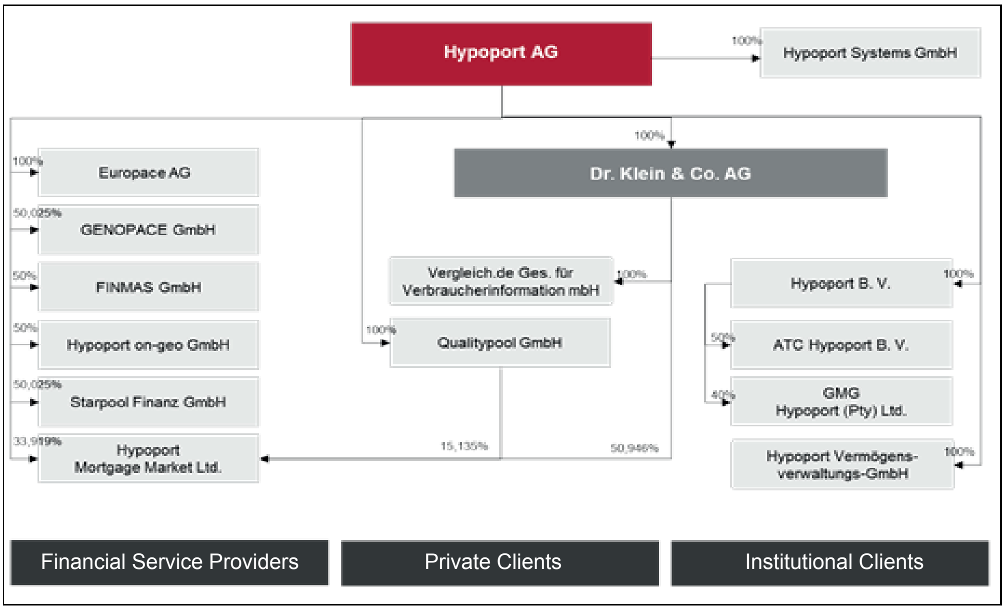
Financial Service Providers business unit

The Hypoport Group uses its EUROPACE B2B financial marketplace – Germany's largest online transaction platform – to sell banking products through its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance) and EUROPACE AG (personal loans, current accounts, credit insurance). A fully integrated system links around 250 partners in the banking, insurance and financial-products distribution sectors with several thousand financial advisors, thereby enabling products to be sold swiftly and directly. The highly automated processes used on this platform generate significant cost advantages in the brokerage of financial products and services. EUROPACE is now used to process several hundred financing transactions every day.

GENOPACE GmbH was launched in 2008 as a joint venture with the credit cooperatives (Volksbanken) from Düsseldorf/Neuss and Münster and acts as an internal marketplace and central coordinating intermediary for Germany's cooperative banking sector. GENOPACE's shareholders now include all the major central cooperative institutions: Münchener Hypothekenbank eG, R+V Versicherung AG, WL BANK AG Westfälische Landschaft Bodenkreditbank, and Bausparkasse Schwäbisch Hall AG.

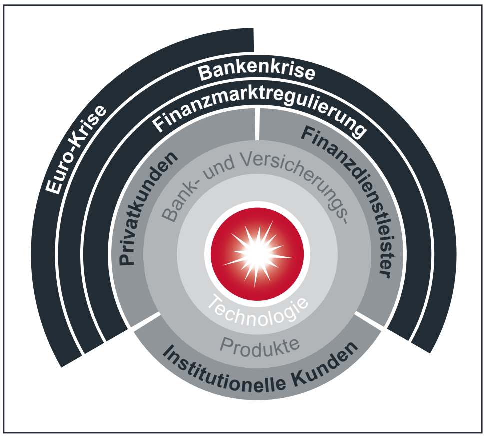
FINMAS GmbH is a subsidiary set up in 2009 in collaboration with Ostdeutscher Sparkassenverband (OSV), the association of eastern German savings banks, and acts as the financial marketplace for the members of the Savings Banks Finance Group.

Hypoport on-geo GmbH is a joint venture with on-geo GmbH and provides bank partners of EUROPACE with services around the valuation of real estate.



Economic conditions

Global economy remains lukewarm



In 2013, the global economy was still struggling with the impact of the global financial and sovereign debt crises. Wavering market confidence in Europe and the fiscal cliff in the US were two factors that seriously disrupted efforts to recover.

Nonetheless, global economic indicators repeatedly showed signs of improvement during the year. The World Bank detected an upward trend in the economy in both industrialised and developing countries for 2013, and current World Bank data puts total GDP growth for the year at 2.4 per cent.

However, economic activity failed to lift from its relatively low level, and the potential for the emergence of new threats to economic growth remained high. Yet again, a number of political and fiscal policy interventions were needed to encourage global stabilisation and to create the prospect of a secure future for the global economy.

European economy slow to pick up speed

The World Bank currently estimates that eurozone GDP grew by a total of 1.1 per cent in 2013. Economic activity in the eurozone once again failed to gather any real momentum in 2013, although the European Central Bank (ECB) used its fiscal policy to support the economy. In early November it cut its key lending rate for the second time in a year, this time to an all-time low of 0.25 per cent, using low interest rates to make loans and capital expenditure even cheaper and thus more attractive.

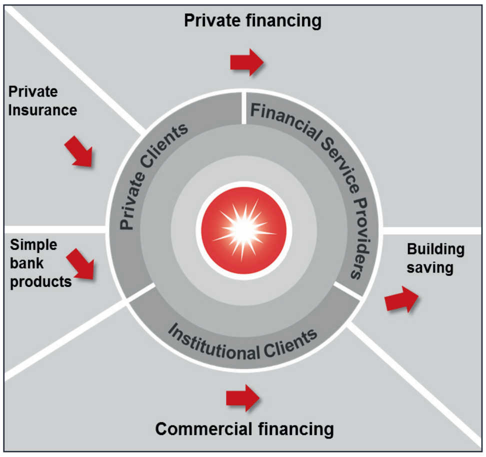
Sluggish growth in Germany

In 2013, the German economy grew at a weaker rate than in previous years; data published by the German Federal Statistical Office put inflation-adjusted GDP growth at 0.4 per cent. The lingering recession in Europe and slower global economic growth also depressed the German economy. According to the Federal Statistical Office, domestic demand only partially offset this fall-off in demand.

Once more, consumer spending was the leading growth factor, while government and corporate spending in Germany was down year on year. Even the trade balance slipped into deficit. The labour market showed signs of recovery, with the number in employment rising to 41.8 million in 2013, a new record for the seventh consecutive year. Overall, it was a year of light and shade for the German economy, where the financial services industry was also faced with new regulatory challenges.

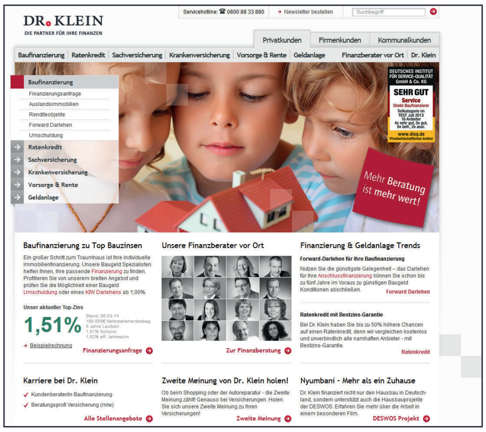
Sectoral performance

The Hypoport Group and its segments operate in various individual financial services markets. The Private Clients business unit and the Financial Service Providers unit are both affected by sectoral market conditions in financial services for private clients. The Institutional Clients business unit operates in financial services markets for real-estate and housing companies as well as for their lenders from the banking and insurance industries.



Financial services for private clients in Germany

For financial product distributors, 2013 was another year dominated by persistently low, sluggish interest rates. Compared with a long-term average of 6.5 per cent, long-term interest rates remained at a historic low level of just over 2 per cent. Demand for loan products remained high, whereas sales of a number of savings and insurance products were adversely affected by the low interest rates.

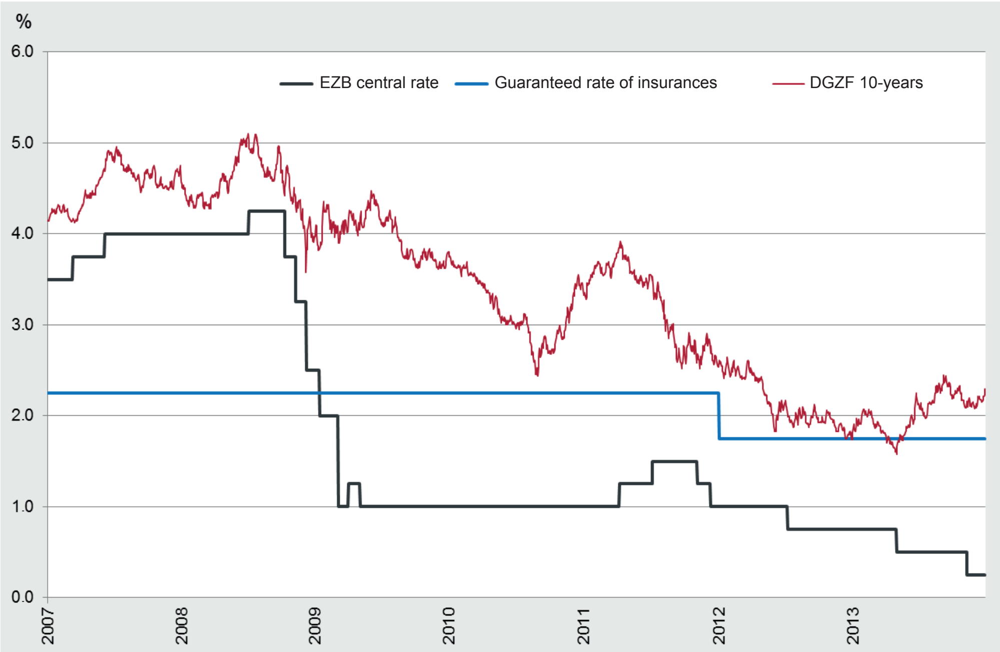


Thanks to its broad product portfolio, the Hypoport Group is well cushioned against unilateral interest rate movements in different sectors. Nevertheless, various segments had to grapple hard with the adverse macroeconomic conditions. Added to which, politicians are imposing more stringent domestic, European and international regulations on financial services transactions, creating serious challenges for the industry, such as the implementation of Basel III and Solvency II.

Since the start of the financial and sovereign debt crises, demand for independent, comprehensive advice has risen from increasingly demanding private customers.

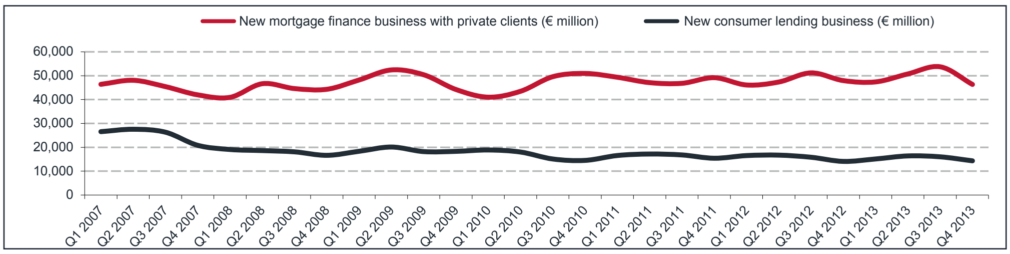
Mortgage finance

Since spring 2010, German banks have reported rising demand for home loans from consumers. One of the main reasons for this high level of demand is that mortgage interest rates have remained historically low. In the period January to May 2013, interest rates fell steadily to a new all-time low before reversing and edging up again between May and September. Apart from the sharp rise in May, sluggish interest rates were a feature of 2013.



However, growth in mortgage finance remained constrained by the shortage of available properties.

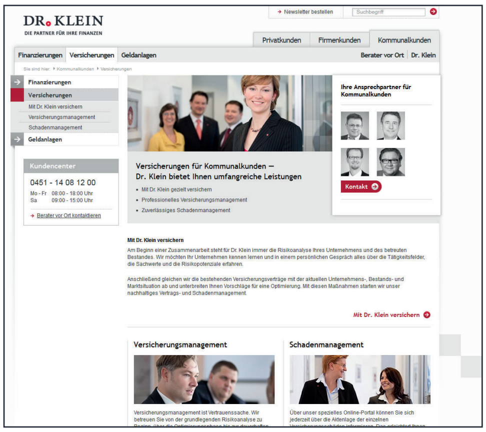
According to statistics published by the German Bundesbank, the total volume of Germany's mortgage finance market rose to €198.2 billion in 2013, which was around 3 per cent higher than in the previous year (2012: €192.6 billion).



Total volume of private mortgage mortgage finance and personal loans (source: Deutsche Bundesbank)

Insurance products

While the home loan sector is able to benefit from the current low-interest-rate environment, low interest rates are having an adverse impact on insurance business, particularly endowments and private health insurance.



2013 also saw the imposition of tough political regulation on the insurance industry, such as the implementation of Solvency II capital adequacy requirements, which also resulted in the restructuring of internal processes in insurance companies.

Reform of the EU Insurance Mediation Directive (IMD2) was also negotiated in Brussels. Among other things, it could have included a general ban on commission income for independent advice on insurance products, but the Economic and Monetary Affairs Committee of the European Parliament (ECON) has now decided against a general ban on receiving commission.

During the preparation of the annual report, the German Insurance Association (GDV) had not yet published any full data for the past year.

Other banking products

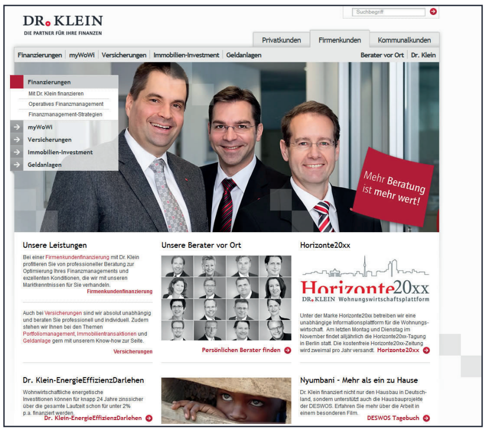
In 2013, low interest rates and ample liquidity remained the instruments used by the central banks to kick-start the banking sector and to make the financial system more effective. This discouraged banks from issuing basic savings products with attractive terms and conditions, which was reflected in low returns for consumers and low earnings for distributors. According to Bundesbank statistics, the total funds invested in fixed-term, instant-access and savings accounts across all groups of institutions had increased by 4.3 per cent to €1,743.0 billion by 31 December 2013 (31 December 2012: €1,671.0 billion).

The level of interest shown in building finance also remained high throughout 2013 owing to public debate about real estate as a form of retirement pension. The Bundesbank's statistics revealed that Germany's total building finance market in 2013 had grown by 3.5 per cent year on year to €105.4 billion (2012: €101.8 billion).

The volume of personal loans totalled €61.8 billion in 2013, compared with €63.1 billion in 2012, a further fall of 2.1 per cent. Consumers benefited from the continuing price war waged by various providers as the result of tough competition in the market for personal loans and low funding costs.

Financial services for institutional clients

In its Institutional Clients business unit, Hypoport arranges big-ticket loans for German housing companies, local authorities and commercial property investors.



There was much political debate about the housing sector, including the issues of ‚homes' and ‚urban development' last year, particularly at the height of the German parliamentary elections in the summer and early autumn of 2013. According to data from the German Housing and Property Companies Association (GdW), the vacancy rates of municipal and co-operative housing association has fallen recently and capital investment in the sector has remained stable overall. This stability also benefits Hypoport's business unit which also provides its customers with innovative products such as the Dr. Klein energy efficiency loans designed to suit the ongoing switch to renewable energy sources, and a building finance agreement combined with a KfW banking group loan.

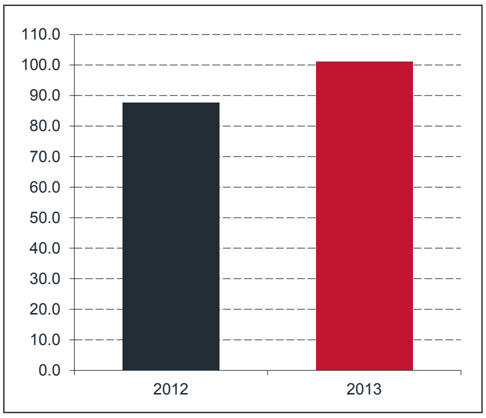
The small rise in mortgage interest rates from May onwards encouraged institutional clients to do business, although similar stimuli were absent in subsequent months. According to information published by the Bundesbank, the total volume of loans on housing companies' books at the end of the fourth quarter of 2013 was €191.4 billion (2012: €184.6 billion).

At the time the annual report was published, the GdW had not yet issued any exact full-year figures for spending by the housing and property companies that belong to the GdW or its regional associations. Current estimates are for a rise of around 10.7 per cent in the aggregate capital cost of investment in housing stock and new housing, taking it above the €10 billion mark.

HYPOPORT
THE FINANCE INTEGRATOR

Revenue

In 2013, Hypoport topped the €100 million mark in terms of revenue for the first time ever. Overall, consolidated revenue jumped by 15.2 per cent from €87.8 million to €101.1 million. The method used to calculate sales commissions paid to mortgage finance brokers was amended with effect from 1 April 2013, which increased the figures for revenue and agency commissions reported for the period to 31 December 2013 by €5.3 million each. Excluding this change, year-on-year revenue growth would have been 9.1 per cent. The change did not affect gross profit.



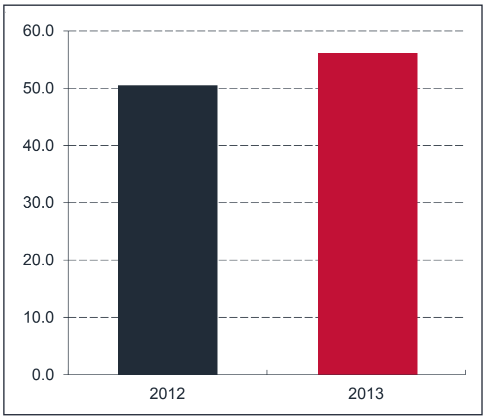
Revenue Hypoport Group (€ million)

Owing to a slight shift from low-margin to higher-margin revenue models, there was double-digit growth in gross profit, which rose by 10.9 per cent from €44.7 million to €49.6 million.

The figures for revenue and selling expenses described below include revenue and selling expenses shared with other segments.

Private Clients business unit

Revenue in the Private Clients business unit, which specialises in the online distribution of financial products, rose to €56.09 million (2012: €50.55 million). Excluding the change in the method used to calculate sales commissions paid to mortgage finance brokers – which has already been mentioned above in the section on the Hypoport Group's revenue – year-on-year revenue growth would be 0.4 per cent.



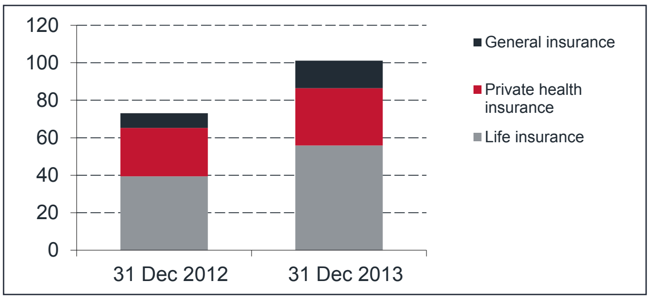
Revenue Private Clients (€ million)

Operating in stable market conditions, the mortgage finance product segment generated strong growth in its transaction volume, which increased by 18.1 per cent from €4.59 billion to €5.42 billion. Attractive terms and conditions, personal advice and Dr. Klein's branch network throughout Germany helped growth to outperform the market as a whole.

The volume of transactions in insurance products fell by 8.6 per cent, with annual premiums down from €23.77 million to €21.72 million in what was a challenging market environment. As already described in the section covering insurance in ‚Conditions in the financial services sector', there was a sharp fall in new health and life insurance policies with high upfront sales commissions, while transaction volumes rose sharply in general insurance, in which commission is paid on an ongoing basis.

	2013	2012
Volume of financing transactions (€ billion)	5.42	4.59
Volume of insurance transactions (€ million)	21.72	23.77
life insurance	11.80	13.26
private health insurance	3.87	7.34
general insurance	6.05	3.17

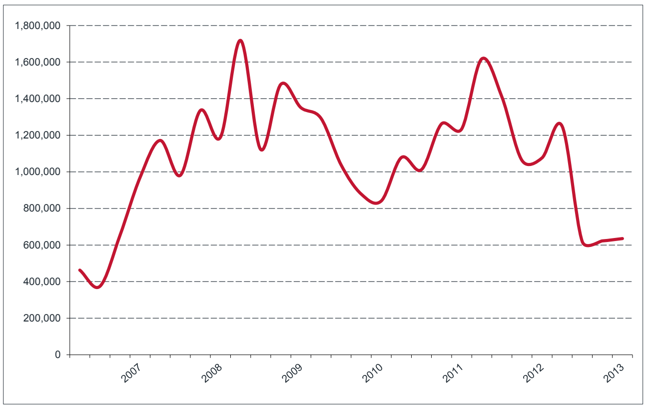
The insurance portfolio managed by Dr. Klein is supplemented by new business and by portfolios obtained from newly acquired distribution partners. On the other hand, policyholders' contract cancellations and the loss of distribution partners cause Dr. Klein's insurance portfolio to shrink.



Portfolio of insurance policies/annual premiums (€ million)

Boosted by growth in its network of advisors, and our advisors' focus on holistic customer relationship management, Hypoport achieved a significant year-on-year increase in its portfolio of insurance policies in 2013. Annual life insurance premiums rose by 41.6 per cent, from €39.44 million to €55.83 million, annual private health insurance premiums rose by 18.8 per cent, from €25.76 million to €30.60 million, and annual general insurance premiums were up by 86.2 per cent from €7.90 million to €14.71 million. Consequently, the total portfolio of insurance policies under management reached a new all-time high of €101.14 million in annual premiums as at 31 December 2013, compared with €73.1 million a year earlier.

The number of leads acquired – which is a key determinant of future unit sales of basic banking products – saw a significant year-on-year decrease in 2013 to 3.1 million (2012: 5.2 million). This reflects consumers' reluctance to put their money into simple investment products such as instant-access and fixed-term deposits because interest rates are extremely low and, consequently, not very appealing for most consumers. This has reduced the potential for us to earn revenue from these business lines.



Number of leads

Selling expenses, gross profit and EBIT

The selling expenses incurred by the Private Clients business unit stemmed from fees and commissions paid to distribution partners (e.g. franchisees in the mortgage finance and insurance product segments) and from the cost of acquiring leads. Gross profit represents the difference between product suppliers' fee and commission payments and these selling expenses.

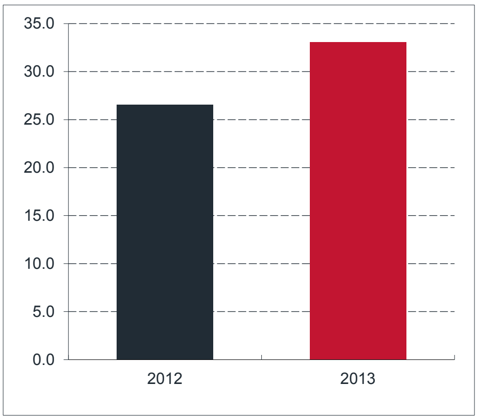
While gross profit in the mortgage finance product segment was encouraging, the business unit's gross profit margin remained under pressure in 2013 owing to the price war in the insurance selling market, which many small and medium-sized rivals – unable to differentiate themselves from their competitors in any other way – waged by guaranteeing unprofitable levels of fees and commissions. Margins in the basic banking products segment also fell sharply as a result of its expansion into more products and tougher competition due to the dwindling size of the overall market.

In all, the gross profit generated by the business unit rose by 12.4 per cent from €15.55 million to €17.48 million. Largely as the result of a lower level of own work capitalised, increased personnel expenses and higher depreciation/amortisation on own work capitalised, EBIT for the business unit again declined, from minus €1.1 million to minus €1.6 million.

Private Clients	2013	2012
Revenue (€ million)	56.1	505
Selling expenses (€ million)	38.6	35.0
Net Revenue (€ million)	17.5	15.5
EBIT (€ million)	-1.6	-1.1

Financial Service Providers business unit

The transaction volume figures for 2013 reported by Financial Service Providers – the second-largest business unit – were the best annual results that it had achieved since the introduction of the EUROPACE financial marketplace.

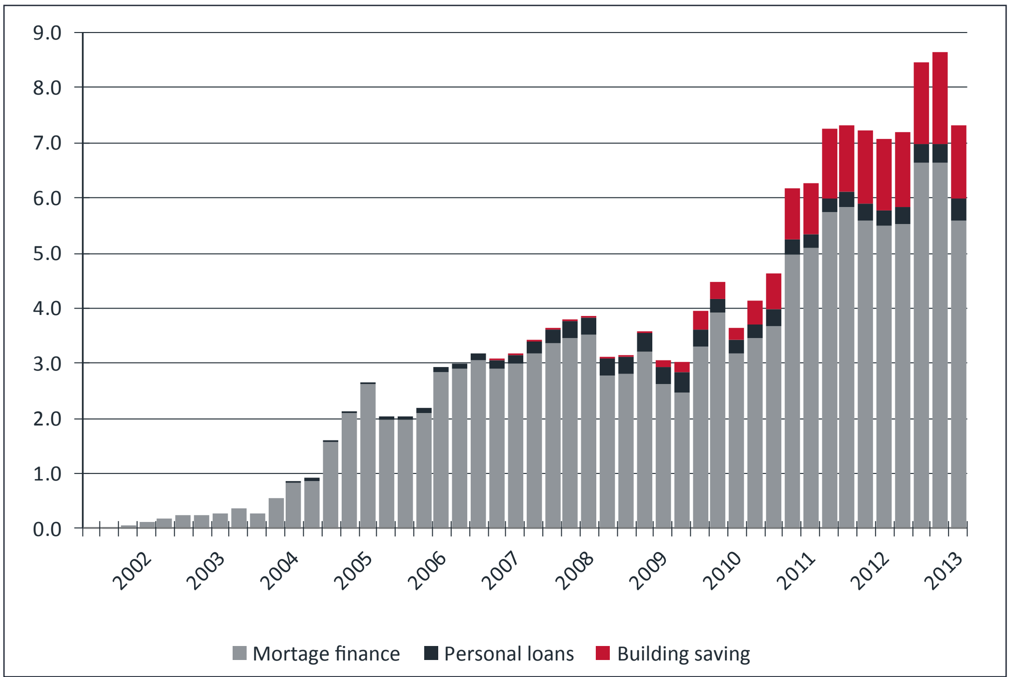


Revenue Financial Service Providers (€ million)

In 2013, the volume of transactions executed via the EUROPACE financial marketplace rose by 9.3 per cent year on year to a new record of €31.6 billion (2012: €28.9 billion). Having started the year on a robust note, the volume of transactions grew substantially across all product segments, especially in the second and third quarters. The continued low level of interest rates, our optimised sales processes, and the fact that the number of our partners has risen from 200 to its current level of almost 250 contractual partners, all contributed to this excellent annual result. The latest figures published by the Bundesbank show that the German mortgage finance market overall grew only modestly in 2013. The rising numbers of transactions generated on EUROPACE therefore resulted from the increasing automation of business processes in Germany. The pressure for change triggered by Basel III and Solvency II considerably enhances the appeal of a flexible marketplace solution for more and more banks and financial institutions.

The total volume of mortgage finance transactions completed in 2013 rose by 8.0 per cent to €24.4 billion (2012: €22.6 billion).

The total value of building finance products brokered via EUROPACE increased by 13.7 per cent to €5.8 billion (2012: €5.1 billion). This was largely attributable to the attractive terms and conditions available on building finance products. The volume of transactions in personal loans also achieved encouraging growth, with the corresponding prior-year figure for 2012 increasing by 16.7 per cent to €1.4 billion (2012: €1.2 billion).



Volume of transactions on EUROPACE (€ billion)

Revenue grew significantly by 24.6 per cent to €33.06 million (2012: €26.54 million) on the back of larger transaction volumes and an increase in low-margin collaborations and Packager-related transactions. The gross profit generated almost kept pace with the growth in the transaction volume, rising by 11.6 per cent to €19.89 million (2012: €17.82 million).

The increase in collaborations and Packager-related transactions is intended to enhance the appeal of the EUROPACE financial marketplace and often represents enabler support for the use of EUROPACE.

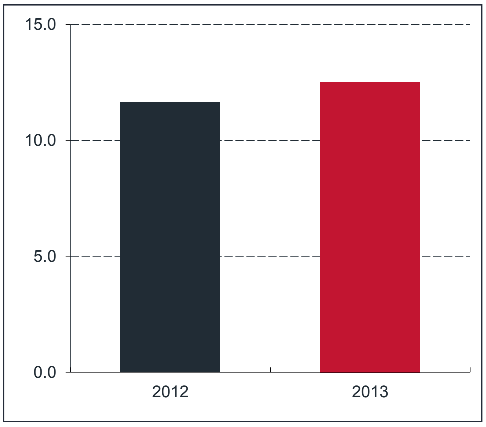
While other income and expenses virtually offset each other, EBIT generated by the business unit

EUROPACE	2013	2012
Volume of transactions (€ billion)	31.6	28.9
Mortgaging	24.4	22.6
Private Credits	1.4	1.2
House-saving	5.8	5.1
Revenue (€ million)	33.1	26.5
Selling expenses (€ million)	13.2	8.7
Net Revenue (€ million)	19.9	17.8
EBIT (€ million)	6.0	3.9

rose by an impressive 55.0 per cent from €3.9 million to €6.0 million.

Institutional Clients business unit

Arranging big-ticket loans for German housing companies, local authorities and commercial property investors constitutes a key source of revenue for the Institutional Clients business unit. This unit continued to benefit from its exceptionally strong market position as the central intermediary for innovative forms of mortgage finance and from the expert advice that it provides on portfolio management and loans for business customers.



Revenue Institutional Clients (€ million)

Although there was a sharp year-on-year fall of 24 per cent in the volume of new loans brokered in 2013, the business unit managed to generate a 7.6 per cent increase in revenue, which rose from €11.63 million to €12.51 million.

This is proof positive of the strategically successful development of this business unit in 2013. During the year, the successful expansion of consulting services and the introduction of new products more than compensated for its reliance on a small number of individual, big-ticket, low-margin lending transactions.

The revenue generated by this unit in 2013 comprised €8.0 million from the brokerage of loans and insurance (2012: €7.8 million) and €4.5 million from consulting services (2012: €3.8 million). Largely as the result of higher personnel expenses and other operating expenses, EBIT generated by the business unit remained at €3.8 million, the same level as the previous year.

Institutional Clients business unit	2013	2012
Loan Brokerage		
Volume of new business (€ million)	1,158	1,350
Volume of prolongation (€ million)	306	577
Revenue (€ million)	12.5	11.6
Selling expenses (€ million)	0.5	0.3
Net Revenue (€ million)	12.0	11.3
EBIT (€ million)	3.8	3.8

	2013	2012	Change	
	€'000	€'000	€'000	%
Revenue	101,058	87,753	13,305	15.2
Selling expenses	-51,479	-43,034	-8,445	19.6
Gross profit	**49,579**	**44,719**	**4,860**	**10.9**
Own work capitalised	4,248	4,180	68	1.6
Other operating income	2,776	2,376	400	16.8
Personnel expenses	-32,831	-29,937	-2,894	9.7
Other operating expenses	-15,616	-13,207	-2,409	18.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**8,156**	**8,131**	**25**	**0.3**
Depreciation, amortisation expense and impairment losses	-4,190	-4,934	744	-15.1
Earnings before interest and tax (EBIT)	**3,966**	**3,197**	**769**	**24.1**
Net finance costs	-876	-859	-17	2.0
Earnings before tax (EBT)	**3,090**	**2,338**	**752**	**32.2**
Current income taxes	-1,173	-841	-332	39.5
Deferred taxes	1,258	447	811	181.4
Profit (loss) from continuing operations	**3,175**	**1,944**	**1,231**	**63.3**
Profit (loss) from discontinued operations	0	-2,759	2,759	-100.0
Net profit for the year	**3,175**	**-815**	**3,990**	**489.6**

2. Financial performance

The substantially higher earnings generated by the Financial Service Providers and Institutional Clients business units in what was a normal, volatile market environment comfortably compensated for the net loss incurred by the Private Clients business unit and the costs incurred by the Administration and Information Technology business units.

Against the backdrop of the operating performance described above, EBITDA from continuing operations rose to €8.2 million (2012: €8.1 million), while EBIT from continuing operations increased to €4.0 million (2012: €3.2 million). Consequently, the EBIT margin (EBIT as a percentage of gross profit) rose from 7.1 per cent to 8.0 per cent.

Own work capitalised largely relates to the pro-rata personnel expenses and operating costs incurred by the expansion of the EUROPACE platform.

Other operating income mainly comprises income of €630 thousand (2012: €525 thousand) from employee contributions to vehicle purchases, €532 thousand (2012: €408 thousand) from the reversal of provisions and €420 thousand (2012: €119 thousand) related to other reporting periods. Personnel expenses rose in line with the increase in the average headcount for the year from 524 employees to 562.

The rise in other operating expenses essentially relates to administrative expenses of €5.564 million (2012: €3.659 million) and other expenses of €999 thousand (2012: €604 thousand), whereas other personnel expenses fell to €683 thousand (2012: €826 thousand).

The net finance costs mainly comprise interest expense and similar charges of €616 thousand (2012: €869 million), which stemmed from bank loans totalling €16.4 million (2012: €17.8 million).

3. Net assets

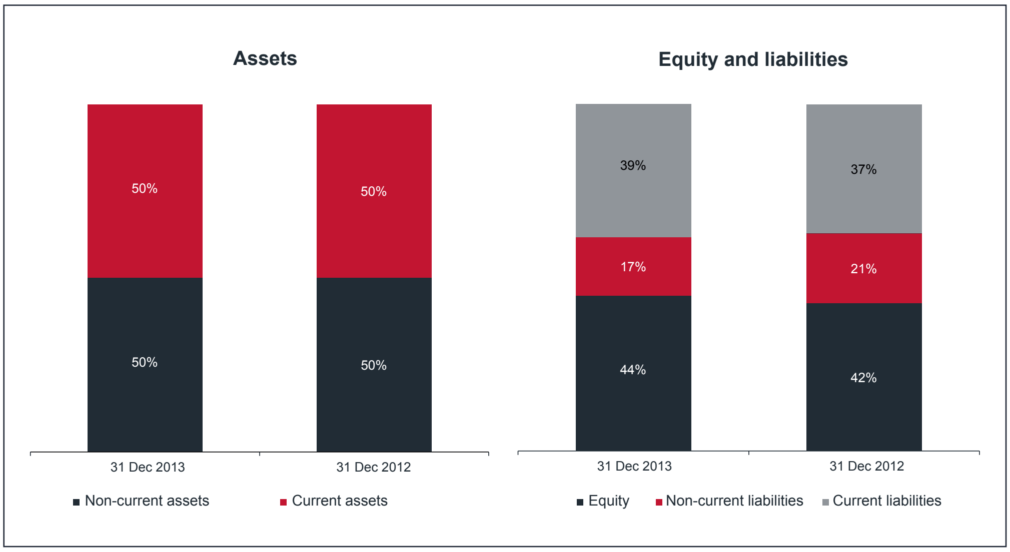
The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2013 is based on the balance sheet figures aggregated according to liquidity. Receivables and liabilities falling due less than twelve months after the balance sheet date are reported as ‚current', while all others – unless shown separately – are reported as ‚non-current'.

HYPOPORT
THE FINANCE INTEGRATOR

ASSETS	2013 €'000	2013 %	2012 €'000	2012 %	Change €'000	Change %
Intangible assets	29,568	39.6	27,684	39.2	1,884	6.8
Property, plant and equipment	2,279	3.1	2,618	3.7	-339	-12.9
Financial assets	69	0.1	115	0.2	-46	-40
Trade receivables	4,344	5.8	4,640	6.6	-296	-6.4
Other assets	713	1.0	23	0.0	690	>100.0
Deferred tax assets	412	0.6	384	0.5	28	7.3
Non-current assets	**37,385**	**50.1**	**35,464**	**50.2**	**1,921**	**5.4**
Trade receivables	20,624	27.7	21,082	29.8	-458	-2.2
Other current items	4,849	6.5	4,687	6.6	162	3.5
Income tax assets	5	0.0	959	1.4	-954	-99.5
Cash and cash equivalents	11,538	15.5	8,555	12.1	2,983	34.9
Current assets	**37,016**	**49.9**	**35,283**	**49.8**	**1,733**	**4.9**
Total assets	**74,401**	**100.0**	**70,747**	**100.0**	**3,654**	**5.2**
EQUITY AND LIABILITIES						
Subscribed capital	6,195	8.3	6,195	8.8	0	0.0
Treasury shares	-57	-0.1	-61	-0.1	4	-6.6
Reserves	26,659	35.8	23,480	33.3	3,179	13.5
	32,797	44.1	29,614	41.9	3,183	10.7
Non-controlling interest	256	0.3	230	0.3	26	11.3
Equity	**33,053**	**44.4**	**29,844**	**42.2**	**3,209**	**10.8**
Financial liabilities	12,061	16.2	12,935	18.3	-874	-6.8
Provisions	105	0.1	241	0.3	-136	-56.4
Other current liabilities	10	0.0	10	0.0	0	-
Deferred tax liabilities	409	0.5	1,639	2.3	-1,230	-75.0
Non-current liabilities	**12,585**	**16.9**	**14,825**	**21.0**	**-2,240**	**-15.1**
Provisions	59	0.1	78	0.1	-19	-24.4
Financial liabilities	4,758	6.4	5,365	7.6	-607	-11.3
Trade payables	15,875	21.2	14,070	19.8	1,805	12.8
Income tax liabilities	325	0.4	116	0.2	209	180.2
Other current liabilities	7,746	10.4	6,449	9.1	1,297	20.1
Current liabilities	**28,763**	**38.7**	**26,078**	**36.8**	**2,685**	**10.3**
Total equity and liabilities	**74,401**	**100.0**	**70,747**	**100.0**	**3,654**	**5.2**

HYPOPORT
THE FINANCE INTEGRATOR

The Hypoport Group's consolidated total assets as at 31 December 2013 amounted to €74.4 million, which was a 5.2 per cent increase on the total as at 31 December 2012 (€70.7 million).



Non-current assets totalled €37.4 million (31 December 2012: €35.5 million). This amount included goodwill which, at an unchanged €14.8 million, remained the largest non-current asset on the balance sheet.

Current other assets essentially comprise commission paid in advance to distribution partners amounting to €3.758 million (31 December 2012: €3.881 million).

The equity attributable to Hypoport AG shareholders as at 31 December 2013 grew by €3.2 million, or 10.7 per cent, to €32.8 million. Consequently, the equity ratio rose from 42.2 per cent to 44.4 per cent. Apart from direct operational necessities, this robust equity ratio reflects the financial strength of the Group, which creates confidence among customers and counterparties. The high level of capital adequacy also creates scope for further growth.

The €2.2 million decline in non-current liabilities to €12.6 million was largely attributable to falls of €1.2 million in deferred tax liabilities and of €0.9 million in financial liabilities.

Other current liabilities mainly comprise commissions received in advance totalling €2.8 million (31 December 2012: €1.8 million) and bonus commitments of €2.2 million (31 December 2012: €1.9 million).

Total financial liabilities declined by €1.5 million to €16.8 million largely because the level of new borrowing was lower than the scheduled loan repayments.

4. Financial position

The changes in the Company's liquidity position at the balance sheet date are shown in the table below.

	31.12.2013 €'000	31.12.2012 €'000	Change €'000
Current liabilities	28,763	26,078	2,685
Cash and cash equivalents	11,538	8,555	2,983
	17,225	17,523	-298
Other current assets	25,478	26,728	-1,250
Surplus cover	**8,253**	**9,205**	**-952**

The cover ratio of non-current assets to non-current equity and liabilities is shown in the table below.

	31.12.2013 €'000	31.12.2012 €'000	Change €'000
Non-current assets	37,385	35,464	1,921
Equity	33,053	29,844	3,209
	4,332	5,620	-1,288
Non-current liabilities	12,585	14,825	-2,240
Surplus cover	**8,253**	**9,205**	**-952**

129 per cent (31 December 2012: 135 per cent) of the current liabilities of €28.763 million (31 December 2012: €26.078 million) are covered by current assets.

88 per cent (31 December 2012: 84 per cent) of non-current assets are funded by equity.

The year-on-year changes in the key figures from the Company's balance sheet, income statement and cash flow statement are shown below.

	31.12.2013	31.12.2012
Return on investment = EBIT / (equity + non-current liabilities)	8.7%	7.2%
Cash flow (CF) return on equity = CF from operating activities / equity	30.6%	26.0%
EBIT margin = EBIT / gross profit	8.0%	7.1%
Tier-1 liquidity = cash and cash equivalents / current liabilities	40.1%	32.8%
Equity ratio = equity / total equity and liabilities	44.4%	42.2%
Gearing = liabilities / total equity and liabilities	55.6%	57.8%
Tier-1 capital ratio = equity / (Intangible assets + Property, plant and equipment)	103.8%	98.5%

We have used the cash flow statement to show the sources and application of funds and to disclose the changes in the Company's financial position during the year under review. The cash flow statement presented in the consolidated financial statements shows the net cash inflows and outflows broken down by type of activity (operating activities, investing activities and financing activities). Positive amounts (+) denote a net cash inflow, while negative amounts (-) stand for a net cash outflow.

Cash flow during the reporting period decreased by €0.3 million to €6.2 million (31 December 2012: €6.5 million). The total net cash generated by operating activities as at 31 December 2013 amounted to €10.1 million (31 December 2012: €7.8 million). The increase in cash flow compared with 31 December 2012 was primarily due to the fact that the cash used for working capital decreased by €2.7 million to €3.9 million (31 December 2012: increase of €5.6 million).

The net cash outflow of €5.7 million from investing activities (31 December 2012: net outflow of €6.5 million) stemmed primarily from increased capital expenditure on non-current intangible assets of €5.0 million (31 December 2012: €5.4 million).

The net cash of €1.4 million used by financing activities (31 December 2012: net cash inflow of €0.3 million) relates to scheduled loan repayments of €5.3 million (31 December 2012: €10.7 million) and new borrowing of €3.9 million (31 December 2012: €11.1 million).

Cash and cash equivalents as at 31 December 2013 totalled €11.5 million, which was €3.0 million higher than at the beginning of the year.

Cash and cash equivalents at the end of the period consisted exclusively of cash on hand and at banks.

At the balance sheet date there were other financial commitments totalling €11.760 million (31 December 2012: €13.974 million) in respect of rentals, leases and maintenance agreements covering several years. Included in these other financial commitments were commitments of €3.449 million (31 December 2012: €3.476 million) due within one year, €6.524 million (31 December 2012: €7.771 million) due in one to five years, and €1.787 million (31 December 2012: €2.727 thousand) due in more than five years.

Summary assessment of the Company's financial position and financial performance at the time the management report was prepared

Based on the information available at the time the management report was prepared, the Company's financial position and financial performance have been consistent.

5. Capital expenditure and finance

The main capital expenditures in 2013 related to the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces.

Hypoport also invested heavily in new advisory systems for end customers and distributors.

This capital expenditure was partly funded by new borrowing.

HYPOPORT
THE FINANCE INTEGRATOR

6. Unrecognised assets

One asset that is recognised to only a minor extent is the internally generated software that uses an integrated online system to link up the participants on EUROPACE's financial marketplaces and make EUROPACE the central intermediary in the German property finance market.

The brokerage activities of the Private Clients and Institutional Clients business units provide Hypoport with information on its clients' assets and revenue and on the financial products sold to them. This client base and transaction portfolio constitute an unrecognised asset, because Hypoport can use this information to sell further suitable financial products to the same client in future. For example, Hypoport can also offer advice on the renewal or refinancing of existing mortgage deals well in advance of the end of the original fixed-interest period, for which it may receive another commission from the product supplier.

In its Financial Service Providers business unit, Hypoport provides several thousand financial advisors with access to its EUROPACE marketplace so that they can process their new business in mortgages, building finance and personal loans. This enables Hypoport to assemble a substantial distribution capability, which in turn exerts a considerable appeal for further product suppliers that offer either the same or similar financial products. This potential future extension of the product range enables additional transactions to be processed on the EUROPACE marketplace and constitutes a significant unrecognised asset. Furthermore, Hypoport can enable affiliated financial advisors to participate in the renewal or refinancing of financial products that have already been brokered on the EUROPACE marketplace, for which it can earn additional agency commission.

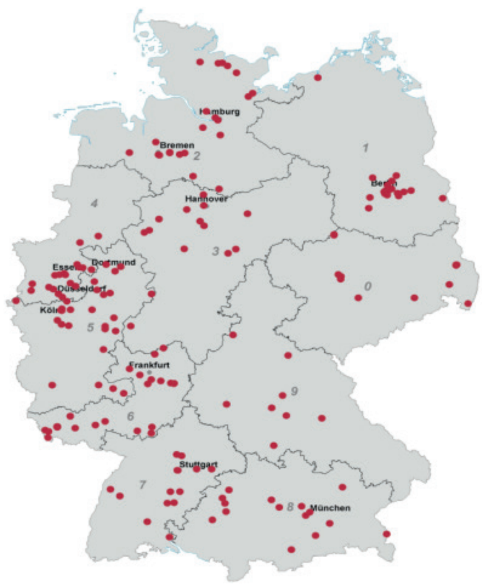
Moreover, Hypoport possesses a valuable brand that is becoming increasingly well-known; this is particularly true of its Private Clients business. Dr. Klein regularly comes top in the product tests and reviews conducted by independent consumer organisations, and the growing number of regional franchisees is also raising its profile beyond the internet. Many new clients are increasing the brand's recognition by recommending Dr. Klein to others after having received good advice from the Company. This constitutes a significant unrecognised asset for Hypoport, because a trusted brand provides a valuable competitive advantage in the sale of financial products.

7. Procurement and distribution

Private Clients business unit

The systematic development of our franchise-based branch sales network was also continued to great effect in 2013. Last year brought us yet another step closer to our strategic goal of becoming one of Germany's top five financial product distributors.

The map on the right gives an impressive overview of the extensive network of more than 200 branches established by our franchisees in Germany as well as our flagship stores, which are located in the major German commercial centres and in which a total of 612 active advisors were working as at 31 December 2013 compared with 509 at the end of 2012.



At the same time, the number of active advisors operating within our agent sales network rose to 676. Apart from improving the capacity utilisation of our infrastructure, these partners – who are only loosely associated with us – offer significant potential for expanding our business in future.

Distribution channels	31.12.2013	31.12.2012
Active advisors in branch-based sales	612	509
Active advisors acting as agents	676	666

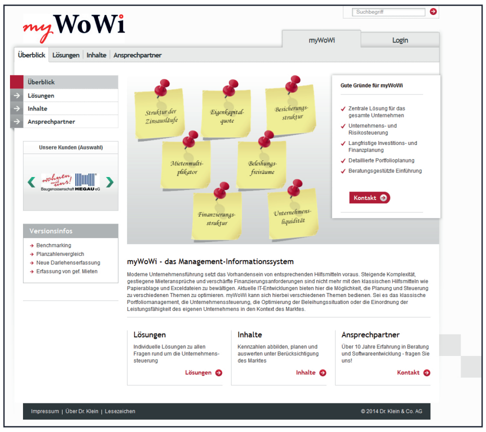
In 2013 we continued to recruit new partner banks and insurance companies as product suppliers. Because it offers a broad range of products from more than 400 partners, Dr. Klein is setting a clear benchmark against which other financial product distributors are measured. Furthermore, Dr. Klein's growing sales volumes are gradually helping to improve its purchasing terms and conditions, which has significantly strengthened its competitiveness.

Our investment in the online personal loan market in 2013 and the increased focus on acquiring high-quality leads provide a sound basis for further growth in online sales.

Institutional Clients business unit

The Basel III reforms to banking regulation and Solvency II capital adequacy requirements, introduced in response to the financial crisis, continue to impact on the producer market. We continued to work closely with insurance companies, pension funds and building finance associations in 2013 in response to banks' reluctance to lend and in order to minimise much of the risk of becoming reliant on individual product suppliers. New transactions were closed with a total of 32 (2012: 32) lenders and 162 (2012: 168) financing customers. This wide range of partners enables Dr. Klein to offer its customers a broad spectrum of different products.

There is generally brisk demand for our advisory products in the form of loan and collateral analysis and for our myWoWi portfolio-management system owing to the increasing transparency and disclosure requirements in the banking industry. These products help strengthen our client loyalty and provide us with vital support in our attempts to acquire new sources of finance.

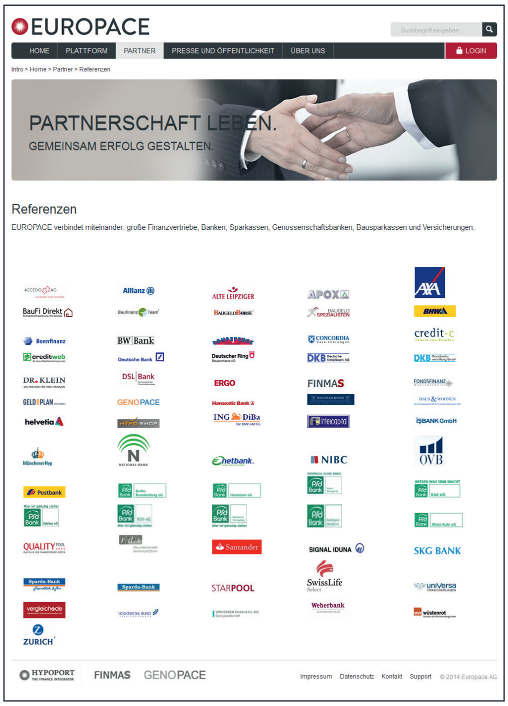


We are constantly expanding the range of insurance products that we offer the real-estate sector. In addition to the usual types of insurance available, Dr. Klein regularly provides specialist information on current and future issues concerning the real-estate industry. The number of our insurance customers is rising continuously. In 2013 we provided service and support to 34 customers (2012: 30).

Our subsidiary Hypoport B.V. continues to be successful in offering our IT-based advisory service for lenders. It handled projects for customers in Belgium, Germany, the United Kingdom, Greece and South Africa as well as for its established customers in the Netherlands.

Financial Service Providers business unit

As well as signing up new partners for this platform, we also continued to broaden its functionality and refine its technology in 2013, a process in which we increasingly involve our existing partners.



In order to ensure that our EUROPACE marketplace prospers, we need, above all, to attract new distribution partners and product suppliers and to strengthen our business relationships with existing partners and suppliers. The total number of partners using the EUROPACE platform had risen to 242 by 31 December 2013 compared with 199 partners as at 31 December 2012. These organisations, which include Germany's largest banks, building finance associations and financial product distributors, provide several thousand users with a fully integrated method of purchasing financial services on EUROPACE.

HYPOPORT
THE FINANCE INTEGRATOR

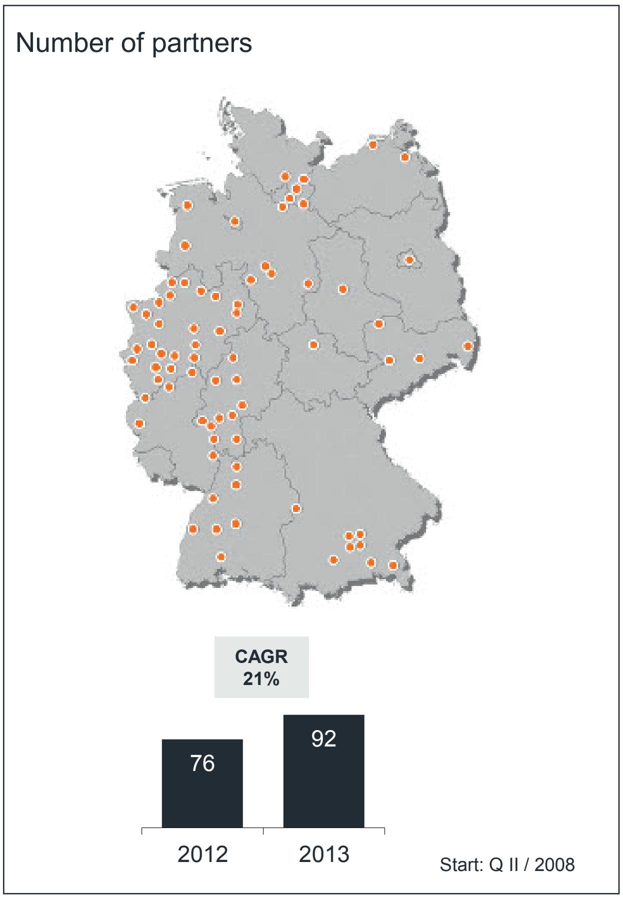
More than 275 participants – a record figure – attended the 22nd EUROPACE Conference that was held in August. The three main topics of interest at this gathering were the German housing market in a low-interest-rate environment, the interest-rate security of mortgages backed by building finance agreements, and the latest technological developments around EUROPACE 2.

The constantly growing number of major partners on both sides (i.e. distributors and product suppliers) is enhancing the marketplace's appeal to new partners. In 2013, this network effect continued to boost demand for access to this marketplace, thereby consolidating EUROPACE's prominent position in the market.

In order to increase the platform's efficiency and the volume of transactions it can process, our subsidiaries continued to invest heavily in the expansion of the IT infrastructure in 2013. This created considerable spare capacity, which improved the platforms' performance.

GENOPACE

In May, GENOPACE broadened its marketplace offering by adding Schwäbisch Hall building finance products. This enabled all credit cooperatives and mutually owned banks that use GENOPACE to offer the FuchsBau and Fuchs Langzeit home savings products of Germany's largest building society as endowment loans or to lock in low interest rates after its customers' fixed-rate borrowing periods have expired. The integration of these building finance products into its existing offering is opening up new sources of growth for GENOPACE. What's more, its broader product range will encourage further banks to start using GENOPACE.

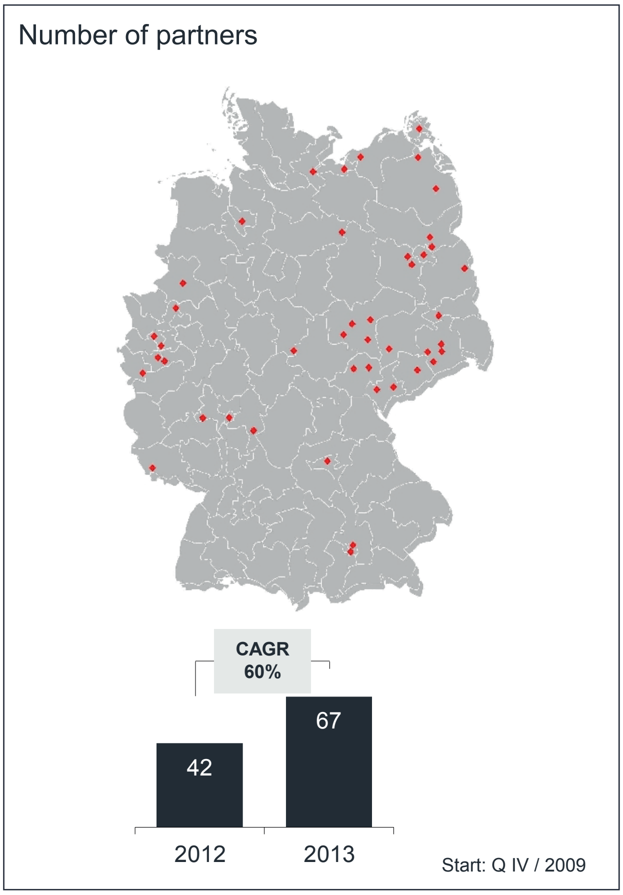


GENOPACE has so far managed to acquire 13 of Germany's top 25 credit cooperatives and mutually owned banks as partners. The number of contractual partners using GENOPACE is continually rising and totalled 92 as at 31 December 2013 (31 December 2012: 76 partners).

FINMAS

FINMAS, our latest partner-specific financial marketplace, exceeded its first €1 billion worth of cumulative transactions at the beginning of this year.

67 contractual partners are now using FINMAS (31 December 2012: 42 partners), which to date has managed to attract twelve of Germany's top 25 savings banks as partners.



8. Employees

Total headcount increased slightly compared with the end of 2012, rising by 1 per cent to 553 employees (31 December 2012: 546 employees). The average number of people employed in 2013 was 562, which was a year-on-year increase of 7 per cent (2012: 524 people).

The table below gives a breakdown of the Company's employees by business unit at the balance sheet date.

	31.12.2013		31.12.2012		Change	
	Number	%	Number	%	Number	%
Financial Product Sales – Private Clients	196	36	177	33	19	11
Financial Product Sales – Institutional Clients*	68	12	57	10	11	19
B2B Financial Marketplaces – Financial Service Providers	104	19	124	23	-20	-16
Information Technology	96	17	101	18	-5	-5
Administration	89	16	87	16	2	2
	553		546		7	1

In today's business environment, which is dominated by myriad social and economic changes, a company's workforce is the key competitive factor. The lasting success and ongoing evolution of a company's business are essentially guaranteed by a suitably qualified and highly motivated workforce. The skills, dedication, creativity and motivation of these employees determine Hypoport's ability to compete and adapt in future. The Company's human resources management strategy is therefore geared to identifying, recruiting, retaining and developing the right people as Hypoport employees. In order to achieve these goals, the Company is constantly taking steps to ensure that it provides all members of staff with the necessary training and development opportunities and optimises the working atmosphere.

The quality of cooperation between managers, co-workers and other employees is absolutely key to the Company's success. The manner in which we interact with each other is therefore characterised by a spirit of respect and openness, thereby avoiding unfair behaviour.

Hypoport uses a number of tools to encourage a performance-driven culture and an entrepreneurial mindset among its workforce. The mandatory ‚development and performance dialogues' held twice a year provide a convenient setting in which managers and their staff can have a structured discussion on issues such as aspirations, career opportunities and performance incentives.

Hypoport's employees form an integral part of the Company's success and bear their share of the responsibility for achieving its goals. Part of their remuneration is therefore often contingent on the attainment of pre-defined targets and objectives. Depending on their effectiveness and the position of the employee concerned, these targets are based either on the Company's net profit or on the performance of individual business units. Performance-related remuneration systems that enable the workforce to share in the firm's success increase personal responsibility and encourage teamwork. In addition, the Company pays contributions to government or private pension insurance providers under the terms of its pension scheme. Contributions are either voluntary or based on statutory or contractual requirements.

By offering long-term healthcare and sickness-prevention schemes and providing attractive sports and leisure facilities, Hypoport has created the optimum working conditions to ensure that its staff achieve the right work/life balance. To this end it offers a number of individual and flexible working-time models that include home office solutions, childcare facilities at some sites and customised schemes that make it easier for employees to return to work after they have taken parental leave.

Hypoport's activities and numerous projects in the reporting year placed exceptional demands on our workforce. We would like to take this opportunity to thank all members of staff wholeheartedly for their valuable contribution and their commitment.

9. Marketing

The objective of all our marketing activities is to build and maintain long-term client relationships. The individual elements of our marketing mix are geared to our clients' needs and the target market. In addition to our product-related, pricing and distribution policies, promotional campaigns accounted for a large proportion of these activities. In order to achieve a fully integrated marketing and communications mix, we stepped up all relevant aspects of our public relations, print advertising, print media, direct marketing, sales promotions and trade fair exhibitions.

10. Remuneration report

The overall structure and level of the remuneration paid to the Management Board are determined by the Supervisory Board, which currently comprises its chairman Dr Ottheinz Jung-Senssfelder, its vice-chairman Professor Dr Thomas Kretschmar, and Christian Schröder. Both the structure and amount of this remuneration are reviewed regularly, most recently in the summer of 2011.

The total remuneration paid to the members of the Management Board in 2013 was composed of a basic salary, a performance-related salary, a variable year-end payment, and non-cash remuneration.

The main criteria used to assess the appropriateness of remuneration are the functions and responsibilities of the respective Management Board member, his or her personal performance, and the financial situation, performance and prospects of Hypoport AG.

Changes in basic salary and the level of variable salary components are determined using the calculation base, the assessment base, and consolidated EBIT. Consolidated EBIT is defined as earnings before interest and tax (EBIT) as reported in the Hypoport Group's IFRS consolidated annual financial statements, excluding variable year-end payments to members of the Group Management Board. The assessment base is defined as consolidated EBIT for the financial year just ended minus the calculation base. The calculation base is newly determined each year and is defined as the average consolidated EBIT over the most recent three-year period. The calculation base must never be less than €5.0 million.

If the calculation base changes, the annual basic salary is increased or reduced by half of the year-on-year percentage change in the calculation base. If the annual basic salary is reduced, however, it must never be less than €180,000.00. If consolidated EBIT is less than €3.0 million, the annual basic salary will amount to €180,000.00 irrespective of any previous increases.

The performance-related salary is paid out in full if consolidated EBIT for the previous year exceeds €3.0 million. If consolidated EBIT is below €3.0 million, the performance-related salary is paid out accordingly on a pro-rata basis. If the calculation base is increased, the annual performance-related salary is raised by half of the year-on-year percentage increase in the calculation base. The performance-related salary is never reduced.

The variable year-end payment initially amounted to 5 per cent (also referred to below as ‚bonus rate') of the assessment base. Starting in the 2012 financial year, if the calculation base changes, the bonus rate is reduced or increased by half of the year-on-year percentage increase or reduction in the calculation base. The bonus rate is never more than 5 per cent. The year-end payment amounts to no more than the sum total of the annual basic salary and the performance-related salary.

HYPOPORT
THE FINANCE INTEGRATOR

The changes in basic salary, performance-related salary and year-end payment are determined by the Supervisory Board on the basis of the Company's consolidated annual financial statements. Any changes made apply retrospectively from 1 January of the year concerned.

The Management Board members' service contracts contain no agreements that would apply in the event of a change of control resulting from a takeover bid. No loans or advances had been granted as at 31 December 2013.

The employment contracts of all members of the Management Board include a non-competition clause that applies to the two years after the end of the contract. During the period that the non-competition clause applies, Hypoport AG must pay annual compensation equivalent to half of the average contractually agreed remuneration benefits regularly paid out over the previous three years. There are no service contracts between the Company or one of its subsidiaries and one or more members of the Management Board that include a provision for the payment of benefits at the end of employment.

The Company bears the cost of maintaining a reasonable level of cover under a directors' and officers' liability insurance policy for the members of the Management Board. This policy specifies an excess of at least 10 per cent of the insurance claim up to one-and-a-half times the annual remuneration of the Management Board member concerned.

No pension payments, annuities or similar benefits have been agreed with any of the members of the Management Board.

The remuneration paid to the Management Board for 2013 totalled €896 thousand and was broken down as follows:

	Fixed remuneration*)		Variable remuneration		Other remuneration		Total remuneration	
€'000	2013	2012	2013	2012	2013	2012	2013	2012
Ronald Slabke	204	204	0	0	11	11	215	215
Thilo Wiegand	204	204	0	0	13	13	217	217
Hans Peter Trampe	204	204	0	0	11	10	215	214
Stephan Gawarecki	204	204	0	0	45	45	249	249
Insgesamt	816	816	0	0	80	79	896	895

*) The fixed remuneration includes the guaranteed bonus.

The remuneration paid to the members of the Supervisory Board is stipulated in the Company's statutes and is determined by the Annual Shareholders' Meeting. It was last amended by a resolution adopted by the Annual Shareholders' Meeting on 4 June 2010 and consists of three components: an annual fixed remuneration, special remuneration for the chairman and vice-chairman of the Supervisory Board, and a performance-related element.

Pursuant to section 12 of the Company's statutes, the members of the Supervisory Board receive a fixed remuneration of €12,000.00 for every full financial year during which they serve on the Supervisory Board, plus reimbursement of their out-of-pocket expenses. In addition, the members of the Supervisory Board receive a variable remuneration equivalent to 0.1 per cent of any positive earnings before interest and tax (EBIT) as reported in the Company's IFRS consolidated annual financial statements, but in any event no more than €5,000, for every full financial year during which they serve on the Supervisory Board. Both the fixed and variable remuneration are payable at the end of the Annual Shareholders' Meeting that formally approves the acts of management for the previous financial year, unless the Annual Shareholders' Meeting decides otherwise. The chairman of the Supervisory Board receives double the amount of the fixed and variable remuneration, the vice-chairman one and a half times the amount.

Members of the Supervisory Board who have served for less than a full financial year receive pro-rata fixed and variable remuneration in proportion to the period for which they have served on the Supervisory Board.

The Company reimburses all members of the Supervisory Board for any value added tax paid in respect of their remuneration and out-of-pocket expenses. The Company bears the cost of maintaining a reasonable level of cover under a directors' and officers' liability insurance policy for the members of the Supervisory Board. No excess has been agreed.

The remuneration paid to the Supervisory Board for 2013 totalled €76 thousand and was broken down as follows:

	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
€'000	2013	2012	2013	2012	2013	2012	2013	2012
Dr. Ottheinz Jung-Senssfelder	24	24	8	3	2	2	34	29
Prof. Dr. Thomas Kretschmar	18	18	6	2	0	0	24	20
Christian Schröder	12	12	4	1	2	2	18	15
total	54	54	18	6	4	4	76	64

11. Disclosures under German takeover law

The following information is disclosed pursuant to section 315 (4) of the German Commercial Code (HGB).

Composition of subscribed capital

The Company's subscribed capital amounted to €6,194,958.00 at the end of 2013. It is divided into 6,194,958 no-par-value registered shares. All shares confer the same rights and obligations. Each share confers one vote at the Annual Shareholders' Meeting and determines shareholders' entitlement to the Company's profits. Shareholders' rights and obligations are defined in detail by the provisions of the German Stock Corporation Act (AktG), in particular by sections 12, 53a et seq., 118 et seq. and 186 AktG.

HYPOPORT
THE FINANCE INTEGRATOR

Restrictions on voting rights and the transfer of shares
The Management Board is not aware of any restrictions on voting rights or the transfer of shares.

Shareholdings exceeding 10 per cent of the Company's voting rights
The following shareholdings in Hypoport AG were known to us at the time this management report was prepared:

Ronald Slabke, Berlin, holds 36.25 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Lübeck, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Potsdam, which holds 12.91 per cent of Hypoport's shares. Thomas Kretschmar, Potsdam, holds 0.23 per cent of Hypoport's shares. Of these, the 0.23 per cent of the voting shares held by Kretschmar Research GmbH, Potsdam, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in Kretschmar Research GmbH are held by Thomas Kretschmar, who is a member of the Supervisory Board of Hypoport AG.

There are no further direct or indirect shareholdings exceeding 10 per cent of the Company's voting rights.

Shares with special rights conferring powers of control
There are no shares with special rights conferring powers of control. In particular, there are no powers to appoint Supervisory Board members pursuant to section 101 (2) AktG.

Type of control over voting rights in cases where employees are shareholders in the Company but do not directly exercise their control rights
In cases where employees of Hypoport AG are shareholders in the Company, they directly exercise their control over voting rights.

Statutory regulations and provisions of the statutes concerning the appointment and dismissal of Management Board members and amendments to the statutes
The members of the Management Board are appointed by the Supervisory Board pursuant to sections 84 and 85 AktG and section 5 (2) of the Company's statutes. The Management Board comprises at least two persons pursuant to section 5 (1) of the Company's statutes; the number of Management Board members is determined by the Supervisory Board. If the Management Board is short of a member, this member is appointed by the courts in urgent cases at the request of an interested party pursuant to section 85 AktG.

Section 179 AktG states that amendments to the Company's statutes require a resolution to be passed by the Annual Shareholders' Meeting; section 16 of the statutes states that, unless mandatory legal provisions specify otherwise, amendments to the statutes are adopted by a simple majority of votes cast. The Supervisory Board has the authority to make amendments concerning the wording only pursuant to section 19 of the Company's statutes.

Powers of the Management Board to issue and repurchase shares
The Annual Shareholders' Meeting held on 1 June 2012 voted to set aside the unused authorisation granted on 1 June 2007 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €3,097,479.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 31 May 2017. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

The Annual Shareholders' Meeting held on 4 June 2010 adopted a resolution authorising the Management Board to purchase treasury shares amounting to a total of up to 10 per cent of the subscribed capital in existence at the time the resolution was adopted. The shares thus purchased, together with other treasury shares that are in the possession of Hypoport AG or are attributable to it pursuant to sections 71d and 71e of the German Stock Corporation Act (AktG), must at no time account for more than 10 per cent of the Company's subscribed capital in existence at that time. The authorisation may be utilised either in full or partially, on one or more occasions, in pursuit of one or more objectives by Hypoport AG or by its Group companies or for its or their account by third parties. The authorisation is valid until 3 June 2015. The resolution adopted by the Annual Shareholders' Meeting of Hypoport AG on 5 June 2009 authorising the Management Board to purchase treasury shares was set aside when the resolution issuing this new authorisation came into effect. The Management Board may determine whether the shares are purchased through the stock market or by means of a public purchase offer or by means of a public invitation to submit such an offer.

The conditional capital created by an Annual Shareholders Meeting resolution adopted on 26 August 2002 no longer exists.

Material agreements by the Company that are conditional upon a change of control resulting from a takeover bid
There are no material agreements between Hypoport AG and third parties that either become effective, are amended or end in the event of a change of control resulting from a takeover bid.

Compensation agreements between the Company and Management Board members or employees in the event of a takeover bid
There are no compensation agreements between Hypoport AG and Management Board members or employees in the event of a takeover bid.

12. Corporate governance declaration
Hypoport AG has issued the declaration required by section 289a (1) HGB and has made it permanently available to the public on the Company's website at www.hypoport.com.

II. Opportunities and risks report

Business activities always entail the assumption of risk. For Hypoport, risk means the threat of potential losses or opportunity costs. Internal or external factors can give rise to this risk. Hypoport's risk policy focuses on continuously and permanently increasing the value of the Company, achieving its medium-term financial targets and safeguarding it as a long-term going concern. Consequently, we see risk management first and foremost as an entrepreneurial function that consists of exploiting opportunities in good time whilst identifying the risks that arise from doing so as quickly as possible and weighing them up in a responsible manner and with shareholder value in mind. The task of management and all employees is to optimise the likelihood of either of these factors occurring in order to safeguard the Company's interests.

Hypoport has introduced a risk management and early-warning system as required by section 91 (2) AktG. All risks are registered, measured and monitored on a quarterly basis. The Hypoport Group's early-warning system for risk is adjusted as soon as possible to reflect changes in the market environment.

1. Integrated risk management system

Internal monitoring system

The central feature of our internal monitoring system is an appropriate, impermeable separation of functions. This is ensured by our organisational structures, job specifications, and processes, which are laid down in the Company's electronic manual and regularly reviewed for compliance. In addition to these provisions and as part of its monitoring role, Group internal audit carries out audits to ensure that the system is effective and functions properly.

The internal audit department carries out audit activities and produces audit reports in consultation with Hypoport AG's Supervisory Board and at its request. In January 2013, the Supervisory Board voted in favour of the medium-term internal audit schedule for the period 2013-2015. Should risks arise, Hypoport AG's internal auditors can also conduct special audits at short notice. As the provider of the EUROPACE platform, the Group is required to take precautions to ensure the continuity and quality of the processes outsourced by our partners. This also includes the fact that Hypoport must comply with the regulatory requirements that apply to its partners and with their information, inspection, examination and access rights.

As a company whose business depends on trust, data protection is a particularly high priority for us. Our high level of data protection is safeguarded by our data protection team as well as by regular audits carried out by our partners and by product standards regulator TÜV Süd. Other data protection tasks include the establishment and monitoring of processes that comply with data protection legislation and dealing with requests made by customers, partners and employees.

Financial planning and reporting and control system

With the aid of strategic planning and an internal reporting system, an efficient financial planning and reporting process helps with the early detection of risks that could threaten the Hypoport Group as a going concern.

As part of its strategic planning process, Hypoport assesses potential risks in advance of key business decisions. This results in the systematic formulation of long-term and short-term business targets and objectives down to the level of each business unit and cost centre.

The achievement of these targets and objectives (target/actual comparison) is analysed at all managerial levels during regular meetings, at which control measures are agreed and their effectiveness is reviewed. The reporting system enables such risks to be monitored appropriately during business activities.

Early-warning systems

Information on future developments and trends is exchanged across all levels in the Company in regular meetings, reports and protocols and is assessed by the appropriate unit. This ensures that internal and external information can be analysed on a timely basis for its relevance to risk and that the findings are implemented throughout the Hypoport Group.

From the full range of risks to which we are exposed, we have described below the types of risk that we consider to be material at present.

2. Macroeconomic risk

Hypoport's business environment is affected by changes in economic and political conditions, so we continuously monitor political, economic, regulatory and business developments in the markets in which we operate. When assessing their target markets, management and product distributors constantly use the internal and external information sources available so that they can identify imminent changes in these markets as early as possible and adjust their strategic and operational focus in line with these developments.

Given the particular risks arising from the uncertainty that still surrounds the economy in the wake of the sovereign debt crisis, risks tend to be mitigated because the Group's business activities are distributed across a large number of customer groups and a wide range of products in at least some individual markets.

3. Sectoral and industry risks

Sectoral risks to the Hypoport Group largely arise in connection with changes in the markets for loans, pensions, healthcare and investment. Fiscal and socio-political parameters, the influence of the capital markets and regulatory requirements for intermediaries play a key role.

The most important sectoral risk remains any weakening of demand for mortgage finance, because this product segment still accounts for a significant proportion of the Hypoport Group's activities. The main triggers for such a downturn could be the housing market or long-term interest rates.

With a few exceptions in certain locations, the German housing market has remained flat in terms of prices and volumes for many years now, with government intervention regularly causing temporary sharp fluctuations. Given the stable population figures, the slight rise in per-capita demand for housing and the stability of construction prices due to stiff competition, we believe that conditions in the German housing market will remain stable over the next few years, so we do not expect to see any significant positive or negative changes in the market.

The interest rates on long-term investments, which serve as the benchmark rate for property finance, could also have a significant impact on the demand for finance and, consequently, on the performance of both Dr. Klein as a financial product distributor and EUROPACE as a financial marketplace. A sharp rise in long-term interest rates might curb demand for such finance, while lower interest rates could stimulate it. We expect interest rates to remain low against a backdrop of persistently challenging economic conditions. The recent trend in 2014 confirms this assumption.

If major product suppliers were to withdraw competitive terms and conditions or products from the Hypoport Group, terminate collaborative arrangements or reduce remuneration, or if one or more distribution partners were to restrict or end their relationship with Hypoport, this could result in a contraction in revenue. Given the large number and diversity of its product suppliers and distribution partners, the Hypoport Group's reliance on individual counterparties is limited and so is the risk to which it is exposed. Overall, the Hypoport Group has a broad range of strong partners. We broker financial products supplied by more than 400 banks, insurance companies and building finance associations.

The risks associated with the product range are mitigated by working with respected product suppliers with whom we maintain long-lasting relationships. The Hypoport Group carries out extensive market research to identify market trends and customer preferences, which it meets by working with its product partners to provide competitive products tailored to customers' requirements. Hypoport maintains a constant dialogue with its partners to ensure that its products are competitive and high quality.

Because the internet is used intensively by financial product distributors to acquire new business and by financial marketplaces to communicate and execute transactions, the Hypoport Group is especially reliant on the fact that the internet continues to be available to and accepted by its clients and partners. Any impairment of its acceptance or technical availability could have serious consequences for the financial performance of several subsidiaries. The perennial debate about the security of the internet and the data it transmits has not curbed its growing use in recent years. The internet's increasing importance for the entire economy and the high level of capital spending by the telecoms industry in the net's infrastructure mean that we are unlikely to see global technical impairments of the internet's availability.

Changes to regulatory parameters are accompanied by new requirements and, perhaps, new risks. Hypoport constantly monitors all efforts to introduce far-reaching regulation of the financial services market in Germany, particularly those with the aim of increased investor protection, and it analyses their impact on its business model and strategic positioning in the markets. To comply with more stringent requirements combined with increasing supervision by the regulatory authorities, Hypoport will take measures such as the systematic expansion of its staff training and development and the enhancement of its risk and compliance management.

Increasingly restrictive legal requirements in respect of financial advisory services, financial products and technological innovations demand that companies operate on an efficient scale. The financial services market is in the process of consolidating and becoming more concentrated. The need to achieve critical mass is currently driving the market in mergers and acquisitions. Given its current shareholder structure, a hostile takeover of the Company would be impossible. Nonetheless, its shareholder structure is constantly and carefully reviewed to detect any changes. Competition for highly qualified financial advisors has also increased. Hypoport is well prepared for the forthcoming changes. The quality of our advisors and our non-captive status put us in an excellent position in the market.

4. Operational risk

Information technology (IT) is key to all the Hypoport Group's business models. If the EUROPACE platform were to fail, this would reduce the revenue generated by the transaction-based business models on the B2B financial marketplaces and impair the work of our Dr. Klein financial product distribution and could damage the Hypoport Group's general reputation as a technology partner.
The Company therefore pursues a Group-wide IT strategy to mitigate its IT risks. When selecting our IT systems we usually opt for software packages supplied by reputable providers, Proprietary software developed specifically for Hypoport to supplement standard software solutions undergoes continuous quality control. To ensure that they work properly, we subject all IT systems to rigorous testing before they go live. State-of-the-art data centres with off-site contingency premises, back-up systems and mirror databases are used to protect the data held by the Hypoport Group. Special access and authorisation systems monitored by data protection officers protect the Hypoport Group's IT systems against unauthorised access. Its IT systems are also protected by comprehensive virus protection and effective IT security.

The availability of existing and new expertise is particularly important in a growth company. The Hypoport Group regularly conducts HR planning to ensure that the necessary resources are available either inhouse or from external partners. In addition, it conducts regular staff development and performance appraisal reviews at all levels as a means of staff retention. High-quality staff training and development, interesting career prospects, appropriate employee benefits and attractive remuneration models encourage staff loyalty.

Timely and high-quality product development forms the backbone of any service-driven technology company. The Hypoport Group brokers financial products provided by established suppliers, generally banks, insurance companies and building finance associations. During the advisory process, individual products and rates are combined to produce personal solutions tailored to meet customers' particular needs. By constantly monitoring its product portfolio, the Hypoport Group is able to mitigate the risks that arise if individual products lose their appeal or their quality deteriorates. We have also defined clear development-related processes and responsibilities and introduced planning tools that help to ensure that development projects can be completed on schedule and on budget. Building and enhancing a brand image forms an integral part of any successful product strategy. The names and logos used by Hypoport AG and its subsidiaries are trademarks and, as such, are protected against unauthorised use.

Hypoport has taken out insurance policies covering potential liability risks and compensation claims to limit and provide cover for the Group's operational risk. The insurance cover is reviewed regularly and amended if general parameters change.

5. Financial risk

As a medium-sized company, the Hypoport Group is exposed to a number of financial risks. Because of its rapid growth, the Company's need for capital is constantly increasing. It meets this demand for capital by working closely with its lenders. Its shareholders help to increase the Company's financial strength and mitigate its financial risks by retaining its profits.

To ensure that it can borrow sufficient amounts, the Hypoport Group maintains business relationships with several banks. It discusses its future borrowing requirements with these institutions in a timely fashion. We subject our banking partners to rigorous selection criteria, assessments and ongoing reviews to ensure that they are reliable lenders and suitable partners. In doing so, we reduce the risk that such banks – which are subject to frequent strategic changes – call in their loans at short notice.

Liquidity management is one of the core functions of the Group Finance business unit. Liquidity is managed and surplus liquidity is invested by the Hypoport Group's central cash management unit with the involvement of all of its major Group companies. In addition, the Hypoport Group can draw on credit lines from its partner banks.

Commission is the Hypoport Group's most important source of income and cash flow. Its financial planning and reporting units constantly analyse the impact that potential changes to existing commission models and to regulatory and fiscal parameters would have on the products that are sold.
A further aspect of the Company's financial risk is the credit risk attaching to its receivables. The Management Board centrally approves the funds it lends as part of its operating activities, and these approved lending limits are documented in the Company's electronic manual. Most of the Hypoport Group's accounts receivable are owed by medium-sized and large financial service providers. Credit risk stems primarily from commission receivable from product partners and from advance payments of commission to distribution partners. In brokerage business it is common for product suppliers to sometimes take several weeks to pay commission, resulting in commission that has been earned but not received occasionally being paid to distribution partners in advance. The Hy-

poport Group mitigates these risks by means of thorough receivables management and by imposing strict criteria on its selection of counterparties. Appropriate provisions are recognised for receivables when they appear at risk, taking account of the latest information about the credit standing of the debtor, anticipated commission income and the age structure of the receivables.

The Group's interest-rate risk stems from non-current, interest-bearing liabilities. Floating-rate liabilities expose the Group to interest-related cash flow risks. Its financial risk policy requires that the vast majority of liabilities it assumes should be subject to fixed interest rates.

The Company's transparent financial reporting system and the healthy structure of its balance sheet also help to minimise its financial risks. They are supported by an early-warning system in the form of Group planning across all business units. This enables the Company to discuss its financial requirements with its lenders in a timely manner.

6. Strategic risk

Strategic risks can arise if the Company's management misjudges significant developments and trends in the financial services sector or fails to identify them at a sufficiently early stage. This can result in key decisions being made which, in terms of the achievement of the Company's long-term objectives and targets, prove with hindsight to be disadvantageous and may be difficult to reverse. Strategic risks also result from unexpected changes in market and macroeconomic conditions that have an adverse impact on earnings.

The management of strategic risk forms part of the overall coordination of the Company and is the responsibility of the Management Board.

The Group Management Board regularly reviews the strategy adopted for the Hypoport Group as part of our long-term planning. Corporate and divisional strategies form the basis on which the four-year plan and the budget for the following year are compiled. To this end, we continuously monitor the political, economic and legal/regulatory environment and keep our strategic market position under constant review. All of the key value drivers for the Hypoport business model are analysed and managed on an ongoing basis by means of comprehensive financial planning and reporting activities at head-office and in the business units. This enables us, where necessary, to respond to changing market conditions by adjusting our business model or processes. When formulating such strategic initiatives, the Management Board liaises closely with the Supervisory Board. This system ensures that strategic risk is identified on a timely basis and preventive action can be taken at a sufficiently early stage.

Impartial advice and financial optimisation for retail and corporate customers are the cornerstones of the Hypoport Group business model. A wide range of products is essential to supplying advice that is tailored to customers' needs. The Hypoport Group constantly reviews the distribution of its product groups across suppliers in order to monitor the risk of losing its operational independence as a result of one product supplier dominating its revenue streams.

7. Other risks

Reputational risk is the risk arising from damage to the image of the entire sector, the Hypoport Group or one or more of its operational units as perceived by customers, employees, business partners or the general public. We are particularly exposed to the risk that media reporting of a transaction or business practice involving one of our customers could damage public confidence in our Group. We minimise potential advisory risk by ensuring that we provide high-quality advice at all times. The use of IT-based advisory tools is one of the ways in which we ensure that this is the case. Full documentation of customer meetings and strict criteria for selecting new product suppliers and products help us to achieve this goal.

The Hypoport Group mitigates legal risk by making use of inhouse legal counsel, but also uses external advisors when required. The Group's legal departments constantly track and assess ongoing legal cases and help the Managing Board and company managers with corporate policy decisions. Hypoport constantly monitors changes in tax law and analyses any impact they may have on the Group. Internal and external experts review compliance with fiscal legislation in accordance with tax regulations and the administrative instructions issued by the tax authorities.

The types of business carried out by service providers such as the Hypoport Group have little adverse impact on the environment. No material environmental risks arise from the Hypoport Group's operational activities.

In addition to the risks described above, general risks exist which cannot be foreseen and are consequently difficult to manage. They include political changes and risk factors such as natural disasters and terrorist attacks. Such factors may have a negative impact on the economic situation and may indirectly impair the future financial performance of the Hypoport Group.

8. Aggregate risk

Hypoport maintains a risk management system that enables it to address the risks relevant to our Company in an appropriate manner. We review the structure of the risk management system on an annual basis to ensure we can react promptly to changes in risk positions and to new legislation. All risks currently identified and weighted according to the likelihood of their occurrence have been compensated for by preventive measures and do not present any evident threat to the continued existence of the Company. At present we have not identified any additional risks that might jeopardise the Company as a going concern. Despite the use of a proven risk management system, the possibility cannot be entirely ruled out that risks that are as yet unidentified or classed as immaterial could arise in the future and have a material impact on the Company's financial position and financial performance.

9. Disclosures pursuant to section 315 (2) no. 5 HGB

The following description of the material features of the internal control and risk management systems used for the consolidated financial reporting process is required by section 315 (2) no. 5 HGB.

Main features of the internal control and risk management systems used by Hypoport AG and the Hypoport Group for the financial reporting process

The main features of Hypoport AG's existing internal control system applicable to the (consolidated) financial reporting process are described below.

The internal control system used in the Hypoport Group incorporates all the principles, procedures and measures needed to ensure that its financial reporting is effective, efficient and carried out correctly and to ensure that it complies with the relevant legislation.

The Company and the Group have a clear management and organisational structure in which key interdepartmental functions are managed centrally by the Company while individual companies within the Group enjoy a high degree of independence.

Accounting, financial control and financial reporting – the areas primarily involved in the financial reporting process – have clearly segregated roles in order to prevent fraudulent acts and abuse. Their areas of responsibility have been clearly allocated.

By employing highly qualified professionals, offering training and continuing professional development and by strictly adhering to the double-checking principle in accounting, financial control and financial reporting, Hypoport ensures that local (HGB and German tax law) and international financial reporting standards (IFRS) are complied with in both the separate and the consolidated financial statements.

Centralised key functions that report directly to the Management Board ensure that there is integrity and accountability in respect of the finance function and financial reporting.

There is an effective system of standards and policies (e.g. accounting standards, payment guidelines, travel policy etc.), which is constantly updated. Various checklists and descriptions of procedures are also available.

The areas involved in the financial reporting process are equipped with the necessary resources in terms of both quality and quantity.

Specific training and professional development courses generate a high degree of quality awareness among all those involved in the process throughout the Group network.

Incoming and outgoing accounting data is subject to regular random checks to ensure that it is complete and accurate. Software is used to carry out in-built validation checks – as part of payment runs, for example.

Appropriate controls have been integrated into all the processes relevant to financial reporting (e.g. checking by a second member of staff, analytical checks).

The Company's clearly defined work processes and the way in which it documents and follows up on all matters that have to be accounted for ensure that the entries in its bookkeeping system are complete and properly checked.

The accounting-related internal control system guarantees that bookkeeping records are checked to make sure that they are arithmetically and factually correct.

All material separate financial statements for the Group companies that are included in the consolidated financial statements are audited by an external auditor or sworn auditor at least once a year. Updating and continuous enhancement of the Group reporting system is undertaken centrally at parent company level, where ongoing contact with the finance directors or chief financial officers at the Group subsidiaries is also maintained. Interim Group reporting in accordance with IFRS, including the reconciliation of intercompany charges in accordance with the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and German Securities Trading Act (WpHG), is consolidated on a quarterly basis.

The financial reporting function, which acts as a direct point of contact for financial reporting and Group financial statements for the Management Board and the directors/managing directors of the subsidiaries, prepares and compiles the consolidated financial statements in accordance with IFRS.

The financial reporting function also acts as a central contact point at Group level for special issues in the Group, such as specific accounting questions. Special analysis requested by the Management Board during the year is also carried out by the financial reporting and financial planning functions. Because all Group companies are required to report their financial results to the Group parent company in a standard format every month of the year, deviations of actual figures from the budget during the year are identified quickly and it is possible to take appropriate swift action.

Processes connected with financial reporting are regularly reviewed for efficiency and effectiveness and they are subject to an ad-hoc (non-process based) internal audit.

As far as possible, standard software is used for the Company's financial systems.

The IT systems used for financial reporting purposes are protected by special security devices against unauthorised access in order to ensure that accounting-related data cannot be accessed, used or altered by non-approved persons. Access authorisations are issued for specific functions. Only those areas that are responsible for recording the transactions concerned are given write access. Functions that process information use read access.

We centrally manage and monitor the relevant IT systems used in our financial reporting process, and we carry out regular system back-ups to prevent any data loss and system malfunctions as far as possible.

The main features of Hypoport AG's existing internal risk management system applicable to the (consolidated) financial reporting process are described below.

The objective of the risk management system is to identify potential risks at an early stage and, where possible, to take appropriate action to counter them as quickly as possible. The Management Board is responsible for setting up and monitoring the system. The risk management system is part of the Group's planning, control and reporting process.

The principles on which the risk management system is based include the responsibility of each employee to prevent losses to the Company, and they lay down certain procedures and aids for fulfilling this responsibility. This applies in particular to financial reporting.

Risk is assessed by comparing the likelihood of risks occurring with the potential losses they may cause, and outcomes of individual risks are collated to form a risk portfolio.

The risk management system includes quarterly reports that all departments, including financial reporting, are required to submit and a procedure for reacting quickly to sudden negative developments. Actions to avert or minimise risk are defined and categorised.

Notes on the main features of the internal control and risk management systems used by Hypoport AG and the Hypoport Group for the financial reporting process

The internal control and risk management system in connection with the financial reporting process, the main features of which are described above, ensures that at all times commercial transactions are correctly recorded, processed and recognised in the Company's accounts and are incorporated into its financial reporting process.

Clearly defined areas of responsibility, in both financial reporting itself and in risk management and internal audit, as well as ensuring that the accounting function is adequately equipped with the necessary human and material resources, enable the areas involved in the financial reporting process to work efficiently. Precise statutory and corporate rules and guidelines ensure that the financial reporting process is conducted consistently and properly. Clearly defined checking mechanisms (particularly checking by a second person) within the areas involved in the financial reporting process itself, systematic controls undertaken by internal and external auditors and the early identification of risk by the risk management function ensure that financial reports are error free and coherent.

In particular, this ensures that financial reporting at Hypoport AG and across the Hypoport Group is carried out uniformly and in line with statutory requirements, generally accepted accounting principles, international accounting standards and Group policy. It also ensures that transactions are recorded, recognised and evaluated uniformly and accurately in all the Group financial reports that are published, so that the public is provided with complete, accurate information that is reliable and timely.

10. Limitations

The internal control and risk management system makes it possible for the organisational, control and monitoring structures built into the Hypoport Group to record, process and assess all company-related information and for the information to be presented appropriately in the consolidated financial statements.

However, due to the nature of the business, it is not possible to rule out discretionary personal decisions, defective controls, criminal acts and other circumstances that could impair the effectiveness and reliability of the internal control and risk management systems in use. As a result, even though the system is applied across the Group it is not possible to guarantee with absolute certainty that information in the consolidated financial statements has been recognised correctly, promptly or in full.

The statements made relate only to the subsidiaries included in Hypoport AG's consolidated financial statements whose financial and operating policies Hypoport AG is able to influence directly or indirectly in order to benefit from the activities undertaken by these companies.

11. Opportunities

The Hypoport Group has benefited from its diversified business model for a number of years. It enables us to use rising earnings in other business lines to compensate for temporarily difficult conditions in particular markets. As a result, Hypoport is ideally placed in a financial services market that remains highly diverse and extremely competitive. This puts the Group is in an excellent starting position for the next growth phase that will begin as soon as the markets have recovered.
We assess and exploit the opportunities that arise for us and our business at all levels of the Group. We monitor trends and developments in our product areas and identify operational opportunities.
Our lean structures shorten our decision-making channels and allow us to respond quickly to customer preferences and market trends.

We concentrate closely on our target groups by using our multi-channel sales strategy to ensure that we optimise our customer focus.

Growing demand for financial provision for old age is a long-term trend that is set to continue as life expectancy increases and the birth rate falls. Privately funded pensions will continue to gain in importance given the current challenges faced by countries and their governments in overcoming the present economic crisis. Although the low-interest-rate phase with its negative consequences for private pensions and investment is expected to persist in 2014, low interest rates continue to offer opportunities in the area of mortgages and building finance that we will systematically exploit.
Further opportunities for distribution will arise if we manage to increase the number of our advisors or enhance their productivity to a greater extent than planned. In recent years, we have made significant improvements in our sales support, particularly with regard to IT systems. In future, end-to-end electronic processes along our entire value chain should allow us to make our advisors more productive, cut unit costs and enhance our attractiveness as a partner company.

The importance of innovative, professional financial product distributors who offer impartial advice and allow customers to select the best product for them will continue to grow. The successful sale of financial products and services will involve growing levels of complexity for all market participants, which will make it increasingly necessary to provide all stakeholders with automated, technology-based support, such as that offered by EUROPACE.

The increasing regulation of the financial services sector provides us with the opportunity to use acquisitions as a means of growth. The highly fragmented market for financial advisors in Germany will continue to consolidate as a result of the minimum standards introduced for training, transparency and record keeping. Small independent brokers, in particular, are increasingly finding it difficult to implement the new requirements in a commercially viable manner, and are looking for bigger, more powerful partners. The high quality of our advice and our non-captive status put us in an excellent position in the market.

III. Events after the balance sheet date

After the balance sheet date there were no particularly significant events that would have affected the presentation of the Company's financial position or financial performance.

IV. Outlook

Economic growth - but at what risk?

The World Bank has announced that 2014 will be a year of growth. In the coming months, according to World Bank Group President Jim Yong Kim, a higher level of economic output in industrialised countries is likely to drive stronger growth in developing nations. At the same time, however, the World Bank warns that the predicted rise in global growth will remain sensitive to volatility in capital flows and to rising interest rates around the world, while the US Federal Reserve Bank is starting to taper its massive monetary stimulus.

In its World Economic Outlook, the International Monetary Fund (IMF) forecasts a higher global growth rate of 3.7 per cent. For the eurozone, the IMF warns about the potential for deflation, given that pressure on prices is easing now that the eurozone has turned the corner out of recession into recovery. The industrialised countries should not tighten the monetary reins too soon and put a sudden stop to the phase of cheap money. The IMF predicts a growth rate of 1.6 per cent for the German economy.

The ifo Institute of Economic Research believes that real GDP in Germany will grow by 1.9 per cent in 2014, probably driven by the domestic economy. Economic production is expected to pick up now that the uncertainty experienced by companies in recent months has faded and while foreign investment still appears more risky than investment in Germany's own economy.

The German Institute for Economic Research (DIW) sees great potential for residential renovations in 2014 and the years thereafter. Unless more properties are renovated, it will be difficult to achieve the switch to renewable energy sources. According to the DIW, the area of residential property currently being renovated each year needs to increase by around 35 million square metres. As a result, experts from the ifo Institute of Economic Research are in favour of a realistic discussion about increasing general spending on improving energy efficiency in homes – a discussion that may have a positive effect on earnings in various Hypoport business units.

Overall, the German construction industry is set to bolster German economic growth this year. The DIW is predicting a nominal rise of 6 per cent in construction volume and a 4 per cent rise in real terms. Thanks to low interest rates, activity in the residential construction sector is likely to remain brisk and public-sector construction should return to its pre-crisis level.

At the same time, short-term investments and some insurance products such as life insurance are still expected to be adversely affected by low interest rates in the capital markets. As a result, the intense pressure on prices and tough competition in these business areas will persist in 2014. Hypoport will continue to benefit from the increasing acceptance and use of the internet and a huge level of demand for high-quality insurance and pension products.

In the coming months, the Private Clients business unit looks likely to continue to benefit from the debate about real estate as a form of retirement pension and a hedge against interest-rate risk. It will also continue to expand its business models into alternative product segments in order to reduce its reliance on savings and insurance products where earnings are negatively impacted by the low level of interest rates. For the coming year, as a result of the efficiency measures introduced in the insurance unit, we anticipate low double-digit revenue growth and a sharp rise in EBIT.

In 2014, the Institutional Clients business unit will remain true to its successful strategy of maintaining close, long-term customers relationships with housing sector companies and offering innovative product models. Given the robust conditions in our market, we are aiming for modest growth in revenue and earnings next year.

The Financial Service Providers business unit is planning to acquire more suppliers in the cooperative and public-sector banking segments and to drive forward the performance of the market and the platforms. Its objectives for the new year include sectoral trends such as third-party brokerage and the increased use of multi-lender financing. Given the level already achieved, we expect revenue growth to be minimal next year and anticipate that earnings will remain at the same level as in 2013 in the absence of one-off earnings connected with Packager.

In our outlook for 2013 published in 2012, we predicted double-digit growth in consolidated revenue in 2013 and we expected EBIT for the Hypoport Group to remain at the level seen in the preceding record-breaking years. The substantially higher earnings generated by the Financial Service Providers business unit as a result of economies of scale and the solid earnings contributed by the Institutional Clients business unit in what was a normal volatile market environment failed to compensate for a further deterioration in the Private Clients business unit resulting from the collapse in the endowment and private health insurance markets and the challenging market conditions affecting basic banking products. Nevertheless, the actual revenue generated by the Hypoport Group in 2013 met our expectations and was up by 15 per cent year on year.

The portfolio of services offered by the Hypoport Group as a whole make it ideally placed in the market for 2014. Assuming that the European and German economies perform reasonably well, we are expecting low double-digit revenue growth in the coming year but we believe EBIT will rise sharply and outstrip previous record years.

Based on the capital spending decisions that we have already taken and the future projects that we are planning, we anticipate that the Hypoport Group will require financial resources of approximately €6.0 million in 2014. Most of these funds will be invested in the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces. Allowing for the level of operating cash flow that we expect to generate, the Hypoport Group's net borrowing is likely to remain stable in 2014.

This management report contains statements about economic and political developments as well as the future performance of the Hypoport Group. These statements are assessments that we have reached on the basis of the information available to us at the present time. If the assumptions underlying these assessments do not prove to be correct or if other risks emerge, the actual results could deviate from the outcome we currently expect.

Berlin, 7 March 2014

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

HYPOPORT
THE FINANCE INTEGRATOR

7. Consolidated financial statements

IFRS consolidated balance sheet as at 31 December 2013

ASSETS	31.12.2013 €'000	31.12.2012 €'000	Note
Non-current assets			
Intangible assets	29,568	27,684	(4.1)
Property, plant and equipment	2,279	2,618	(4.1)
Financial assets	69	115	(4.2)
Trade receivables	4,344	4,640	(4.3)
Other assets	713	23	(4.4)
Deferred tax assets	412	384	(4.5)
	37,385	**35,464**	
Current assets			
Trade receivables	20,624	21,082	(4.3)
Other assets	4,849	4,687	(4.4)
Current income tax assets	5	959	(4.4)
Cash and cash equivalents	11,538	8,555	(4.6)
	37,016	**35,283**	
	74,401	**70,747**	
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	6,195	6,195	(4.7)
Treasury shares	-57	-61	(4.10)
Reserves	26,659	23,480	(4.11)
Equity attributal to non-controlling interes	256	230	(4.12)
	33,053	**29,844**	
Non-current liabilities			
Financial liabilities	12,061	12,935	(4.13)
Provisions	105	241	(4.15)
Other liabilities	10	10	(4.14)
Deferred tax liabilities	409	1,639	(4.5)
	12,585	**14,825**	
Current liabilities			
Provisions	59	78	(4.15)
Financial liabilities	4,758	5,365	(4.13)
Trade payables	15,875	14,070	
Current income tax liabilities	325	116	
Other liabilities	7,746	6,449	(4.14)
	28,763	**26,078**	
	74,401	**70,747**	

HYPOPORT
THE FINANCE INTEGRATOR

IFRS consolidated income statement

for the year ended 31 December 2013

	2013 €'000	2012 €'000	Note
Revenue	101,058	87,753	(3.1)
Selling expenses	- 51,479	- 43,034	(3.2)
Gross profit	**49,579**	**44,719**	
Own work capitalised	4,248	4,180	(3.3)
Other operating income	2,776	2,376	(3.4)
Personnel expenses	- 32,831	- 29,937	(3.5)
Other operating expenses	- 15,616	- 13,207	(3.7)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**8,156**	**8,131**	
Depreciation, amortisation expense and impairment losses	- 4,190	- 4,934	(3.6)
Earnings before interest and tax (EBIT)	**3,966**	**3,197**	
Financial income	111	179	(3.8)
Finance costs	- 987	- 1,038	(3.8)
Earnings before tax (EBT)	**3,090**	**2,338**	
Income taxes and deferred taxes	85	- 394	(3.9)
Profit (loss) from continuing operations, net of tax	**3,175**	**1,944**	
Profit (loss) from discontinued operations, net of tax	**0**	**- 2,759**	**(7.9)**
Net profit (loss) for the year	**3,175**	**- 815**	
attributable to non-controlling interest	26	10	(2.1)
from continuing operations	26	10	(2.1)
from discontinued operations	0	0	(2.1)
attributable to Hypoport AG shareholders	**3,149**	**- 825**	**(2.1)**
from continuing operations	**3,149**	**1,934**	**(2.1)**
from discontinued operations	**0**	**- 2,759**	**(2.1)**
Earnings (loss) per share (€)	0.51	-0.13	(3.10)
from continuing operations	0.51	0.32	(3.10)
from discontinued operations	0.00	-0.45	(3.10)

HYPOPORT
THE FINANCE INTEGRATOR

Consolidated statement of comprehensive income
for the period 1 January to 31 December 2013

	2013 €'000	2012 €'000
Net profit (loss) for the year	**3,175**	**-815**
Total income and expenses recognized in equity*)	**0**	**0**
Total comprehensive income	**3,175**	**-815**
attributable to non-controlling interest	26	10
from continuing operations	26	10
from discontinued operations	0	0
attributable to Hypoport AG shareholders	**3,149**	**-825**
from continuing operations	**3,149**	**1,934**
from discontinued operations	**0**	**-2,759**

*) There was no income or expense to be recognized directly in equity during the reporting period.

Consolidated statement of changes in equity for 2012 and 2013

€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Equity as at 1 Jan 2012	6,194	2,052	22,803	31,049	220	31,269
Sale of own shares	0	0	1	1	0	1
Purchase of own shares	-60	0	-551	-611	0	-611
Total comprehensive income	0	0	-825	-825	10	-815
Equity as at 31 Dec 2012	**6,134**	**2,052**	**21,428**	**29,614**	**230**	**29,844**
€'000	Subscribed capital	Capital reserves	Retained earnings	Equity attributable to Hypoport AG shareholders	Equity attributable to non-controlling interest	Equity
Equity as at 1 Jan 2013	6,134	2,052	21,428	29,614	230	29,844
Sale of own shares	4	5	25	34	0	34
Total comprehensive income	0	0	3,149	3,149	26	3,175
Equity as at 31 Dec 2013	**6,138**	**2.057**	**24,602**	**32,797**	**256**	**33,053**

Consolidated cash flow statement

for the period 1 January to 31 December 2013

	2013 €'000	2012 €'000
Earnings before interest and tax (EBIT)	3,966	1,246
from continuing operations	3,966	3,197
from discontinued operations	0	-1,951
Non-cash income (+) / expense (-)	-555	256
Interest received (+)	25	179
Interest paid (-)	-638	-946
Income tax payments (-)	-837	-737
Income tax receipts (+)	0	0
Depreciation and amortisation expense, impairment losses (+) / reversals of impairment losses (-) on non-current assets	4,190	6,533
Gains (-) / losses (+) on the disposal of non-current assets	27	1
Cash flow	**6,178**	**6,532**
Increase (+) / decrease (-) in current provisions	-19	-203
Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	856	1,555
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	3,085	-118
Change in working capital	**3,922**	**1,234**
Cash flows from operating activities	**10,100**	**7,766**
from discontinued operations	0	101
Payments to acquire property, plant and equipment / intangible assets (-)	-5,762	-6,517
Deconsolidation of joint ventures (-)	0	-15
Proceeds from the disposal of financial assets (+)	38	63
Purchase of financial assets (-)	-2	-6
Cash flows from investing activities	**-5,726**	**-6,475**
from discontinued operations	0	-268
Proceeds from additions to equity (+)	0	0
Purchase of own shares (-)	0	-611
Proceeds from the issue of bonds and drawdown of loans under finance facilities (+)	3,900	11,100
Redemption of bonds and loans (-)	-5,291	-10,743
Cash flows from financing activities	**-1,391**	**-254**
from discontinued operations	0	0
Net change in cash and cash equivalents	2,983	1,037
Cash and cash equivalents at the beginning of the period	8,555	7,518
Cash and cash equivalents at the end of the period	**11,538**	**8,555**
from discontinued operations	0	0

HYPOPORT
THE FINANCE INTEGRATOR

Notes to the consolidated financial statements

HYPOPORT
THE FINANCE INTEGRATOR

1 Basis of presentation

1.1 Business background and company-law information

Hypoport AG (referred to below as ‚Hypoport'), whose registered office is located in Berlin, Germany, is entered in the commercial register of the Berlin-Charlottenburg local court under HRB 74559. The Company's business address is Klosterstrasse 71, 10179 Berlin, Germany.

As the parent company of the Hypoport Group, Hypoport AG is required by section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements and a group management report. Because the Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange, this obligation applies irrespective of whether certain minimum size criteria are met. As a parent entity that is listed on a stock exchange, the Company is obliged to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). It is required by section 315a (1) HGB to comply with supplementary provisions of the German Commercial Code.

The consolidated financial statements for 2013 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (EU). Furthermore, a group management report has been added to the IFRS consolidated financial statements to meet the requirements of the HGB. The IFRS consolidated financial statements comprise the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated cash flow statement and the notes to the consolidated financial statements. The disclosures required by section 315a (1) HGB are presented in the notes to the consolidated financial statements and in the remuneration report, which forms part of the group management report. The consolidated financial statements were completed on 6 March 2014 and are expected to be submitted to the Supervisory Board on 14 March 2014 to be approved for publication.

The consolidated balance sheet is broken down into current and non-current items in accordance with IAS 1.51 et seq.

The consolidated income statement is presented under the nature-of-expense method.

The consolidated financial statements and the single-entity financial statements for the entities included in the IFRS consolidated financial statements have been prepared in euros.

To improve clarity, all figures in the IFRS consolidated financial statements and the group management report are presented in thousands or millions of euros. We wish to point out that the application and aggregation of rounded amounts and percentages and the use of automated calculation methods may give rise to rounding discrepancies.

All figures on the quantities and volumes of financial products sold (e.g. volume of loans brokered, life insurance premiums, or volume of transactions processed on EUROPACE) include cancellations and, consequently, cannot be compared directly with the revenue figures shown, which exclude cancellations. The relevant figures shown in each case are calculated at a cut-off point in the product transaction process that is appropriate for the accrual method of accounting used. Cancellations that occur later in this process – e.g. as a result of additional credit checks or health checks performed by product suppliers or the exercise of cancellation rights by consumers – are not included in the relevant figures shown.

The financial year for all the companies in the Group is the same as the calendar year.

The Hypoport Group's presence in the financial services market is based on various business models.

These consolidated financial statements have been prepared on a going-concern basis.

1.2 Application of International Financial Reporting Standards (IFRS)

All pronouncements by the International Accounting Standards Board (IASB) that were required to be applied by 31 December 2013 have been adopted. All the principles of the framework, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations of the Standing Interpretations Committee (SIC) applicable at the balance sheet date have been applied.

The following standards that had been revised or newly issued by the IASB were required to be applied for annual periods beginning on or after 1 January 2013:

- IAS 1: Presentation of Items of Other Comprehensive Income
- IAS 12: Deferred Tax: Recovery of Underlying Assets
- IAS 19: Employee Benefits
- IFRS 1: First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 1: Government Loans
- IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13: Fair Value Measurement
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine
- Various: Annual Improvements 2009–2011 Cycle.

Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
The amendments affect the presentation of items of other comprehensive income (OCI). They require items of OCI that are to be subsequently reclassified from OCI and recognised in the income statement (‚recycled') to be reported separately from items whose future reclassification will not be recognised in income. Taxes relating to items presented before tax must be presented separately for both of these groups. These amendments are not currently relevant to the Hypoport Group.

IAS 12: Deferred Tax: Recovery of Underlying Assets
The amendments to IAS 2 offer a practical solution to the question of whether the carrying amount of an asset is recovered through use or sale. The measurement of deferred taxes should reflect the tax consequences that would follow from the manner in which the entity intends to use the asset. In the case of entities with investment property that is measured at fair value, however, it may be difficult to assess what portion of the asset's carrying amount can be recovered through rental

income (i.e. use) and how much can be recovered through sale. For the purposes of deferred taxes this amendment therefore introduces the rebuttable presumption that the entire carrying amount of investment property measured at fair value in accordance with IAS 40 will normally be recovered through sale. These amendments are not relevant to the Hypoport Group.

IAS 19: Employee Benefits

Actuarial gains and losses must be recognised immediately in other comprehensive income. This eliminates the previously available option of using the corridor method. Reductions in plan assets will in future be treated as unrecognised past service cost, i.e. the plan reduction will be fully recognised in the period in which it occurs. The figures for interest cost and expected return on plan assets, which have been calculated separately to date, will be replaced by the net interest expense, which is calculated using a standard interest rate. The amended standard also contains more extensive disclosure requirements in respect of employee benefits. These amendments are not relevant to the Hypoport Group.

IFRS 1: First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two amendments were issued in December 2010. The first amendment has replaced the previously applicable fixed transition date in respect of IAS 39 for first-time adopters with a flexible transition date. The second amendment provides guidance for entities that were temporarily unable to comply with IFRSs owing to hyperinflation. These amendments are not relevant to the Hypoport Group.

IFRS 1: Government Loans

The amendments to IFRS 1 regulate the recognition and measurement of government loans at below-market interest rates during transition to IFRS. The amendments enable first-time adopters to first recognise such loans in their opening IFRS balance sheet at the amortised carrying amount and subsequently at fair value. These amendments are not relevant to the Hypoport Group.

IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 expand the scope of existing disclosure requirements in the notes to the financial statements in relation to financial instruments that have been offset against each other on the face of the balance sheet. They also include additional disclosure requirements for financial instruments that are subject to offsetting agreements, regardless of whether they have actually been offset in accordance with IAS 32. These amendments are not relevant to the Hypoport Group.

IFRS 13: Fair Value Measurement

This standard, which was issued in May 2011, sets out in a single IFRS a framework for measuring fair value, which in the past has been governed by differing arrangements in individual standards. Pursuant to IFRS 13, fair value is redefined as the sale or transfer price (exit price) that would be received or paid in an orderly transaction between market participants at the measurement date. The notes to the financial statements that relate to fair value measurement have also been expanded across all IFRSs. Where they are required, these amendments only result in additional notes.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine
This interpretation published in October 2011 clarifies the circumstances in which stripping costs in the production phase of a surface mine constitute assets and how these assets are to be recognised. This interpretation is of no relevance to Hypoport's consolidated financial statements.

Annual Improvements 2009–2011 Cycle
In May 2012, provisions arising from the annual improvement project were issued that included amendments to five standards. In addition to minor amendments to content, the provisions largely relate to clarifications regarding recognition, disclosure and measurement.

The application of the above amendments to the IFRSs does not give rise to any material impact on the financial position or financial performance of the Hypoport Group or the notes to these consolidated financial statements.

Furthermore, the IASB has issued the following standards, interpretations and amendments to existing standards that are not yet required to be applied and that Hypoport has not applied in advance:

- IAS 27: Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- IAS 28: Investments in Associates and Joint Ventures (1 January 2014)
- IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (1 January 2014)
- IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (1 January 2014)
- IAS 39: Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014)
- IFRS 10: Consolidated Financial Statements (1 January 2014)
- IFRS 11: Joint Arrangements (1 January 2014)
- IFRS 12: Disclosure of Interests in Other Entities (1 January 2014)
- Various: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (1 January 2014)
- Various: Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (1 January 2014)

IAS 27: Separate Financial Statements
The revised version of IAS 27 only governs the recognition of investments in subsidiaries, associates and joint ventures, and associated disclosures in the notes, in the investor's separate financial statements. The rules governing consolidation that were previously included in IAS 27 are now contained in the recently issued IFRS 10. Apart from editorial changes there have been no material amendments to the rules governing separate financial statements.

IAS 28: Investments in Associates and Joint Ventures
These amendments to IAS 28 were issued in June 2011 and require the equity method to be used for the recognition of investments in associates and interests in joint ventures. The rules governing the recognition of interests in joint ventures were still contained in IAS 31 until IFRS 11 was issued.

IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 issued in December 2011 clarify that financial assets and financial liabilities may only be offset on the face of the balance sheet if the present right to offset does not depend on a future event and is legally enforceable both in the ordinary course of business and in the event of the default, bankruptcy or insolvency of a party to the agreement. Furthermore, it specifies that gross settlement mechanisms are equivalent to net settlement, provided no credit risk or liquidity risk remains and assets and liabilities are processed in one settlement procedure.

IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

When IFRS 13 was required to be adopted from 1 January 2013, a provision was introduced in IAS 36 for the recoverable amount of any cash-generating unit to be disclosed in the notes to the financial statements as either material goodwill or a material intangible asset with an indefinite useful life. This disclosure is required regardless of whether an impairment loss has been recognised or reversed in the reporting period. The amendments published in May 2013 clarify that this disclosure requirement only applies to cash-generating units for which an impairment loss has been recognised or reversed in the reporting period and the recoverable value of which is based on fair value less costs of disposal. Further disclosure requirements have also been introduced for non-financial assets whose recoverable amount has been determined on the basis of fair value loss disposal costs in cases where an impairment loss has been recognised or reversed. With the exception of the requirement for more extensive disclosures in the event of impairment losses being recognised or reversed in connection with non-financial assets within the scope of the provision, Hypoport does not anticipate any impact on its consolidated financial statements.

IAS 39: Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting

A novation of a hedging instrument to a central counterparty as a result of statutory requirements does not result in the unwinding of the hedge, provided the novation is stipulated as a result of a new law or the introduction of a law, a central counterparty becomes the counterparty of all parties to a derivative contract as a result of the novation, and there are no changes to the original contractual terms apart from the changes that are a necessary result of the novation. The Hypoport Group does not currently anticipate any impact on the presentation of its financial position or financial performance.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and the provisions of IAS 27 Consolidated and Separate Financial Statements that are relevant to consolidated financial statements with a standard model for defining consolidated entities based on the control of subsidiaries by a parent company. According to IFRS 10, an investor is deemed to control an investee when it has power over the investee, it is exposed to variable returns, and it has the ability to affect the level of the variable returns through its power over the investee.

IFRS 11: Joint Arrangements

IFRS 11 supersedes SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers as well as the former IAS 31. This standard governs the classification and recognition of joint operations and joint ventures. Before assessing whether it is involved in a joint arrangement, an entity must first establish whether the parties, or a group of the parties, control the arrangement (in accordance with the definition of control in IFRS 10). If a joint arrangement is deemed to exist, it is then classified as either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement. Jointly controlled assets are recognised in accordance with the rules governing joint operations and therefore continue to be accounted for proportionately. By contrast, IFRS 11 eliminates the previously available option of proportionate consolidation for joint ventures, which must now always be accounted for under the equity method.

Because pro-rata consolidation has been eliminated, the following Group companies will be equity-accounted from 1 January 2014 instead of being consolidated on a pro-rata basis as they have been to date: Hypoport on-geo GmbH, FINMAS GmbH and ATC Hypoport B.V. As a result, their income, expenses, assets, liabilities and cash flows will no longer be attributed to the Group. The impact on the Group's financial position and financial performance will be minimal. As at 31 December 2013, the proportion of the joint ventures' assets to Group assets was 1.6 per cent, the proportion of their equity and liabilities to Group equity and liabilities was 2.2 per cent and the proportion of their revenue to Group revenue was 2.9 per cent.

IFRS 12: Disclosure of Interests in Other Entities

This new standard stipulates the disclosure requirements regarding investments in subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Some of the disclosures required by IFRS 12 go far beyond the scope of the disclosure requirements applicable to date. Its main objective is the disclosure of the nature of an entity's interests in other entities, the risks associated with these interests and the effects of those interests on the financial position and financial performance of the group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The transitional guidance issued in June 2012 includes exemptions when the new standards are adopted for the first time. Adjusted comparative information now only has to be disclosed for the immediately preceding comparative period. There is no longer a requirement to disclose comparative information for non-consolidated, structured entities for periods prior to first-time adoption of IFRS 12.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
In the future, the amendments issued in October 2012 will release many investment companies from the requirement to consolidate subsidiaries controlled by them in their consolidated financial statements. Instead, they will be able to measure interests held for investment purposes at fair value. New disclosure requirements are also set out for investment entities. These amendments are not relevant to the Hypoport Group.

The Company is currently analysing the potential impact of all the relevant aforementioned amendments and newly issued standards on the financial position and financial performance of the Hypoport Group.

The IASB has also issued further standards and interpretations which, as things stand, have no significant effects on these consolidated financial statements.

1.3 Basis of consolidation

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include ten (2012: nine) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, and three (2012: three) joint ventures.
Hypoport Vermögensverwaltungs-GmbH, Berlin was consolidated for the first time in 2013. The object of the company is to manage its own assets. Its subscribed capital amounts to €25,000.00 and is fully paid-up.

The following table shows the entities included in the consolidated financial statements in addition to Hypoport AG:

	Holding in %
ATC Hypoport B.V., Amsterdam	50.00
Dr. Klein & Co. AG, Lübeck	100.00
EUROPACE AG, Berlin (further Hypoport Insurance Market GmbH, Berlin)	100.00
GENOPACE GmbH, Berlin	50.025
FINMAS GmbH, Berlin	50.00
Hypoport B.V., Amsterdam	100.00
Hypoport Mortgage Market Ltd., Westport (Irland)	100.00
Hypoport on-geo GmbH, Berlin	50.00
Hypoport Systems GmbH, Berlin	100.00
Hypoport-Vermögensverwaltungs-GmbH, Berlin	100.00
Qualitypool GmbH, Lübeck	100.00
Starpool Finanz GmbH, Berlin	50.025
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00

With the exception of Hypoport on-geo GmbH, FINMAS GmbH and ATC Hypoport B.V. (all joint ventures consolidated on a pro-rata basis owing to lack of control), all companies in the Group are fully consolidated.

The following assets, liabilities, income and expenses recognised for the subsidiaries consolidated on a pro-rata basis have been included in the Hypoport Group:

	2013 €'000	2012 €'000
Assets	1,209	746
non-current	69	58
Liabilities	920	500
non-current	0	0
Revenue	2,967	718
Personnel expenses	-147	-136
Other operating expenses	-386	-117
Income taxes and deferred taxes	-18	-26

1.4 Principles of consolidation

The single-entity financial statements for the entities included in the Hypoport IFRS consolidated financial statements and the single-entity financial statements for the parent are prepared to the same balance sheet date using uniform accounting policies.

The consolidated financial statements include Hypoport AG and the subsidiaries over which it exerts direct or indirect control. Control is generally deemed to be exerted by the entity that holds a majority of voting rights. Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which the Group acquires control. They are deconsolidated as soon as control by the parent comes to an end.

Subsidiaries are consolidated in accordance with IFRS 3. This involves recognising all of the subsidiaries' assets and liabilities at fair value. The pro-rata equity calculated in this way is compared with the carrying amount of the investment concerned. Any positive differences that are attributable to separately identifiable intangible assets acquired as part of the business combination are shown separately from goodwill. If a useful life can be determined for these assets, they are amortised over their estimated useful life. Intangible assets with an indefinite useful life are tested for impairment annually and, where necessary, an impairment loss is recognised. Any remaining positive differences are recognised as goodwill and tested for impairment annually in accordance with IAS 36. The option of recognising any non-controlling interests at fair value (full-goodwill method) has not been utilised. As required by IFRS 3.19, these interests are recognised at their proportionate share of the identifiable net assets. When the acquisition costs incurred in business combinations are being determined, conditional purchase price components are recognised at their fair value at the date of first-time consolidation. Subsequent deviations from this value are recognised in profit or loss. Transaction costs are expensed as incurred in accordance with IFRS 3. Any negative differences or negative goodwill arising on consolidation are immediately recognised in profit or loss.

In contrast, it has been decided not to apply IFRS 3 retroactively to business combinations prior to 1 January 2004 in accordance with IFRS 1.15 in conjunction with Annex B. In accordance with IFRS 1, Annex B, B2, (j), the assets and liabilities of the subsidiary in this case have been restated as at 1 January 2004 as if IFRS had been specified for the single-entity financial statements of the subsidiary. The subsidiary's equity restated in this way has then been used for consolidation purposes. Any positive difference between the parent's share of these restated carrying amounts and the acquisition cost for the subsidiary in the single-entity financial statements of the parent has been reported as goodwill. Negative differences have been accounted for in consolidated reserves. The Hypoport Group consolidates its interests in joint ventures on a pro-rata basis. IAS 31 allows entities to choose between the equity method and the proportionate method of consolidation when preparing their consolidated financial statements. This chosen method must then be applied across the entire consolidated group. Hypoport is of the view that proportionate consolidation is more appropriate for presenting joint ventures because this method makes it easier for users of these financial statements to understand what proportion of the joint ventures' financial position and financial performance is attributable to the Hypoport Group. For each individual item it aggregates its pro-rata share of the joint ventures' income, expenses, assets, liabilities and cash flows with similar items in its own financial statements.

As a result of the amendments to IFRS 11, joint ventures will be consolidated using the equity method from 1 January 2014 onwards.

In the case of long-term equity investments accounted for under the equity method in the consolidated financial statements, their carrying amount will be increased or decreased annually to reflect any changes in the proportion of equity held by Hypoport. When equity-accounted investments are included for the first time, differences arising from first-time consolidation are treated in accordance with the principles of full consolidation. Changes in the proportion of equity, including write-downs on goodwill, are recognised in profit (loss) from equity-accounted long-term equity investments.

Long-term equity investments that have a minor impact on the Group's financial position and financial performance individually and whose impact is immaterial overall, are included in the consolidated financial statements at acquisition cost minus impairment losses.

The basis rollover method is used to recognise common control transactions.

The assets and liabilities in step acquisitions are recognised at their fair value at the acquisition date. Existing investments are measured at fair value through profit or loss. Goodwill is determined at the acquisition date. Differences arising from the acquisition or sale of investments in affiliated companies without any acquisition or loss of control are recognised in other comprehensive income. Trade receivables, loans and other receivables are fully offset against the corresponding liabilities and provisions as part of the elimination of intercompany balances between the subsidiaries included in consolidation; such assets and liabilities are offset on a pro-rata basis in cases where the proportionate method of consolidation is used.

Income and expenses resulting from goods supplied or services rendered within the Hypoport Group are eliminated. Material intercompany profits and losses resulting from goods supplied or services rendered within the Hypoport Group are fully eliminated; such profits and losses are eliminated on a pro-rata basis in cases where the proportionate method of consolidation is used.

Non-controlling interests in the equity and profit or loss of companies controlled by the parent company are shown separately in the consolidated financial statements.

The necessary deferred taxes are recognised on consolidation.

1.5 Currency translation

In the single-entity financial statements for the companies in the Group, all receivables and payables denominated in foreign currency are measured using the mid rate on the balance sheet date regardless of any existing hedging.

Where, in the case of receivables, the closing rate is lower or, in the case of payables, the closing rate is higher, the foreign currency value translated at the closing rate is reported. Any exchange differences arising as a result are recognised in consolidated income.

1.6 Use of assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires that the Company make some assumptions and estimates with regard to the recognition and measurement of assets and liabilities, income and expense, and contingent liabilities. The assumptions and estimates relate for the most part to the definition of useful lives, the recognition and measurement of receivables and provisions, and the realisation of future tax relief. In individual cases, the actual values may differ from the assumptions and estimates. Any changes as a result of new information, more experience or subsequent developments are recognised immediately in income in accordance with IAS 8.

Material discretionary decisions largely relate to the capitalisation of development costs and the determination of their useful life as well as to the assumptions underlying the impairment test for goodwill.

2 Accounting policies

2.1 Comparative figures for 2012

The method used to calculate sales commissions paid to mortgage finance brokers was amended with effect from 1 April 2013, which increased the revenue and agency commissions reported for the period to 31 December 2013 by €5.3 million each. This recognition method has not affected either the net profit (loss) for the period or the earnings (loss) per share reported by the Hypoport Group.

2.2 Intangible assets

Goodwill arising on the consolidation of subsidiaries, capitalised development costs in connection with the development of transaction platforms, patents, software, licences and similar rights are reported under intangible assets. Any intangible assets acquired are reported at cost at the date of acquisition.

All intangible assets, with the exception of goodwill, have a finite useful life. They are amortised on a straight-line basis over the period of their use. The useful lives applied to these assets vary between three and 15 years. If there are any indications of impairment, depreciable intangible assets are subjected to an impairment test and, where required, an impairment loss is recognised to ensure that the carrying amount of the asset is reduced to the recoverable amount in accordance with IAS 36.

All amortisation expense and impairment losses on intangible assets are reported on the face of the income statement as depreciation, amortisation expense and impairment losses.

In accordance with IFRS 3 and IAS 38, goodwill is not amortised. Instead, an impairment test is carried out in accordance with IAS 36 once a year (or in the intervening period if there are indications of impairment) and, where required, an impairment loss is recognised to ensure that the carrying amount of the asset is reduced to its recoverable amount (impairment-only approach).

An impairment loss is recognised in income if the recoverable amount for the asset is below the carrying amount. The recoverable amount is based on the fair value less costs to sell. The discounted cash flow method is used to calculate the fair value. The cash flows are derived from the Company's four-year strategic plan. This plan is based on expertise gained in the past, the latest financial results, and the strategic plan adopted. It takes appropriate account of sectoral and macroeconomic trends (such as developments in the housing market, movements in interest rates, regulation of the financial markets, changes in state pension and healthcare systems, etc.) as well as historical developments. The annual plans are based on certain bottom-up assumptions for the entire Hypoport Group. Certain cash flow parameters (such as depreciation, amortisation, impairment and taxes) are determined on the basis of defined criteria. The annuity method with a growth rate of zero per cent is used to calculate cash flows for post-planning periods. The cash flows are then discounted back to the balance sheet date using a discount rate that reflects the risks specific to the asset. The discount rate is based on the weighted average cost of capital (WACC). This interest rate reflects current market assessments of the effect of the time value of money as well as the risks specific to the cash-generating unit. As required by IAS 36, the Company determines the applicable WACC by using market information that is based on a peer group of Hypoport. This market information consists of beta factors, gearing levels, and market interest rates on loans.

In order to calculate the WACC, the Company also performs sensitivity analysis in which it makes assumptions that differ from its original estimates; Hypoport considers these assumptions to be improbable but still possible. In doing so, the Company factors in uncertainty in the form of estimates and carries out additional impairment tests for scenarios that are less favourable than estimated. These scenarios verified the recoverability of goodwill in particular in each case. The continued validity of the parameters used was monitored by the Management Board between the end of the reporting year and the date on which the consolidated financial statements were prepared.

If impairment is identified, an impairment loss is first recognised for any available goodwill in the cash-generating unit concerned. Any residual amount is then allocated pro rata to the other assets in the cash-generating unit concerned on the basis of the residual carrying amount of each individual asset at the balance sheet date. If the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed (except in the case of goodwill), but the reversal cannot result in a carrying amount that is higher than the amortised carrying amount that would have applied if the impairment loss had never been recognised.

Provided they meet the preconditions of IAS 38, development costs are capitalised at cost if the costs can be clearly attributed and it is certain that the product is technically feasible and can be brought to market. Furthermore, there must be a sufficient probability that the development activity will generate future economic benefits. If the criteria for capitalisation are not satisfied, the costs are expensed as incurred.

The capitalised development costs comprise all costs directly attributable to the development process plus an appropriate portion of development-related overheads. Finance costs are capitalised. Software platforms are amortised on a straight-line basis from the point at which they come into operation over an estimated useful life of eight years if they are being used for the first time or five years in the case of enhancements. Capitalised development costs that are not yet amortised are tested for impairment annually in accordance with IAS 36.

2.3 Property, plant and equipment

Property, plant and equipment is recognised at cost and reduced by depreciation and any impairment losses. Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. Useful lives of between three and 15 years are applied to these assets.

If there are any indications of impairment, an impairment test is carried out. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to the recoverable amount in accordance with IAS 36. If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed such that the carrying amount of the asset is restored to the amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

2.4 Borrowing costs

Borrowing costs that are directly allocable to the acquisition, construction or manufacture of a qualifying asset are capitalised as part of acquisition and manufacturing costs. All other borrowing costs are expensed as incurred.

2.5 Financial assets

Financial assets include receivables from financial services, trade receivables, receivables from banks, cash on hand, marketable securities, financial investments and other long-term equity investments. Financial assets, such as equities or interest-bearing securities, are classified as held-for-trading if they are acquired with the intention of selling them in the short term. Gains and losses on held-for-trading financial assets are recognised in income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not publicly traded in an active market, such as trade receivables. Once they have been initially recognised, loans and receivables are measured at amortised cost under the effective interest method, net of any impairment losses. Gains and losses are recognised in the net profit (loss) for the period if the loans and receivables are derecognised or impaired. The interest rate effects of using the effective interest method are also taken to income.

Dividends are taken to income as soon as a legal entitlement to payment arises.

Other long-term equity investments comprise investments in associates unless they are recognised under the equity method. These investments are carried at their fair value on the face of the consolidated balance sheet. Where possible, the fair value is determined on the basis of market prices. If the fair value cannot be derived from comparable transactions during the period concerned and it has been decided not to base the investments' measurement on discounted future cash flows because these cash flows cannot be reliably determined, the carrying amount used is the acquisition cost minus impairment losses.

2.6 Impairment of financial assets

At each balance sheet date, the carrying amounts of financial assets are tested to see whether there is objective evidence of any impairment; such evidence could be serious financial difficulties on the part of the borrower or significant changes in the technological, economic, legal or market environment of the borrower. In the case of equity instruments, a sustained or significant fall in their fair value would constitute objective evidence that they may be impaired.

Loans and receivables

The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's original effective interest rate. The impairment is recognised in income.

If the amount of the impairment loss decreases in a subsequent reporting period and if this decrease can be objectively attributed to an event that occurred after the impairment was recognised, the previously recognised impairment loss is reversed and taken to income.

Most impairment losses on loans and receivables (e.g. trade receivables) are charged to impairment accounts. The decision as to whether a credit risk is recognised through an impairment account or by a direct impairment loss on the receivable depends on how high the probability of default is estimated to be. If receivables are classified as irrecoverable, the respective impaired asset is derecognised.

2.7 Impairment of deferred tax assets

The Company reviews its deferred tax assets at each reporting date to identify any impairment. This assessment requires the senior management team to make assumptions about the level of future taxable profit as well as further positive and negative influencing factors. The actual utilisation of deferred tax assets depends on the Company's ability to generate the necessary taxable profit in future so that it can take advantage of tax loss carryforwards and tax allowances before they expire.

Having conducted this review, the Company recognised deferred tax assets worth €412 thousand as at 31 December 2013 (31 December 2012: €384 thousand). In the year under review, no impairment charges were recognised on deferred tax assets (31 December 2012: impairment charges of €701 thousand were recognised).

The total amount of deferred tax assets recognised might be reduced if future taxable profit or income turns out to be lower than expected or if amendments to tax legislation limit the utilisation of tax loss carryforwards or tax allowances in terms of their timing or amount. Conversely, the total amount of deferred tax assets recognised would have to be increased if future taxable profit or income turned out to be higher than expected.

2.8 Leases

Under IAS 17, a leasing partner is classified according to whether beneficial ownership in the leased asset is attributable to the lessee (finance lease) or the lessor (operating lease). The classification is based on the extent to which the risks and rewards incident to ownership lie with the lessee or lessor. Hypoport AG has entered into operating leases as a lessee, in particular for vehicles and photocopiers. The related lease costs are expensed as incurred. The Hypoport Group does not currently have any significant leases classified and recognised as finance leases.

HYPOPORT
THE FINANCE INTEGRATOR

2.9 Trade receivables and other assets

Trade receivables and other assets are recognised at the lower of amortised cost and market value. Appropriate impairment losses are recognised to account for any identifiable risks. These impairment losses are reversed if the reasons for previously recognised write-downs no longer apply. Irrecoverable receivables are derecognised. Payments subsequently received for amounts that have already been derecognised are taken to income and offset against the impairment losses on trade receivables reported on the face of the income statement.

All receivables due for payment in more than one year are classified in the Group as non-current.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and overdraft facilities. Utilised overdraft facilities are shown on the face of the balance sheet as liabilities to banks under current financial liabilities.

Cash is measured at nominal value.

2.11 Treasury shares

Treasury shares in the parent purchased within the Group are deducted from equity at cost. Income or expense related to the purchase, sale, issue or recall of treasury shares is recognised directly in equity under reserves.

2.12 Provisions

A provision is recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at their expected settlement value in accordance with IAS 37 or, where appropriate, in accordance with IAS 19. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation. Estimates of the outcome and financial impact of the obligation depend on management's assessment as well as empirical values obtained from similar transactions and, where necessary, appraisals provided by independent experts (such as lawyers). The underlying information includes information obtained as a result of events that occur between the end of the reporting period and the date on which the consolidated financial statements are prepared. Where the provision being measured involves a large population of events, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

In cases where an obligation is expected to result in an outflow of resources after more than one year and if the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When estimating the future outflow of economic benefits, the Company factors in inflation assumptions where appropriate. Provisions for onerous contracts are measured at the lower of the expected cost of performing the contract and the expected cost of terminating it. Additions to provisions are recognised in profit or loss.

Accruals are reported under other liabilities.

Claims for reimbursements from third parties are recognised separately from provisions if their recovery is virtually certain.

If the amount of the obligation is reduced as a result of a change in assessments, the provision is reversed pro rata and recognised as income.

2.13 Financial liabilities

Financial liabilities include trade payables, liabilities to banks, bonds and other liabilities.

Financial liabilities recognised at amortised cost: Once they have been initially recognised, financial liabilities are measured at amortised cost under the effective interest method.

2.14 Trade payables and other liabilities

Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and this amount can be reliably determined.

Other current liabilities are recognised at their repayment or settlement value. Non-current liabilities are generally recognised at amortised cost using the effective interest method. Liabilities are classified as non-current if the agreement concerned does not require repayment within twelve months.

2.15 Contingent liabilities

In accordance with IAS 37.27, contingent liabilities are not recognised on the balance sheet. However, contingent liabilities are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

2.16 Employee benefits

The employees in the Group are for the most part insured under the mandatory statutory pension insurance scheme and therefore pay into a government defined-contribution plan. The Group does not have any legal or constructive obligation under this pension entitlement to make any contributions over and above those required by the scheme. Contributions to defined-contribution plans are made in the year in which employees perform the work with which the contributions are earned. The Company also pays contributions to private pension insurance providers in line with statutory or contractual requirements or on a voluntary basis under a defined-contribution pension plan. Once the Company has paid these contributions it is not obliged to provide any further benefits. The regular contribution payments are recognised as an expense for the respective year within EBIT.

HYPOPORT
THE FINANCE INTEGRATOR

2.17 Recognition of revenue and expense

Provided that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is sufficiently probable that future economic benefits will flow to Hypoport and the amount of revenue can be measured reliably. This is the procedure irrespective of when payment is received. If the inflow of economic benefits is deemed to be improbable owing to customer-related credit risks, revenue is recognised to the extent that the customer has already made irrevocable payments. Revenue is measured at the fair value of the consideration received or receivable minus any rebates or discounts granted and excluding any taxes or levies payable.

Hypoport recognises revenue (commissions) from the brokerage of loans when the relevant loan agreement is signed, irrespective of when payment is received. Special volume-related commissions are generally recognised when the relevant target figure is achieved.

Hypoport recognises revenue (commissions) from the brokerage of insurance contracts when the policy is issued. The Company recognises adequate provisions to cover its obligation to repay part of the commissions it has received in the event that brokered insurance contracts are terminated before they mature; these provisions for such cancellation risks are based on empirical values. Regular chargebacks arising from the cancellation of commissions are recognised as selling expenses.

In accordance with IAS 18, revenue arising on service transactions is recognised on performance of the services provided that the amount of income, the percentage of completion at the balance sheet date, the costs already incurred in the transaction and the expected costs to complete can be reliably measured and it is sufficiently probable that the transaction will lead to an inflow of resources embodying economic benefits.

Operating expenses are recognised when a service is used or at the point the expense is incurred.

Interest income and expense are recognised under the effective interest method.

Dividends on long-term equity investments are recognised in profit or loss as soon as a legal entitlement arises.

Income taxes are recognised by the company concerned in accordance with local legislation.

2.18 Icome taxes and deferred taxes

Current income taxes are calculated on the basis of the taxable income determined by the Company using the tax rates applicable at the balance sheet date.

Deferred taxes are determined using the liability method in accordance with IAS 12. Deferred income taxes represent the net tax expense/income in respect of temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base. Deferred taxes are recognised to account for timing differences between the carrying amount of assets and liabilities on the IFRS consolidated balance sheet and the corresponding balance sheet for tax purposes (with the exception of goodwill) and for recoverable loss carryforwards.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At each balance sheet date, the Group reviews the carrying amount of deferred tax assets and reassesses unrecognised deferred tax assets; the amounts are remeasured, where required.

Hitherto unrecognised deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. On the other hand, the carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised, either as a whole or in part.

In accordance with IAS 12, deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The impact on deferred taxes of changes to tax legislation is recognised in income in the period in which the relevant tax law comes into force. Currently, the German companies in the Group are subject to an overall tax rate of 30 per cent, comprising the corporation tax rate, solidarity surcharge and an average trade tax rate. Non-German subsidiaries are currently subject to tax rates of between 12.5 per cent and 25.5 per cent.

Where there is any uncertainty concerning the tax circumstances of individual companies in the Group, deferred taxes on as yet unused tax loss carryforwards are determined on the basis of a limited planning horizon of four years. Tax provisions that limit the use of loss carryforwards in individual companies are also taken into account.

2.19 Discontinued Operations

The Group reports the earnings of a business unit as profit (loss) on discontinued operations if it represents a key business area or if it encompasses all the activities of a geographical region. Profit (loss) from discontinued operations is recognised in the period to which it relates, and it is reported separately on the face of the income statement as profit (loss) from discontinued operations, net of tax. The income statement for the previous period is restated to reflect the Group business units' profit or loss that is attributable to the discontinued operations. In the statement of cash flows, the cash flows attributable to the discontinued operations are reported in a separate line and the figures for the previous period are adjusted accordingly. In order to reflect the proportion of profit or loss attributable to the discontinued operations, the revenue and expenses arising from intra-group transactions are reported, provided they will not continue to accrue after disposal of the discontinued operations.

3 Disclosures for individual items on the income statement

3.1 Revenue

Revenue for the most part comprises commissions received, special commissions and fees in respect of services. The breakdown by business unit is as follows:

	2013 € million	2012 € million
Financial Product Sales – Institutional Clients	12.5	11.6
Financial Product Sales – Private Clients	56.0	50.5
B2B Financial Marketplaces – Financial Service Providers	32.4	25.6
Other	0.2	0.1
	101,1	87,8

3.2 Selling expenses

The table below gives a breakdown of selling expenses.

	2013 €'000	2012 €'000
Commissions	42,559	33,100
Lead costs	8,920	9,934
	51,479	43,034

Fee and commission expenses include write-offs of €572 thousand (2012: €808 thousand) relating to insurance commission receivable and impairment charges of €225 thousand (2012: €644 thousand) on advances paid for insurance commission.

3.3 Own work capitalised

Own work capitalised of €4.248 million (2012: €4.180 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €6.979 million reported for 2013 (2012: €6.947 million), €2.731 million was therefore expensed as incurred (2012: €2.499 million).

3.4 Other operation income

Other operating income mainly comprises income of €630 thousand (2012: €525 thousand) from employee contributions to vehicle purchases, €532 thousand (2012: €408 thousand) from the reversal of provisions and liabilities, and €420 thousand (2012: €119 thousand) related to other reporting periods.

3.5 Personnel expenses

Personnel expenses are broken down as follows:

	2013 €'000	2012 €'000
Wages and salaries	28,212	25,618
Social security contributions	4,490	4,214
Post-employment and other employee benefits	129	105
	32,831	29,937

The cost of defined-contribution pension plans amounted to €2.121 million (2012: €2.023 million).

3.6 Depreciation, amortisation expense and impairment losses

Of the depreciation/amortisation expense and impairment losses of €4.190 million (2012: €4.934 million), €3.120 million (2012: €3.996 million) was attributable to intangible assets and €1.070 million (2012: €938 thousand) to property, plant and equipment.

The reduction in amortisation for intangible assets was largely because the EUROPACE classic financial marketplace was fully amortised in 2012.

3.7 Other operating expenses

The breakdown of other operating expenses is shown in the table below.

	2013 €'000	2012 €'000
Operating expenses	5,621	5,321
Selling expenses	2,749	2,797
Administrative expenses	5,564	3,659
Other personnel expenses	683	826
Other expenses	999	604
	15,616	13,207

The operating expenses consist mainly of building rentals of €1.918 million (2012: €1.885 million) and vehicle-related costs of €1.514 million (2012: €1.435 million). The other selling expenses relate to advertising costs and travel expenses of €2.749 million (2012: €2.797 million). The administrative expenses largely comprise IT-related costs of €2.723 million (2012: €1.155 million) and legal and consultancy expenses of €701 thousand (2012: €778 thousand). The other personnel expenses mainly consist of training costs of €491 thousand (2012: €621 thousand).

3.8 Net finance costs

The breakdown of net finance costs is as follows:

	2013 €'000	2012 €'000
Financial income		
Other interest and similar income	106	176
Income from other securities and lending of financial assets	5	3
	111	179
Finance costs		
Interest expense and similar charges	987	1.038
	-876	-859

The finance costs mainly comprise interest expense and similar charges of €616 thousand (2012: €869 thousand) incurred by the drawdown of loans and use of credit lines as well as discounts of €324 thousand (2012: 190 thousand) on non-current receivables and other non-current assets.

3.9 Income taxes and deferred taxes

This item includes current and deferred tax income and expense in the following amounts:

	2013 €'000	2012 €'000
Income taxes attributable to continuing operations	-85	394
current income taxes	1,173	841
deferred taxes	-1,258	-447
in respect of timing differences	-165	294
in respect of tax loss carryforwards	-1,093	-741
Income taxes attributable to discontinued operations	0	701
current income taxes	0	0
deferred taxes	0	701
in respect of timing differences	0	43
in respect of tax loss carryforwards	0	658
	-85	1,095

A current income tax expense of €63 thousand (2012: €34 thousand) relates to previous years. Taxes are determined on the basis of the relevant tax legislation for the individual companies.

The total losses carried forward for corporation tax and trade tax purposes at the reporting date amounted to €6.391 million (2012: €2.582 million) and €5.913 million (2012: €2.671 million) respectively. The loss carryforwards can be carried forward indefinitely in Germany.
The tax rates computed on the basis of current legislation are unchanged year on year at 30.0 per cent for companies in Germany and between 12.5 per cent and 25.5 per cent for subsidiaries outside Germany.

Any payment of dividends to the parent companies' shareholders has no impact on income taxes.

The table below reconciles the tax expense anticipated for 2012 and 2013 to the tax expense actually reported for those years.

	2013 €'000	2012 €'000
Profit (loss) from continuing operations before tax	3,090	2,338
Profit (loss) from discontinued operations before tax	0	-2,049
	3,090	289
Tax rate to be applied	30.0%	30.0%
Expected tax expense	-927	-87
Effect of non-deductible expenses	-197	-189
Effect of differing tax rates	1,184	-70
Tax expense for previous years	-63	-34
Impairment losses of tax loss carryforwards	0	-658
Impairment losses of deferred tax assets	0	-43
Other tax-related effects	88	-14
Current tax expense	85	-1,095
Tax rate for the Group	-2.8%	378.8%

3.10 Earnings per share

The figure for earnings per share is determined in accordance with IAS 33. Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the period attributable to the shareholders of Hypoport AG by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by dividing the net profit (loss) for the period by the total weighted average number of outstanding shares, adjusted for the dilutive effect of potential new shares. The figure for the earnings (loss) per share becomes diluted if the average number of shares is increased as a result of adding in the issue of potential shares in connection with options.

There was no dilutive effect in the current reporting period or in the previous year. The weighted number of outstanding shares is calculated on the basis of a daily balance.

	2013	2012
Net profit (loss) for the year (€'000)	3,175	-815
of which attributable to Hypoport AG stockholders	3,149	-825
from continuing operations	3,149	1,944
from discontinued operations	0	-2,759
Basic weighted number of outstanding shares ('000)	6,137	6,162
Earnings per share (€)	**0.51**	**-0.13**
from continuing operations	0.51	0.32
from discontinued operations	0.00	-0.45

As a result of the sale of treasury shares, the number of shares in issue rose by 4,081, from 6,134,302 as at 31 December 2012 to 6,138,383 as at 31 December 2013.

4 Disclosures for individual items on the balance sheet

4.1 Intangible assets and property, plant and equipment

For information on the change in intangible assets and property, plant and equipment in the year under review, please see the consolidated statement of changes in non-current assets on the final page of these notes.

The additions to internally generated financial marketplaces include €17 thousand (31 December 2012: €69 thousand) in borrowing costs at an average funding rate of 3.45 per cent (31 December 2012: 3.45 per cent). Most of the intangible assets – with a carrying amount of €13.6 million (31 December 2012: €11.8 million) – related to internally generated financial marketplaces. Their remaining useful lives amounted to between one and eight years.

The carrying amounts for goodwill as at 31 December 2013 once again related to goodwill arising on the first-time consolidation of subsidiaries. For the purposes of impairment testing, the goodwill has been assigned to the following cash-generating units, which reflect the segments in the Group:

€'000	Institutional Clients	Private Clients	Financial Service Providers	Total
Cost of acquisitions as at 1 January 2013	6,943	7,653	230	14,826
Additions	0	0	0	0
Cost of acquisitions as at 31 December 2013	6,943	7,653	230	14,826

The revenue growth rates for the detailed planning period 2014 to 2017 used in the discounted cash flow calculations were between 4.6 per cent and 11.7 per cent for the Corporate Real Estate Clients segment (2012: between 2.0 per cent and 13.2 per cent), between 9.6 per cent and 18.1 per cent for the Private Clients segment (2012: between 14.2 per cent and 40.1 per cent), and between 0.2 per cent and 5.1 per cent for the Financial Service Providers segment (2012: between 6.4 per cent and 10.3 per cent). A growth rate of zero per cent was used for cash flows beyond the planning period.

The standard discount rate used to reflect the risks specific to the asset in 2013 was 7.46 per cent (2012: 6.79 per cent).

The sensitivity analysis we conducted revealed that there was no need for any impairment charges on goodwill even if our key underlying assumptions varied within a realistic range. This sensitivity analysis assumed a 10 per cent reduction in future gross profits and a 10 per cent increase in the weighted cost of capital, as variances of this magnitude are realistically possible. In our experience, greater variances than this are unlikely.

The impairment tests carried out gave no indication of any impairment.

4.2 Financial assets

The table below gives a breakdown of non-current financial assets.

	2013 €'000	2012 €'000
Loans to employees	45	84
Loans to third parties	15	22
Other shareholdings	9	9
	69	115

Because the above parties have been granted the option of making unscheduled repayments at any time, the carrying amounts of these loans at the balance sheet date do not differ significantly from their fair values.

Other long-term equity investments comprise shares in the associate GMG Hypoport Ltd., Cape Town, South Africa (40 per cent shareholding, equity in 2012: €10 thousand, net loss for 2012: €5 thousand).

Specific write-downs of €11 thousand (31 December 2012: €20 thousand) were recognised. There are no material overdue receivables.

4.3 Trade receivables

	2013 €'000	2012 €'000
Trade receivables from		
third parties	24,812	25,666
joint ventures	156	56
	24,968	25,722

In the case of trade receivables it is assumed that their carrying amount (net of any impairment losses) corresponds to their fair value.

The table below shows impairment losses on receivables.

	2013 €'000	2012 €'000
Balance as at 1 January	62	139
Addition to impairment of receivables	29	10
Irrecoverable receivables written off	55	87
Balance as at 31 December	36	62

Impairment charges of €329 thousand (31 December 2012: €147 thousand) were directly recognised.

The Hypoport Group usually grants its clients a credit period of 30 days, although some companies grant up to 90 days. The table below gives a breakdown of its overdue, but not impaired, receivables by age.

	2013 €'000	2012 €'000
1 to 90 days	88	144
90 to 180 days	35	89
180 to 360 days	14	79
More than 360 days	54	78
Total	191	390

4.4 Current income tax assets and other assets

The breakdown of current income tax assets and other assets is as follows:

Current other assets	2013 €'000	2012 €'000
Financial assets		
Overpayments to suppliers	180	0
	180	0
Non-finacial assets		
Advance payment of commissions	3,758	3,881
Advances	95	92
Prepaid expenses	553	442
Current income tax assets	5	959
VAT credits	150	222
Other	113	50
	4,674	5,646
	4,854	**5,646**

The following asset amounts are only recoverable after one year and are therefore reported as non-current assets:

Non-current other assets	2013 €'000	2012 €'000
Advance payment of commissions	690	0
Rent deposits	22	23
	712	**23**

Specific write-downs of €526 thousand (31 December 2012: €1.843 million) were recognised. In the year under review, €1.381 million was utilised (2012: €1.381 million added). There are no material overdue receivables.

4.5 Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities (including comparison with prior-year figures) is as follows:

Deferred tax assets	2013 €'000	2012 €'000
In respect of tax loss carryforwards	1,866	772
Rental and lease obligations	43	100
Consolidation	392	376
Offsetting	1,889	864
	412	**384**

Deferred tax liabilities	2013 €'000	2012 €'000
Intangible assets	1,373	1,178
Property, plant and equipment	24	27
Receivables	866	1,269
Other temporary differences	33	28
Provisions	2	1
Offsetting	1,889	864
	409	**1,639**

4.6 Cash and cash equivalents

The breakdown of cash and cash equivalents (including comparison with prior-year figures) is as follows:

	2013 €'000	2012 €'000
Cash at banks	11,536	8,553
Cash on hand	2	2
	11,538	**8,555**

4.7 Subscribed capital

The Company's subscribed capital remains unchanged at €6,194,958.00 (31 December 2012: €6,194,958.00) and is divided into 6,194,958 (31 December 2012: 6,194,958) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 7 June 2013 voted to carry forward Hypoport AG's distributable profit of €19,135,440.51 to the next accounting period.

4.8 Authorised capital

The Annual Shareholders' Meeting held on 1 June 2012 voted to set aside the unused authorisation granted on 1 June 2007 and to issue a new authorisation. The Management Board was authorised – subject to the consent of the Supervisory Board – to increase the Company's subscribed capital by up to a total of €3,097,479.00 by issuing new registered no-par-value shares for cash or non-cash capital contribution on one or more occasions on or before 31 May 2017. The Management Board can decide – subject to the consent of the Supervisory Board – to disapply the shareholders' statutory pre-emption rights.

4.9 Conditional capital

The conditional capital created by an Annual Shareholders Meeting resolution adopted on 26 August 2002 no longer exists.

4.10 Treasury shares

Hypoport held 56,575 treasury shares as at 31 December 2013 (equivalent to €56,575.00, or 0.91 per cent, of the subscribed capital of Hypoport AG), which are intended to be issued to employees.

The change in the balance of treasury shares and the main data relating to transactions in 2013 are shown in the following table:

Change in the balance of treasury shares in 2013	Number of shares	Proportion of subscribed capital %	Cost of purchase €	Sale price €	Gain or loss on sale €
Opening balance as at 1 January 2013	60,656	0.979	611,823.20	-	-
Sold in January 2013	20	0.000	25.00	163.00	138.00
Sold in April 2012	2,883	0.047	24,701.84	23,064.00	-1,637.84
Sold in May 2012	495	0.008	5,306.40	3,950.10	-1,356.30
Sold in July 2012	258	0.004	2,765.76	2,141.40	-624.36
Sold in Dezember 2013	425	0.007	4,532.12	4,139.50	-392.62
Balance as at 31December 2013	56,575	0.913	-	-	-

The sale of treasury shares was recognised directly in equity and offset against retained earnings.

4.11 Reserves

The breakdown of reserves can be found in the attached consolidated statement of changes in equity.

Capital reserves include the premium from the capital increase carried out in 2001 (€400 thousand), the premium from the issuance of shares under the 2002-2004 employee share ownership programme from 2006 to 2009 (€1.187 million), amounts equivalent to the par value of the treasury shares recalled in 2006 (€99 thousand), an amount equivalent to the imputed share of subscribed capital for the treasury shares recalled in 2007 (€247 thousand) and income from the issuance of shares to employees (€125 thousand, of which €4 thousand relates to 2013).

Retained earnings include the profits generated by the entities included in the consolidated financial statements prior to the first-time consolidation on 1 January 2004, the capital gains on the sale of treasury shares, the losses on the recall of treasury shares and three negative goodwill amounts arising from business combinations. These negative goodwill amounts are reported under retained earnings, because profits had been retained after the acquisition but before the date of first-time consolidation.

All the remaining adjustments made under the first-time adoption of IFRS on 1 January 2004 and recognised directly in equity, together with a statutory reserve of €7 thousand (2012: €7 thousand), are also reported under this item.

4.12 Non-controlling interest

This item relates to the non-controlling interest in the equity of Starpool Finanz GmbH and GENOPACE GmbH.

4.13 Financial liabilities

The breakdown of financial liabilities is as follows:

	2013 €'000	2012 €'000
Non-current		
Liabilities to banks		
Loans	11,733	12,517
Other liabilities		
Rental and lease obligations	328	418
	12,061	**12,935**
Current		
Liabilities to banks		
Loans	4,683	5,291
Other liabilities		
Rental and lease obligations	75	74
	4,758	5,365
	16,819	**18,300**

Of the loan liabilities reported, €500 thousand was subordinated (31 December 2012: €1.500 million).

Some of the financial liabilities are subject to fixed interest rates. Others are subject to variable interest linked to the Euribor rate plus a bank margin. The interest rates varied between 3.45 per cent and 5.25 per cent (2012: between 3.45 per cent and 5.95 per cent). These interest rates are the normal market rates for the financial liabilities and the companies concerned.

The Hypoport Group has various credit lines with domestic banks. The table below shows all overdraft facilities and the amounts utilised at the relevant balance sheet dates.

	2013 €'000	2012 €'000
Credit line	1,500	2,000
Amount utilised	0	0
Credit line available	**1,500**	**2,000**

The average interest rate on the overdraft facilities utilised was 4.51 per cent (2012: 4.84 per cent). The Company also had unutilised non-current loan commitments of €4.0 million (31 December 2012: €3.9 million).

The table below shows the interest-rate risk and agreed interest refix dates associated with financial liabilities at the balance sheet date.

	2013 €'000	2012 €'000
6 months or less	2,715	3,407
6 to 12 months	1,968	1,884
1 to 5 years	11,733	12,517
More than 5 years	0	0
	16,416	**17,808**

The table below gives a breakdown of the residual maturities of non-current financial liabilities.

	2013 €'000	2012 €'000
Between 1 and 2 years	3,975	4,774
Between 2 and 5 years	7,926	8,058
More than 5 years	160	103
	12,061	**12,935**

The carrying amounts and fair values of non-current financial liabilities are shown below.

	Carrying amount		Fair value	
€'000	2013	2012	2013	2012
Liabilities to banks	11,733	12,517	12,924	12,924
Rental and lease obligations	328	418	328	418
	12,061	12,935	13,252	13,342

The fair values of non-current financial liabilities are based on discounted cash flows, which were calculated using interbank swap rates plus a risk and liquidity margin.

The stated carrying amounts of current financial liabilities are roughly the same as their fair values.

4.14 Other liabilities

The breakdown of other liabilities is as follows:

Current other liabilities	2013 €'000	2012 €'000
Tax liabilities		
Value-added tax	214	158
Wage tax and church tax	397	395
	611	**553**
Personnel		
Financial assets		
Bonuses	2,248	1,888
Outstanding holiday entitlements	467	556
Wages and salaries	376	288
Non-financial assets		
Employers' liability insurance association	122	100
Disabled persons levy	43	33
Social security contributions	36	100
Partial retirement	47	33
	3,339	**2,998**
Other		
Financial assets		
Outstanding invoices	370	492
Commissions to be passed on	89	88
Year-end costs	99	126
Non-financial assets		
Advance payment of commissions	2,844	1,818
Deferred income	303	327
Sundry	91	47
	3,796	**2,898**
	7,746	**6,449**

The following liability amounts are only recoverable after one year and are therefore reported as non-current liabilities:

Non-current other liabilities	2013 €'000	2012 €'000
Rent deposits	10	10
	10	**10**

4.15 Provisions

The changes in provisions in the year under review were as follows:

	01.01.2013 €'000	Utilisation €'000	Reversals €'000	Additions €'000	31.12.2013 €'000
Non-current provisions					
Cancellations	77	77	0	77	77
Rental and lease obligations	164	136	0	0	28
	241	213	0	77	105
Current provisions					
Cancellations	78	78	0	53	53
Other	0	0	0	6	6
	78	78	0	59	59

The provisions for cancellations relate to the probable repayment of commissions to insurers owing to policyholders' withdrawal.

5 Cash flow statement disclosures

Cash flows from investing and financing activities are determined directly on the basis of the cash inflows and outflows. In contrast, cash flow from operating activities is determined indirectly from the net profit (loss) for the year. This indirect method of determining the cash flows takes into account changes in the balance sheet items in connection with operating activities and adjusts them for the effect of currency translation and changes to the entities included in the consolidation.

Apart from income tax payments, interest receipts and payments are also assigned to the cash flows from operating activities because they are primarily used to finance operating activities.

Investing activities include additions to property, plant and equipment, financial assets and intangible assets, as well as additions in respect of the capitalisation of development costs.

Cash and cash equivalents, as reported in the cash flow statement, comprises all liquid funds recognised on the balance sheet, i.e. cash on hand and at banks.

The composition and reconciliation of cash and cash equivalents with the balance sheet is explained in section 4.6.

6 Segment reporting

The Hypoport Group prepares its segment reporting by business unit in line with its internal organisational and reporting structure. This organisational structure breaks the Group down into three target-group-oriented business units (Financial Product Sales – Institutional Clients, Financial Product Sales – Private Clients and B2B Financial Marketplaces – Financial Service Providers) and two function-oriented business units (Information Technology and Administration). The target-group-oriented business units bring together different business lines with similar opportunities and risks.

The Financial Product Sales – Institutional Clients business unit focuses on the provision of financial support for housing companies, borrowing, management consultancy and support for property transactions and the insurance portfolio. This unit also supports issuers with the provision of information technology and a range of services.

The Financial Product Sales – Private Clients business unit offers mortgage finance, personal loans, insurance, current accounts and deposit accounts through three distribution channels (online, branch-based and agent sales).

B2B Financial Marketplaces – Financial Service Providers focuses on financial product distributors and product suppliers. The core product in this business unit is the EUROPACE marketplace, which was originally introduced in 1999. Independent distributors use EUROPACE to process their financing transactions with the product suppliers they represent.

Administrative expenses in respect of management, administration, accounting and human resources together with IT costs are reported under the heading ‚Reconciliation', which also includes any consolidation effects.

The disclosures for the individual segments are all based on the same standard accounting policies applicable to the consolidated amounts in the consolidated financial statements.

Where a segment comprises several companies, the effects of intercompany transactions are eliminated in the course of consolidation. The supply of goods and services between segments is always invoiced at market prices. In cost transfers within the Group, the direct costs actually incurred are transferred between the relevant entities.

The segment disclosures are derived directly from the internal reporting used by the top level of operating decision-makers in the Company for management purposes. Financial liabilities and the corresponding interest expense and similar charges are not determined for individual business units for internal control purposes. Financial liabilities and the corresponding interest expense and similar charges are shown in the reconciliation table.

Segment assets are deemed to comprise direct operating receivables and non-current assets used for the relevant segment's operating activities.

Segment liabilities comprise the trade payables and provisions attributable to the operating activities concerned.

The reported revenue of €101.1 million (2012: €87.8 million) included €4.1 million (2012: €3.6 million) generated by customers domiciled in European countries other than Germany, and the remaining revenue was generated by customers in Germany. Within the Group, two product partners generated revenue of €22.8 million and €12.0 million respectively (2012: one product partner generated revenue of €17.9 million).

In the Institutional Clients operating segment, revenue of €1.9 million was attributable to one product partner in 2012. In the Private Clients operating segment, two product partners generated revenue of €10.1 million and €7.8 million respectively (2012: one product partner generated revenue of €8.1 million). In the Financial Service Providers operating segment, two product partners generated revenue of €12.7 million and €4.1 million respectively (2012: €9.7 million and €3.6 million).

The segment breakdown of business performance in 2013 is as follows:

2013 (€'000)	Institutional Clients	Private Clients	Financial Service Providers	Reconciliation	Group
Segment revenue in respect of third parties	**12,511**	**55,984**	**32,388**	**175**	**101,058**
2012	11,632	50,461	25,579	131	87,803
from continuing operations	**12,511**	**55,984**	**32,388**	**175**	**101,058**
2012	11,632	50,461	25,529	131	87,753
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2012	0	0	50	0	50
Segment revenue in respect of other segments	**0**	**108**	**675**	**-783**	**0**
2012	0	88	956	-1,044	0
from continuing operations	**0**	**108**	**675**	**-783**	**0**
2012	0	88	956	-1,044	0
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2012	0	0	0	0	0
Total segment revenue	**12,511**	**56,092**	**33,063**	**-608**	**101,058**
2012	11,632	50,549	26,535	-913	87,803
from continuing operations	**12,511**	**56,092**	**33,063**	**-608**	**101,058**
2012	11,632	50,549	26,485	-913	87,753
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2012	0	0	50	0	50

2013 (€'000)	Institutional Clients	Private Clients	Financial Service Providers	Reconciliation	Group
Gross profit	**12,056**	**17,475**	**19,890**	**158**	**49,579**
2012	11,291	15,548	17,820	110	44,769
from continuing operations	**12,056**	**17,475**	**19,890**	**158**	**49,529**
2012	11,291	15,548	17,770	110	44,719
from discontinued operations	**0**	**0**	**0**	**0**	**50**
2012	0	0	50	0	50
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	**4,302**	**-917**	**8,085**	**-3,314**	**8,156**
2012	4,321	-955	6,935	-2,522	7,779
from continuing operations	**4,302**	**-917**	**8,085**	**-3,314**	**8,156**
2012	4,321	-955	7,287	-2,522	8,131
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2012	0	0	-352	0	-352
Segment earnings before interest and tax (EBIT)	**3,757**	**-1,624**	**5,999**	**-4,166**	**3,966**
2012	3,798	-1,053	1,919	-3,418	1,246
from continuing operations	**3,757**	**-1,624**	**5,999**	**-4,166**	**3,966**
2012	3,798	-1,053	3,870	-3,418	3,197
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2012	0	0	-1,951	0	-1,951
Segment assets	**21,825**	**20,719**	**29,626**	**2,231**	**74,401**
2012	22,276	20,053	25,434	2,984	70,747
Segment liabilities	**2,456**	**9,302**	**11,935**	**17,655**	**41,348**
2012	2,043	7,135	10,602	21,123	40,903
Segment capital expenditure	**625**	**578**	**3,899**	**660**	**5,762**
2012	869	1,351	3,537	760	6,517
Segment depreciation/amortisation expense, impairment losses	**545**	**707**	**2,086**	**852**	**4,190**
2012	523	98	5,016	896	6,533
from continuing operations	**545**	**707**	**2,086**	**852**	**4,190**
2012	523	98	3,417	896	4,934
from discontinued operations	**0**	**0**	**0**	**0**	**0**
2012	0	0	1,599	0	1,599
thereof extraordinary on development work	0	0	1,068	0	1,068
Significant non-cash expenses	**819**	**2,384**	**6,682**	**60**	**9,945**
2012	955	2,065	7,022	69	10,111

Of the total non-current assets of €37.385 million (31 December 2012: €35.464 million), €10.072 million (31 December 2012: €8.878 million) was located in European countries other than Germany, €9.368 million (31 December 2012: €8.285 million) of which was located in Ireland. Non-current assets located in Germany totalled €27.313 million (31 December 2012: €26.586 million).

7 Other disclosures

7.1 Other financial commitments

At the balance sheet date, there were total other financial commitments of €11.760 million (31 December 2012: €13.974 million) related to non-cancellable rentals, leases and maintenance agreements covering a number of years. Included in these other financial commitments were commitments of €3.449 million (31 December 2012: €3.476 million) due within one year, €6.524 million (31 December 2012: €7.771 million) due in one to five years, and €1.787 million (31 December 2012: €2.727 thousand) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €2.810 million in 2013 (2012: €2.794 million). Rental income of €401 thousand (2012: €369 thousand) was generated by sub-leases. The Group has options to extend its main office leases for five years.

7.2 Related parties

IAS 24 requires disclosure of the names of persons or entities that control, or are controlled by, Hypoport AG. Transactions between Hypoport AG and its subsidiaries are eliminated during consolidation and therefore do not have to be reported in this section.
IAS 24 also requires disclosure of the names of persons who can exercise significant influence over the Company.

The parties covered by the requirements also include key management personnel, their close family members and other entities via which a named person exercises control or significant influence over Hypoport AG. The parties covered by this requirement during the reporting period were the members of the Group Management Board and Supervisory Board of Hypoport AG and their close family members.

Related party transactions are conducted on an arm's-length basis.

The total remuneration paid to the members of the Group Management Board in 2013 amounted to €896 thousand (2012: €895 million); the total remuneration paid to the members of the Supervisory Board came to €76 thousand (2012: €64 thousand). In all cases, all the benefits were due for payment within one year.

The table below shows the number of shares in Hypoport AG directly or indirectly held by the members of the Group Management Board and Supervisory Board as at 31 December 2013.

		Shares (number) 31.12.2013	Shares (number) 31.12.2012
Group Management Board	Ronald Slabke	2,245,831	2,245,831
	Thilo Wiegand	30,000	28,000
	Stephan Gawarecki	187,800	187,800
	Hans Peter Trampe	144,690	174,990
Supervisory Board	Dr. Ottheinz Jung-Senssfelder	14,000	14,000
	Prof. Dr. Thomas Kretschmar	814,286	814,286
	Christian Schröder	19,000	23,500

Ronald Slabke, Berlin, holds 36.25 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Lübeck, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG). All the shares in Revenia GmbH are held by Ronald Slabke, the Chief Executive Officer of Hypoport AG.

Thomas Kretschmar is a member of the board of Kretschmar Familienstiftung, Potsdam, which holds 12.91 per cent of Hypoport's shares. Thomas Kretschmar, Potsdam, holds 0.23 per cent of Hypoport's shares. Of these, the 0.23 per cent of the voting shares held by Kretschmar Research GmbH, Potsdam, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG. All the shares in Kretschmar Research GmbH are held by Thomas Kretschmar, who is a member of the Supervisory Board of Hypoport AG.

Peter Trampe, Stahnsdorf, holds 2.34 per cent of Hypoport's shares.

Stephan Gawarecki, Preetz, holds 3.03 per cent of Hypoport's shares. Of these, the 3.03 per cent of the voting shares held by Gawarecki GmbH, Preetz, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 WpHG.

The companies in the Hypoport Group have not carried out any further disclosable transactions with members of either the Supervisory Board or the Group Management Board or with companies on whose management or supervisory bodies these persons are represented. This also applies to close family members related to these persons.

Revenue of €183 thousand was generated by joint ventures in 2013 (2012: €566 thousand). As at 31 December 2013, receivables from joint ventures amounted to €156 thousand (31 December 2012: €56 thousand) and liabilities to such companies amounted to €10 thousand (31 December 2012: €7 thousand).

7.3 Management Board

The members of the Management Board were as follows:

- Ronald Slabke (Chief Executive Officer), graduate in business administration, Berlin, responsible for human resources, IT, finance and administration, new markets and strategic investments, member of the supervisory boards of Dr. Klein & Co. AG and EUROPACE AG
- Thilo Wiegand, graduate in banking, Grossalmerode, responsible for the Financial Service Providers business unit, member of the supervisory boards of Dr. Klein & Co. AG
- Hans Peter Trampe, graduate in business administration, Stahnsdorf, responsible for the Institutional Clients business unit, member of the supervisory board of EUROPACE AG
- Stephan Gawarecki, graduate in business administration, Preetz, responsible for the Private Clients business unit and marketing, member of the supervisory board of EUROPACE AG

The total remuneration paid to the members of the Management Board in 2013 amounted to €896 thousand (2012: €895 million); for further information please refer to the remuneration report in the group management report (I.10).

7.4 Supervisory Board

The following persons were members of the Company's Supervisory Board in 2013:

- Dr Ottheinz Jung-Senssfelder (chairman of the Supervisory Board), attorney, Fürth; directorships at other companies: chairman of the supervisory board at BRANDAD Systems AG, Fürth
- Thomas Kretschmar (vice-chairman of the Supervisory Board), member of the board of Kretschmar Familienstiftung, Potsdam, member of the supervisory board of Dr. Klein & Co. AG
- Christian Schröder, graduate in business administration, auditor, Lübeck.

The total remuneration paid to the members of the Supervisory Board in 2013 amounted to €76 thousand (2012: €64 thousand); for further information please refer to the remuneration report in the group management report (I.10).

7.5 Investments pursuant to section 21 (1) WpHG

In addition to the investments listed in section 7.2, Deutsche Bank AG, Frankfurt, holds 9.69 per cent of Hypoport's shares. These voting rights are fully attributable via Deutsche Postbank AG pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

Sparta AG, Hamburg has informed us that its voting rights in Hypoport AG exceeded the 5 per cent threshold on 2 April 2012. Sparta AG holds 5.80 per cent of the shares in Hypoport AG.

Pursuant to section 21 (1) WpHG, Deutsche Balaton Aktiengesellschaft, Heidelberg, Germany informed us on 11 December 2013 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 9 December 2013 and stood at 3.71 per cent (equivalent to 230,110 voting rights) on that date. Of this, 0.61 per cent of the voting rights (equivalent to 37,800 voting rights), are attributable to Deutsche Baklaton Aktiengesellschaft pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, VV Beteiligungen Aktiengesellschaft, Heidelberg, Germany also informed us on 11 December 2013 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 9 December 2013 and stood at 3.71 per cent (equivalent to 230,110 voting rights) on that date. Of this, 3.71 per cent of the voting rights (equivalent to 230,110 voting rights), are attributable to VV Beteiligungen Aktiengesellschaft pursuant to section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributable to it are held via the following company controlled by it, whose voting share in Hypoport AG is 3 per cent or more: Deutsche Balaton Aktiengesellschaft. Pursuant to section 21 (1) WpHG, Delphi Unternehmensberatung Aktiengesellschaft, Heidelberg, Germany also informed us on 11 December 2013 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 9 December 2013 and stood at 3.71 per cent (equivalent to 230,110 voting rights) on that date. Of this, 3.71 per cent of the voting rights (equivalent to 230,110 voting rights) are attributable to Delphi Unternehmensberatung Aktiengesellschaft pursuant to section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributable to it are held via the following companies controlled by it, whose voting shares in Hypoport AG are each 3 per cent or more: Deutsche Balaton Aktiengesellschaft and VV Beteiligungen Aktiengesellschaft. Pursuant to section 21 (1) WpHG, Mr Wilhelm Konrad Thomas Zours, Germany also informed us on 11 December 2013 that his voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent threshold on 9 December 2013 and stood at 3.71 per cent (equivalent to 230,110 voting rights) on that date. Of this, 3.71 per cent of the voting rights (equivalent to 230,110 voting rights) are attributable to Mr Wilhelm Konrad Thomas Zours pursuant to section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributable to him are held via the following companies controlled by him, whose voting shares in Hypoport AG are each 3 per cent or more: Deutsche Balaton Aktiengesellschaft, VV Beteiligungen Aktiengesellschaft and Delphi Unternehmensberatung Aktiengesellschaft.

7.6 Share-based payment

The Company's employees receive a certain number of shares in Hypoport AG that is determined by their period of service as well as shares amounting to €360.00 if the Company achieves certain targets. The total related expense recognised in 2013 was €33 thousand (2012: €1 thousand). Total liabilities incurred by share-based payments amounted to €15 thousand (2011: €15 thousand).

7.7 Auditors' fees and services

The fees of €102 thousand incurred for services rendered by the auditors BDO AG Wirtschaftsprüfungsgesellschaft in 2013 related to audits of financial statements (2012: fees of €91 thousand) and the fee of €3 thousand (2012: €0 thousand) related to other attestation services.

7.8 Average number of persons employed during the financial year

In 2013, the Company employed an average of 562 (2012: 524) people in addition to the members of the Management Board.

The table below gives a breakdown of the average numbers of employees by business unit.

	31.12.2013		31.12.2012		Change	
	Number	%	Number	%	Number	%
Financial Product Sales Private Clients	193	34	175	33	18	10
Financial Product Institutional Clients	67	12	55	10	12	22
B2B Financial Marketplaces Financial Service Providers	118	21	112	21	6	5
Information Technology	99	18	100	19	-1	-1
Administration	85	15	82	16	3	4
	562		524		38	7

The total headcount includes people working at joint ventures on a pro-rata basis according to Hypoport's share of the venture. A total of five people (2012: four) were employed at such companies.

7.9 Discontinued operations

Because the Company took the decision to close down the operating activities of Hypoport Stater B.V. (which it carried out in 2012), and consequently to discontinue the ‚transaction platform for the Dutch market' business unit, which are required by IFRS 5 to be presented as discontinued operations, the income and expense from these operations, which essentially related to Hypoport Stater B.V., have been reclassified and reported separately on the face of the consolidated income statement as profit (loss) from discontinued operations, net of tax. Comparative items have been restated accordingly as required by IFRS 5. The table below shows the profit (loss) from discontinued operations, net of tax.

	2013		2012	
€'000	Financial Service Providers	Group	Financial Service Providers	Group
Revenue	0	0	50	50
Selling expenses	0	0	0	0
Gross profit	**0**	**0**	**50**	**50**
Own work capitalised	0	0	268	268
Other operating income	0	0	0	0
Personnel expenses	0	0	-182	-182
Other operating expenses	0	0	-488	-488
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**0**	**0**	**-352**	**-352**
Depreciation, amortisation expense and impairment losses	0	0	-1,599	-1,599
thereof extraordinary on development work	0	0	-1,068	-1,068
Earnings before interest and tax (EBIT)	**0**	**0**	**-1,951**	**-1,951**
Financial income	0	0	0	0
Finance costs	0	0	-98	-98
Earnings before tax (EBT)	**0**	**0**	**-2,049**	**-2,049**
Income taxes and deferred taxes	0	0	-701	-701
Profit (loss) on deconsolidation	0	0	-9	-9
Profit (loss) from discontinued operations, net of tax	**0**	**0**	**-2,759**	**-2,759**
Earnings (loss) per share from discontinued operations (€)	0.00	0.00	-0.45	-0.12

7.10 Financial risk management

As a result of its business activities, the Hypoport Group is exposed to various financial risks; these include market risk, credit risk, liquidity risk and interest-related cash flow risk. It does not use any derivative financial instruments to hedge against specific risks.

The Hypoport Group is exposed to only a very limited currency risk because only very small amounts of its assets and liabilities are denominated in currencies other than the Company's functional currency.

If the exchange rate of the euro to the US dollar had been 10 per cent higher or lower on 31 December 2013, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (31 December 2012: €0 thousand) higher or lower.

If the exchange rate of the euro to the pound sterling had been 10 per cent higher or lower on 31 December 2013, and assuming that all other variables had remained constant, the Hypoport Group's net profit (loss) for the year would have been €0 thousand (31 December 2012: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2013, it recognised impairment losses of €942 thousand (2012: €976 thousand) to cover the probability of irrecoverable receivables. Such receivables are estimated by the management of the Hypoport Group on the basis of past experience and current economic conditions.

The credit risk relating to cash and cash equivalents is limited because these are all held at investment-grade banks.

There is no significant concentration of credit risk in the Group because this risk is spread across a large number of counterparties and clients.

The maximum credit risk is shown by the carrying amount of each financial asset reported on the face of the balance sheet.

The main source of liquidity risk lies in the rapid expansion of the Group. The risks associated with the expansion of the Group are monitored by the Management Board and currently are not material given the high level of liquidity and excellent equity ratio in the Group.

The table below gives a breakdown of the contractual residual maturities of the Hypoport Group's financial liabilities. It shows the non-discounted cash flows of financial liabilities based on the earliest date on which the Hypoport Group can be obliged to pay. The table contains payments of both interest and principal.

€'000	Maturities Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed-rate financial liabilities	50	1,833	3, 311	12,421	0	17,615
2012	2,438	997	2,426	13,206	0	19,067
Rental and lease obligations	6	12	56	164	164	402
2012	6	13	56	261	68	404
2013	56	1,845	3,367	12,585	164	18,017
2012	2,444	1,010	2,482	13,467	68	19,471

Because the Hypoport Group does not hold any significant interest-bearing assets, its net profit (loss) for the year and its operating cash flow are largely immune to changes in market interest rates.

The Group's interest-rate risk stems from non-current, interest-bearing liabilities. Floating-rate liabilities expose the Group to interest-related cash flow risks. Its financial risk policy requires that the vast majority of liabilities it assumes should be subject to fixed interest rates. In 2013 and 2012, only its unutilised credit lines carried floating interest rates.

7.11 Additional information on financial instruments

The table below shows the carrying amounts and fair values of individual financial assets and liabilities for each category of financial instrument and reconciles these amounts to the corresponding balance sheet items. Because the balance sheet items ‚Other receivables' and ‚Other liabilities' contain financial instruments as well as non-financial assets and non-financial liabilities, these amounts are reconciled in the column ‚Non-financial assets/liabilities'.

	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
€'000	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet at 31 Dec 2013
Trade receivables	24,968	-	-	-	24,968
Loans and receivables	24,968	24,980	-	-	24,968
Financial assets	69	-	-	-	69
Loans and receivables	69	69	-	-	69
Other assets	180	-	-	4,669	4,849
Loans and receivables	180	180	-	-	180
Non-financial assets	-	-	-	4,669	4,669
Cash and cash equivalents	11,538	-	-	-	11,538
Loans and receivables	11,538	11,538	-	-	11,538
Total financial assets	-	-	-	-	**41,424**
Thereof: loans and receivables	-	-	-	-	36,755
Financial liabilities	16,819	-	-	-	16,819
Measured at amortised cost	16,819	18,010	-	-	16,819
Trade payables	15,875	-	-	-	15,875
Measured at amortised cost	15,875	15,875	-	-	15,875
Other liabilities	3,649	-	-	4,097	7,746
Measured at amortised cost	3,649	3,649	-	-	3,649
Non-financial liabilities	-	-	-	4,097	4,097
Total financial liabilities	-	-	-	-	**40,440**
Thereof: measured at amortised cost	-	-	-	-	36,343

€'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	
	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	Carrying amount on balance sheet at 31 Dec 2012
Trade receivables	25,722	-	-	-	25,722
Loans and receivables	25,722	25,722	-	-	25,722
Financial assets	115	-	-	-	115
Loans and receivables	115	115	-	-	115
Other assets	0	-	-	4,687	4,687
Loans and receivables	0	0	-	-	0
Non-financial assets	-	-		4,687	4,687
Cash and cash equivalents	8,555	-	-	-	8,555
Loans and receivables	8,555	8,555	-	-	8,555
Total financial assets	-	-	-	-	**39,079**
Thereof: loans and receivables	-	-	-	-	34,392
Financial liabilities	18,300	-	-	-	18,300
Measured at amortised cost	18,300	18,707	-	-	18,300
Trade payables	14,070	-	-	-	14,070
Measured at amortised cost	14,070	14,070	-	-	14,070
Other liabilities	3,438	-	-	3,011	6,449
Measured at amortised cost	3,438	3,438	-	-	3,438
Non-financial liabilities	-	-	-	3,011	3,011
Total financial liabilities	-	-	-	-	**38,819**
Thereof: measured at amortised cost	-	-	-	-	35,808

In accordance with level two of the measurement hierarchy specified by IFRS 13, the fair values of receivables, loans and primary liabilities are calculated as the present value of future cash inflows and outflows. These cash flows are discounted using an interest rate prevailing at the balance sheet date and factor in the respective maturities of assets and liabilities as well as the credit rating of Hypoport AG. If a market value or market price is available, this is recognised as the fair value.

Because most trade receivables, trade payables, other receivables, other liabilities, and cash and cash equivalents have short maturities, their carrying amounts at the balance sheet date do not differ significantly from their fair values.

The table below breaks down the income, expenses, gains and losses resulting from financial instruments into the following categories:

€'000	Loans and receivables	Held-to-maturity investments	Fair value / held for trading	Liabilities measured at amortised cost	2013
Interest and similar income	106	-	-	-	106
Interest expense and similar charges	-	-	-	-987	-987
Impairment losses	-942	-	-	-	-942
Net result	**-836**	**0**	**0**	**-987**	**-1,823**

€'000	Loans and receivables	Held-to-maturity investments	Fair value / held for trading	Liabilities measured at amortised cost	2012
Interest and similar income	176	-	-	-	176
Interest expense and similar charges	-	-	-	-1,038	-1,038
Impairment losses	-976	-	-	-	-976
Net result	**-800**	**0**	**0**	**-1,038**	**-1,838**

7.12 Capital risk management

Hypoport AG's statutes do not specify any capital requirements. The Hypoport Group pursues two main objectives in terms of its capital management: firstly, to ensure that the Company continues to operate as a going concern so that it can continue to generate returns for its shareholders and provide its other stakeholders with the services they require; and secondly, to maintain the optimum capital structure so that it can lower its cost of capital and meet the minimum capital requirements resulting from its borrowings. The financial covenants agreed for a loan were complied with.

The Hypoport Group monitors its capital in terms of its level of gearing, which is the ratio of net debt to equity. Net debt consists of total financial liabilities minus cash and cash equivalents. Equity comprises the total shares in issue plus reserves.

The table below shows the Company's gearing as at 31 December 2013 and 31 December 2012.

	2013 €'000	2012 €'000
Financial liabilities	16,819	18,300
Minus cash and cash equivalents	11,538	8,555
Net debt	5,281	9,745
Equity	33,053	29,844
Gearing	16%	36%

7.13 Exemption from disclosure requirements under section 264 (3) HGB

The fully consolidated German subsidiaries listed below have met the conditions specified by section 264 (3) HGB and are therefore exempted from the requirements to disclose their single-entity financial statements documentation and to prepare a management report:

- Dr. Klein & Co. Aktiengesellschaft, Lübeck, Germany
- Europace AG, Berlin
- GENOPACE GmbH, Berlin, Germany
- Hypoport Systems GmbH, Berlin, Germany
- Qualitypool GmbH, Lübeck, Germany
- Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin, Germany

7.14 Declaration of compliance with the German Corporate Governance Code

Hypoport AG has issued the declaration required by section 161 of the German Stock Corporation Act (AktG) and has made it permanently available to the public on the Company's website at www.hypoport.com.

7.15 Events after the reporting period

No material events have occurred since the balance sheet date.

Berlin, 7. März 2014

Hypoport AG - Der Vorstand

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

Consolidated statement of changes in non-current assets 2013

	Cost			
	Balance 1 Jan 2013 €'000	Additions €'000	Disposals €'000	Reclassification €'000
I. Intangible assets 1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets				
1.1 Software	3,656	546	0	55
1.2 Development costs	33,260	4,458	0	0
thereof extraordinary	0	0	0	0
2. Goodwill	14,826	0	0	0
3. Advance payments and development costs in progress	55	0	0	-55
	51,797	5,004	0	0
II. Property, plant and equipment 1. Land, leasehold improvements and buildings, including buildings on land owned by others	25	0	4	0
2. Office furniture and equipment	7,736	758	108	0
	7,761	758	112	0
	59,558	5,762	112	0

	Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 31 Dec 2013 €'000	Balance 1 Jan 2013 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2013 €'000	Balance 31 Dec 2013 €'000	31 Dec 2012 €'000
4,257	2,681	440	0	3,121	1,136	975
37,718	21,432	2,680	0	24,112	13,606	11,828
0	0	0	0	0	0	
14,826	0	0	0	0	14,826	14,826
0	0	0	0	0	0	55
56,801	24,113	3,120	0	27,233	29,568	27,684
21	23	1	3	21	0	2
8,386	5,120	1,069	82	6,107	2,279	2,616
8,407	5,143	1,070	85	6,128	2,279	2,618
65,208	29,256	4,190	85	33,361	31,847	30,302

Consolidated statement of changes in non-current assets 2012

	Cost			
	Balance 1 Jan 2012 €'000	Additions €'000	Disposals €'000	Reclassification €'000
I. Intangible assets 1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets				
1.1 Software	3,353	303	0	0
1.2 Development costs	27,641	3,757	0	1,862
thereof extraordinary	0	0	0	0
2. Goodwill	14,826	0	0	0
3. Advance payments and development costs in progress	573	1,344	0	-1,862
	46,393	5,404	0	0
II. Property, plant and equipment 1. Land, leasehold improvements and buildings, including buildings on land owned by others	25	0	0	0
2. Office furniture and equipment	6,759	1,113	136	0
	6,784	1,113	136	0
	53,177	6,517	136	0

HYPOPORT
THE FINANCE INTEGRATOR

	Cumulative depreciation, amortisation and impairment				Carrying amount	
Balance 31 Dec 2012 €'000	Balance 1 Jan 2012 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2012 €'000	Balance 31 Dec 2012 €'000	31 Dec 2011 €'000
3,656	2,306	375	0	2,681	975	1,047
33,260	16,220	5,212	0	21,432	11,828	11,421
0	0	1,068	0	0	0	
14,826	0	0	0	0	14,826	14,826
55	0	0	0	0	55	573
51,797	18,526	5,587	0	24,113	27,684	27,867
25	22	1	0	23	2	3
7,736	4,310	945	135	5,120	2,616	2,449
7,761	4,332	946	135	5,143	2,618	2,452
59,558	22,858	6,533	135	29,256	30,302	30,319

8. Responsibility statement

„We assure that, to the best of our knowledge and in accordance with the accounting standards applied, the consolidated financial statements give a fair presentation of the Company's financial position and financial performance, the group management report gives a fair presentation of the Hypoport Group's business, profits and position and that the material opportunities and risks of its expected development are described."

Berlin, 7 March 2014

Hypoport AG – The Management Board

Ronald Slabke

Thilo Wiegand

Stephan Gawarecki

Hans Peter Trampe

9. Auditor's Report

We have audited the consolidated financial statements prepared by the Hypoport AG, Berlin, comprising the balance sheet, the income statement, consolidated statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2013 to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting information of those partitions included in the consolidated financial statements, the determination of entities to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Lübeck, 12 March 2014

BDO AG Wirtschaftsprüfungsgesellschaft

Herbers	Beecker
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

HYPOPORT
THE FINANCE INTEGRATOR

10. Single-entity financial statements of Hypoport AG 2013 (abridged version)

The single-entity financial statements and the management report of Hypoport AG have been prepared in accordance with German generally accepted accounting principles (German Commercial Code [HGB]) and the provisions of the German Stock Corporation Act (AktG).

The balance sheet and the income statement meet the classification criteria prescribed in sections 266 and 275 HGB. The income statement is presented under the nature-of-expense method pursuant to section 275 (2) HGB.

The full version of the single-entity financial statements, which have received the unqualified opinion of Hypoport AG's auditors, is published in the electronic Federal Gazette under no. HRB 74559 B.

Income statement

for the year ended 31 December 2013

	2013 €'000	2012 €'000
Revenue	9,433	9,037
Changes in inventories of finished goods and work in progress	0	-70
Own work capitalised	960	686
Other operating income	2,549	2,184
Personnel expenses	-14,357	-14,094
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	-381	-245
Other operating expenses	-5,860	-6,077
Income from long-term equity investments	2,451	1,978
Income from profit transfer agreements	8,473	9,799
Income from other securities and lending of financial assets	131	224
Other interest and similar income	468	227
Impairment losses of financial assets	0	-5,440
Expense in respect of loss transfers	-222	-787
Interest expense and similar charges	-635	-823
Profit from ordinary activities	**3,010**	**-3,401**
Income taxes	-526	481
Other taxes	-37	-4
Net profit (loss) for the year	**2,447**	**-2,924**
Profit brought forward	19,135	22,059
Distributable profit	**21,582**	**19,135**

HYPOPORT
THE FINANCE INTEGRATOR

Balance sheet as at 31 December 2013

Assets	31 Dec 2013 €'000	31 Dec 2012 €'000
Fixed assets		
Intangible assets	1,987	1,346
Property, plant and equipment	147	131
Financial assets	26,745	27,602
	28,879	**29,079**
Current assets		
Trade receivables	3,320	3,346
Receivables from affiliated companies	22,883	21,444
Receivables from other long-term investees and investors	310	110
Other assets	185	1,102
Cash and cash equivalents	1,143	2,091
	27,841	**28,093**
Prepaid expenses	**61**	**50**
Deferred tax assets	**0**	**462**
	56,781	**57,684**
Equity and liabilities		
Equity		
Subscribed capital	6,195	6,195
Treasury shares	-57	-61
Capital reserves	2,057	2,053
Retained earnings	7,340	7,314
Distributable profit	21,582	19,135
	37,117	**34,636**
Provisions	**1,295**	**1,388**
Liabilities		
Liabilities to banks	16,417	17,808
Trade payables	716	621
Liabilities to affiliated companies	1,039	2,755
Liabilities from other long-term investees and investors	0	0
Other liabilities	184	466
	18,356	**21,650**
Deferred income	**13**	**10**
Deferred tax liabilities	**0**	**0**
	56,781	**57,684**

HYPOPORT
THE FINANCE INTEGRATOR

Hypoport AG
Klosterstraße 71
10179 Berlin
Tel.: +49 (0) 30/420 86 – 0
Fax: +49 (0) 30/420 86 – 1999
E-Mail: info@hypoport.de
www.hypoport.de

DEUTSCHE BÖRSE
PRIME STANDARD