



Hypoport AG  
annual report  
for 2015

Berlin, 29 March 2016

The background features a light blue gradient with various geometric shapes, including circles and L-shaped blocks, in shades of teal, blue, and red, scattered across the page.

# Key performance indicators

<b>Financial performance (€'000)</b>	<b>01.01. – 31.12.2014</b>	<b>01.01. – 31.12.2015</b>	<b>Change</b>
Revenue	112,325	138,982	24%
Gross profit	56,377	71,676	27%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12,698	25,077	97%
Earnings before interest and tax (EBIT)	7,935	19,260	143%
EBIT margin (EBIT as a percentage of gross profit)	7.1	13.9	96%
Net profit (loss) for the year	5,927	15,877	168%
attributable to Hypoport AG shareholders	5,919	15,871	168%
Earnings per share (€)	0,96	2,61	172%

<b>Financial position (€'000)</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Change</b>
Current assets	41,025	55,725	36%
Non-current assets	39,387	40,351	2%
Equity	38,852	52,661	36%
attributable to Hypoport AG shareholders	38,588	52,391	36%
Equity ratio (%)	48.0	54.5	14%
Total assets	80,412	96,076	19%

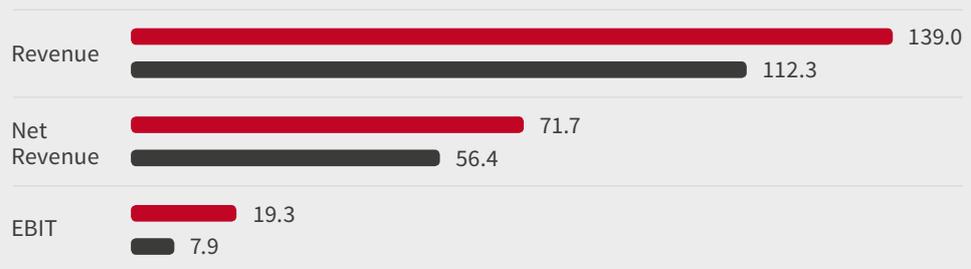
## Share performance

Earnings per Share	2015	€2.61
Price-Earnings Ratio	30 December 2015	€30.84
High in 2015	30 December 2015	€80.50
Low in 2015	09 January 2015	€12.23
Market capitalisation	30 December 2015	€498.7 million
Trading volume	daily average for 2015	€897,469

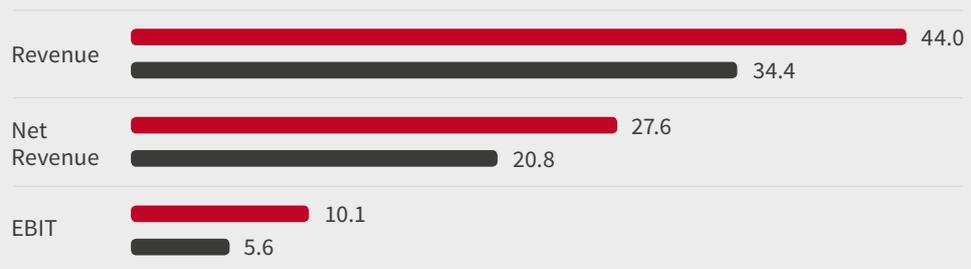
## Revenue, Net Revenue and EBIT (€ million)

● 2015    ● 2014

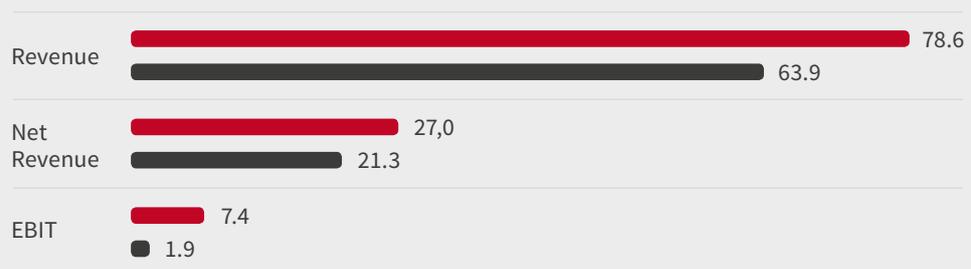
### Hypoport Group



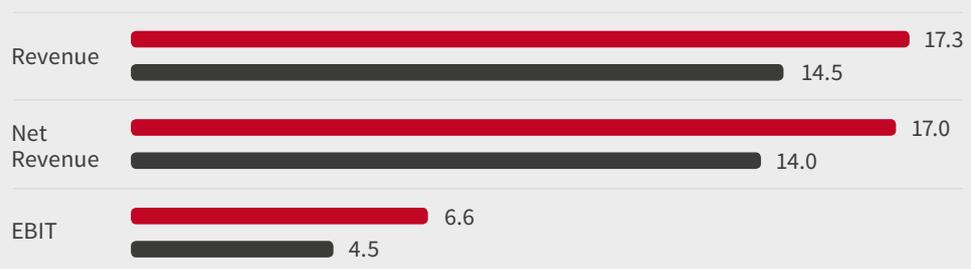
### Financial Service Providers



### Private Clients



### Institutional Clients





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# Letter to the shareholders

Dear shareholder,

2015 was THE year for Hypoport AG! All three business units achieved their best-ever results in terms of both revenue and earnings. Consolidated revenue rose by 24 per cent to €139.0 million (2014: €112.3 million). Earnings before interest and tax (EBIT) more than doubled year on year, jumping to €19.3 million (2014: €7.9 million). For the first time, this was also reflected in the performance of Hypoport's share price, which rose by more than 600 per cent. Not only was this the most prolific rise within a calendar year, it was also the best performance of any share listed in the Prime Standard of the German stock exchange. Moreover, earnings per share increased by 172 per cent to €2.61 (2014: €0.96).

The volume of transactions generated on the EUROPACE marketplace by the Financial Service Providers business unit went up by 25 per cent year on year to €45.2 billion (2014: €36.2 billion). Within that figure, the volume of mortgage finance brokered grew by 28 per cent, thereby easily outstripping the growth rate in the market as a whole. A total of 54 new partners were added. The expansion and activation of the partner base, which now comprises some 345 contractual partners (2014: 291), has been very encouraging. This is due, in particular, to the GENOPACE marketplace for cooperative banks and FINMAS, the marketplace for savings banks. The Financial Service Providers business unit reported revenue of €44 million, a rise of 28 per cent (2014: €34.4 million). Its EBIT almost doubled, reaching €10.1 million (2014: €5.6 million).

The volume of loans brokered by the Private Clients business unit climbed by 44 per cent to €9.1 billion (2014: €6.3 billion), which enabled the business unit to increase its market share significantly. This trend was underpinned by Europace 2 and the growth of the number

of advisors in the Dr. Klein franchise system, which rose by 10 per cent to 437 mortgage finance specialists (2014: 397). Revenue from Hypoport's Private Clients business was up by 23 per cent to €78.6 million (2014: €63.9 million). And although earnings were depressed for the final time by the insurance business, in connection with risk provisions of €1.5 million for advances, EBIT increased almost fourfold to €7.4 million (2014: €1.9 million).

There was a rise in the volume of loans processed by the Institutional Clients business unit, which advanced by 26 per cent to €2.1 billion. The business unit set a record in terms of the brokerage of long-term loans, which generally have higher commission rates. With EBIT at €6.6 million (2014: €4.5 million) and revenue at €17.3 million (2014: €14.5 million), the 2015 financial results of the Institutional Clients business unit were its best so far.

Demand for additional housing stock remains high. Housing will therefore continue to be a market with high potential in the years to come. The growing regulation and pressure on margins faced by banks and insurers are accelerating the digitisation of financial services. Hypoport will use its market expertise and knowledge of technology-based financial services to gain further market share. We are therefore forecasting revenue and earnings growth for the coming financial year that is just into double figures.

Kind regards,



Ronald Slabke  
Chief Executive Officer

# Business report

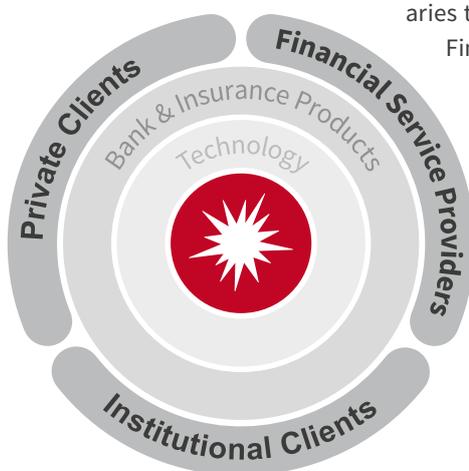
## 1. Business and economic conditions

### Business model and strategy

The Hypoport Group is a technology-based financial service provider. Its parent company is Hypoport AG, which is headquartered in Berlin, Germany. The Group consists of subsidiaries that are divided into three mutually supporting business units: Private Clients, Financial Service Providers, and Institutional Clients. All three units are engaged in the distribution of financial services, facilitated or supported by technology (FinTech).

Within the Hypoport Group, Hypoport AG performs the role of a strategic and management holding company with corresponding central functions. Hypoport AG's objectives are the advancement and expansion of its family of subsidiaries.

Earnings generated by operational business activities at Group level (EBIT) and total revenue, which represent the aggregate business performance of the individual operating segments, are the key performance measures at Hypoport.



### Financial Service Providers business unit

The Hypoport Group uses its EUROPACE B2B financial marketplace – the largest transaction platform – to sell financial products for private clients through its subsidiaries Hypoport Mortgage Market Ltd. (mortgage loans, building finance) and EUROPACE AG (personal loans, credit insurance). A fully integrated system links roughly 350 partners – banks, insurers and financial product distributors. Several thousand users execute around 35,000 transactions per month via EUROPACE. The volume generated in 2015 was in excess of €45 billion.

GENOPACE GmbH was launched in 2008 as an internal coordinating intermediary for Germany's cooperative banking sector. In addition to the credit cooperatives (Volksbanken) from Düsseldorf/Neuss and Münster, which were its initial partners, all the major cooperative financial network partners are now shareholders: Münchener Hypothekenbank eG, R+V Versicherung AG, WL BANK AG 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.

Starpool Finanz GmbH – a joint venture with Deutsche Postbank AG – provides small and medium-size financial product distributors with the EUROPACE marketplace plus packaging services.

### **Private Clients business unit**

As a provider of financial services for private clients, the Hypoport Group is represented in the market by its subsidiaries Dr. Klein & Co. AG and Vergleich.de Gesellschaft für Verbraucherinformation mbH. The main focus of the Private Clients unit is the sale of mortgage finance to consumers. The Private Clients unit also offers its clients various financial products in the categories of consumer loans, insurance and basic banking products (e.g. instant-access accounts). Initial customer interest is generated online, while subsequent advice is provided by means of online comparisons, on the telephone or, more often, by highly qualified financial advisors in face-to-face meetings. In each case, the Private Clients unit selects the best products for its clients from a broad selection of all appropriate banks and insurance companies. This comprehensive advice is independent of product suppliers and provides private clients with benefits in terms of efficiency and the quality of the product range.

In addition, Qualitypool GmbH also provides independent financial advisors with support and advisory services associated with the distribution of financial services.

### **Institutional Clients business unit**

The Institutional Clients unit, operating under the Dr. Klein & Co. AG brand, has been a major financial service partner to housing companies and commercial property investors since 1954. This business unit provides its institutional clients in Germany 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 B.V., the Group's subsidiary based in Amsterdam, helps banks to analyse and report on securitised or collateralised loan portfolios.

## **Economic conditions**

As the Hypoport Group's business activities are almost exclusively limited to Germany, the following situation analysis relates to the performance of the German economy as part of the eurozone.

Mass migration, terrorist attacks, the dispute over Ukraine and a lingering crisis in the eurozone are negative factors for Europe. Despite this extremely uncertain environment, the eurozone economy is stabilising, with the International Monetary Fund predicting a growth rate of 1.5 per cent for 2015 as a whole compared with 0.9 per cent in 2014. This growth was largely driven by consumer spending as falling energy costs, expansionary monetary policy and a significant improvement in the job market resulted in increased household spending. Despite the weak euro, the uncertain global situation constrained export growth. The low oil price curbed inflation and made the European Central Bank's target inflation rate of 2 per cent a distant prospect. As a result, the ECB further loosened its monetary policy by increasing its penalty interest rate for bank deposits and extending its bond-buying programme by six months. The ECB's key lending rate has remained unchanged since it was cut to 0.05 per cent on 10 September 2014.

The German economy continued to perform robustly in 2015. According to the German government, GDP rose by 1.7 per cent (2014: 1.6 per cent), with growth primarily based on domestic demand in the private and public sectors. Rising wages and higher employment figures, the falling savings ratio, the balanced budget and increased expenditure for migrants underpinned Germany's economic growth. The improvement in consumer sentiment was also reflected in the GfK Group consumer climate index, which was above 9 points throughout the entire year and was therefore significantly higher than in the previous year. The ifo Institute of Economic Research business climate index, which tracks economic trends among companies, remained within a narrow range with minimal fluctuations in 2015.

## Sectoral performance

The Hypoport Group and its segments operate in a range of individual financial services markets but focus on mortgage finance. The Private Clients and Financial Service Providers business units are affected by conditions in the consumer financial services sector. The Institutional Clients business unit targets companies in the housing and real-estate sectors.

### Financial services for private clients

In addition to generally positive economic sentiment, as in previous years, demand for financial products was predominantly influenced by the low level of interest rates. Low interest rates have a positive effect on demand for lending products, but the appeal of insurance products remained persistently low.

Mounting European and domestic regulation is adversely affecting the financial services market in Germany. Banks and insurance companies in particular have been forced to use key resources to implement laws and directives (e.g. the EU mortgage credit directive, Basel III, Solvency II), which has had the overall effect of inhibiting market performance.

### Lending market

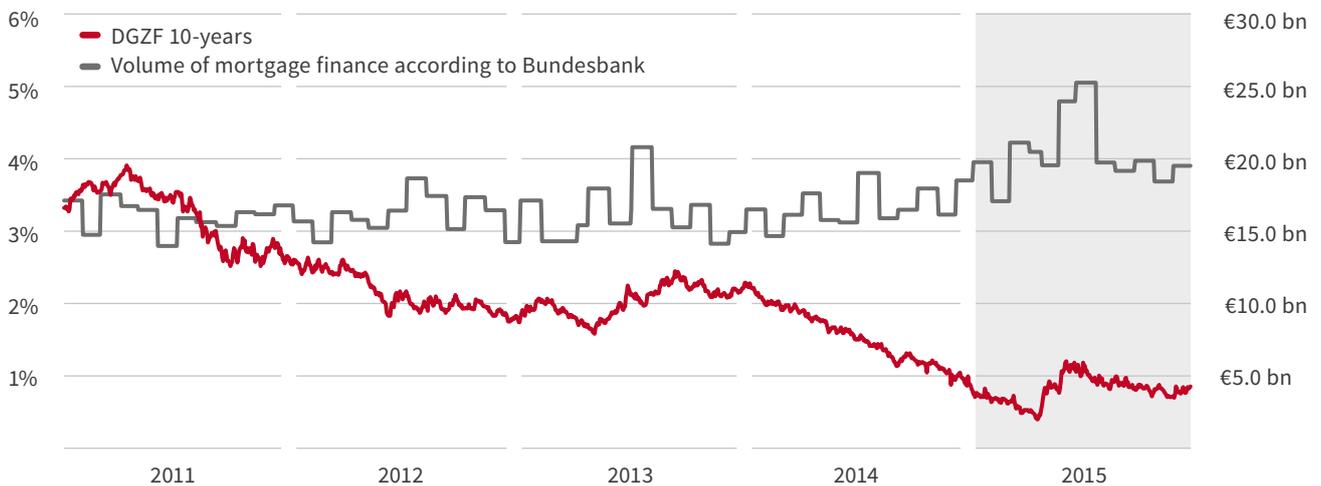
Demand for home loans was higher than ever in 2015. Rising demand for housing stock, combined with a continuing lack of sufficient construction activity in urban centres, resulted in sharp price rises and, consequently, in higher borrowing. In addition, new building and changes in ownership for existing properties augmented the number of property transactions. Transactions to refinance existing loans were also stimulated by the low level of interest rates and the brief rise in interest rates in the early summer, resulting in significant growth in the overall mortgage loans market.

According to the German Bundesbank, the total value of Germany's mortgage finance market rose by 22 per cent in 2015 to around €244.0 billion, compared with €200.0 billion in 2014.

In the first few months of 2015, the best interest rate for a ten-year mortgage fell to 1.03 per cent. From the middle of April, the best interest rate briefly rose to 1.6 per cent before falling back steadily for the rest of the year until it stood at around 1.3 per cent in December 2015.

Home savings products became slightly more appealing to private clients in 2015. Bundesbank statistics reveal that the volume of new building-finance transactions had increased by 4.1 per cent to €98.5 billion by the end of 2015 (31 December 2014: €94.6 billion).

The total market volume for new personal loan transactions in 2015 was €90.1 billion, a significant year-on-year increase of 11.5 per cent (31 December 2014: €80.8 billion). Private clients with personal loans continued to benefit from stiff competition between rivals and were able to take advantage of refinancing rates remaining low.



**Insurance market**

Sales of insurance products continued to be dominated by uncertainty in 2015. Low interest rates and constant regulatory interventions made it difficult for consumers to opt for long-term insurance products. At the time the annual report was being prepared, the German Insurance Association (GDV) had not yet published any market data for the past year, but we expect new business figures to be down overall.

**Financial services for institutional clients**

The jump in interest rates in early summer resulted in a sharp rise in demand for real-estate finance on the part of institutional clients. In the second quarter, the volume of loans on housing companies' books rose to €190.9 billion. Despite the lack of stimulus from interest rates during the remainder of the year, the corresponding volume of loans rose to €191.5 billion in the third quarter and amounted to €193.4 billion at the end of 2015 (31 December 2014: €188.1 billion).

## Business performance

In 2015, Hypoport's consolidated revenue was up by 24 per cent to €139.0 million (2014: €112.3 million), with EBIT rising by 143 per cent to €19.3 million (2014: €7.9 million). In its 2014 outlook, Hypoport had forecast revenue and earnings growth in 2015 for both the Hypoport Group and the individual business units that was just into double figures. This forecast was revised during 2015, and the ad-hoc disclosure dated 21 April 2015 stated: "The Company anticipates that its revenue for 2015 will grow at a low double-digit rate. It also expects to widen its EBIT margin and, consequently, to achieve disproportionately strong earnings growth."

All units, and therefore also Hypoport AG, achieved double-digit revenue growth in 2015 and consequently fulfilled the forecast. As predicted, the Group and the individual business units all also achieved disproportionately strong earnings growth.

The figures for revenue and selling expenses stated below include revenue and selling expenses shared with other segments of the Hypoport Group.

### Financial Service Providers business unit

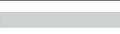
The total value of transactions generated by the Financial Service Providers business unit in 2015 grew by 25 per cent year on year to €45.2 billion (2014: €36.2 billion).

The volume attributable to the mortgage finance segment increased by 28 per cent to €35.6 billion (2014: €27.8 billion). The generally high level of demand for mortgages received added stimulus from the rise in interest rates in early summer, although the enhanced productivity resulting from Europace 2 BaufiSmart and the signing up of additional partners also pushed up the transaction volume. The volume of building finance loans was also higher, having risen by 13 per cent to €7.8 billion (2014: €6.9 billion) and the volume of personal loans grew by 20 per cent to €1.9 billion (2014: €1.6 billion).

In addition to increasing the productivity of existing partners, the focus for our EUROPACE, GENOPACE and FINMAS B2B financial marketplaces was on signing up new partners. The number of partners actively using EUROPACE rose by 19 per cent to 345 companies (31 December 2014: 291 partners). The number of contractual partners using the GENOPACE online transaction platform for credit cooperatives and mutually owned banks rose by 22 per cent to 141 in the year under review (31 December 2014: 116 partners). The number of partners using FINMAS, the financial marketplace for members of the Savings Banks Finance Group, was up by 24 per cent to 114 savings banks (31 December 2014: 92 partners).

### Revenue and earnings

The revenue generated by the Financial Service Providers business unit in 2015 amounted to €44.0 million, which represented a year-on-year increase of 28 per cent (2014: €34.4 million). Earnings before interest and tax (EBIT) rose exceptionally strongly, increasing by 79 per cent to €10.1 million (2014: €5.6 million). Overall, the Financial Service Providers business unit achieved an encouraging increase in its EBIT margin which was up from 16 per cent to 23 per cent.

Financial figures Financial Service Providers	2014	2015	Change
<b>Transaction volume (billion €)</b>			
Total	36.2	45.2	 25%
Mortgage finance	27.8	35.6	 28%
Personal loan	1.6	1.9	 20%
Building finance	6.9	7.8	 13%
<b>Partners (number)</b>			
Europace (incl. Genopace + Finmas)	291 <sup>1)</sup>	345	 19%
Genopace	116 <sup>1)</sup>	141	 22%
Finmas	92 <sup>1)</sup>	114	 24%
<b>Revenue and earnings (million €)</b>			
Revenue	34.4	44.0	 28%
Gross profit	20.8	27.6	 32%
EBIT	5.6	10.1	 79%

1) Prior-year figures for 31 December 2014

### Private Clients business unit

The Private Clients business unit continued to expand its branch-based sales network that is run as a franchise system and focuses on home loans. The number of active mortgage advisors rose by 10 per cent to 437 (31 December 2014: 397 advisors). However, the number of insurance advisors was down slightly on the previous year, falling from 266 as at 31 December 2014 to 224 at the end of 2105. Because competition in the online personal loans business is very intense, the Private Clients unit concentrated on profitable face-to-face advisory services.

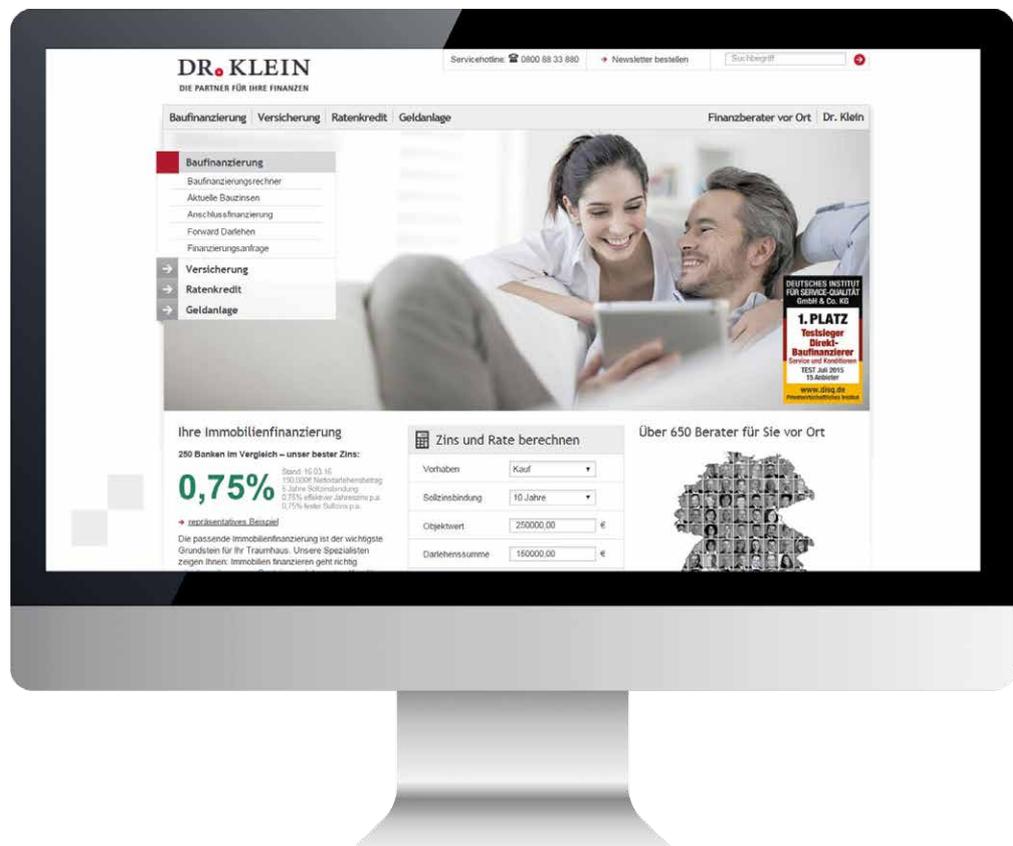
### Revenue and earnings

In 2015, revenue in the Private Clients business unit rose by 23 per cent to €78.6 million (2014: €63.9 million). Earnings before interest and tax (EBIT) amounted to €7.4 million, which was a substantial 288 per cent above the figure for the previous year (2014: €1.9 million). The significant rise in the EBIT margin was largely attributable to the low-cost expansion in the network of advisors via the franchise system. It was possible to achieve this exceptional increase in earnings despite recognising a provision of €1.5 million for insurance commission paid in advance.

In the loan brokerage segment, the volume of new loans brokered rose by a total of 44 per cent to the record level of €9.0 billion (2014: €6.3 billion). The largest contribution to this upward trend was provided by the mortgage finance product segment. Although this segment benefited from growth of around 20 per cent in the market as a whole, the striking increase in advisor productivity, which was partly due to the introduction of Europace 2 BaufiSmart, resulted in growth that comfortably outperformed the market.

The insurance portfolio expanded in all product segments. The total portfolio grew by 11 per cent to €122.6 million (31 December 2014: €110.7 million) but the highest growth rate was attributable to the portfolio of long-term and high-margin property, indemnity, accident and vehicle insurance policies.

In the Private Clients business unit, selling expenses are attributable to commission paid to distribution partners (e.g. branch-based advisors) and the cost of acquiring leads. Gross profit comprises the difference between the commission paid by product suppliers and these selling expenses. In 2015 as a whole, selling expenses rose more slowly than revenue once again, with a 21 per cent increase to €51.6 million (2014: €42.6 million).



Financial figures Private Clients	2014	2015	Change
<b>Transaction volume (billion €)</b>			
Financing	6.30	9.05	44%
Mortgage finance	5.9	8.6	47%
Personal loan	0.215	0.181	-16%
Building finance	0.210	0.222	6%
Number of franchise advisors (financing)	397 <sup>1)</sup>	437	10%
<b>Insurance policies under management</b>			
Insurance policies u. m. (total)	110.7 <sup>1)</sup>	122.6	11%
Insurance policies u. m. (life insurance)*	58.1 <sup>1)</sup>	63.9	10%
Insurance policies u. m. (private health insurance)	30.8 <sup>1)</sup>	33.7	9%
Insurance policies u. m. (SHUK)	21.8 <sup>1)</sup>	25.0	15%
Number of franchise advisors (insurance)	266 <sup>1)</sup>	224	-16%
<b>Revenue and earnings (million €)</b>			
Revenue	63.9	78.6	23%
Gross profit	21.3	27.0	26%
EBIT	1.9	7.4	288%

\* adjusted for simple financial products

1) Prior-year figures for 31 December 2014

### Institutional Clients business unit

In the Institutional Clients business unit, the volume of loans brokered for corporate clients rose sharply, increasing by 26 per cent to €2.1 billion in the year under review (2014: €1.6 billion). The volume of loan renewals also grew significantly, rising by 33 per cent to €277 million (2014: €207 million). In addition to growing customer loyalty, this positive trend was primarily accelerated by the brief rise in interest rates in May. The volume of new loans brokered was also higher, rising by 25 per cent to €1.8 billion (2014: €1.4 billion). As well as conducting its strong underlying business, the unit arranged high-volume loans for large housing companies.

### Revenue and earnings

In terms of revenue and earnings, 2015 was the Institutional Clients business unit's most successful year ever. As a result, the business unit also outperformed the forecast for modest growth in revenue and earnings stated in the 2014 annual report. Its revenue was up by 20 per cent to €17.3 million (2014: €14.5 million) EBIT climbed by 48 per cent to €6.6 million (2014: €4.5 million). An increase in transactions with longer fixed-interest periods (more than 20 years) and thus higher commission rates led to the disproportionately strong rise in earnings.

<b>Financial figures Institutional Clients</b>	<b>2014</b>	<b>2015</b>	<b>Change</b>
<b>Transaction volume (million €)</b>			
Brokered loans (total)	1,646	2,082	26%
New business	1,439	1,806	25%
Renewals	207	277	33%
<b>Consulting revenue (million €)</b>			
	5.1	4.7	-6%
<b>Revenue and earnings (million €)</b>			
Revenue	14.5	17.3	20%
Gross profit	14.0	17.0	22%
EBIT	4.5	6.6	48%

## 2. Financial performance

Following a strong year in 2014, the Hypoport Group achieved record results once again in 2015. In terms of market share, share-price performance and the number of partners in its business models, the Group achieved the best results in its history. This not only lays the foundations for future growth, it was also reflected in the revenue and earnings generated in the year under review.

<b>Financial performance</b>	<b>2015 €'000</b>	<b>2014 €'000</b>	<b>Change €'000</b>
Revenue	138,982	112,325	26,657
Selling expenses	-67,306	-55,948	-11,358
Gross Profit	71,676	56,377	15,299
Own work capitalised	4,663	4,176	487
Other operating income	2,179	1,825	354
Personnel expenses	-38,224	-35,331	-2,893
Other operating expenses	-15,246	-14,496	-750
Income from companies accounted for using the equity method	29	147	-118
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>25,077</b>	<b>12,698</b>	<b>12,379</b>
Depreciation, amortisation expense and impairment losses	-5,817	-4,763	-1,054
<b>Earnings before interest and tax (EBIT)</b>	<b>19,260</b>	<b>7,935</b>	<b>11,325</b>
Net finance costs	-146	-685	539
<b>Earnings before tax (EBT)</b>	<b>19,114</b>	<b>7,250</b>	<b>11,864</b>
Current income taxes	-2,158	-761	-1,397
Deferred taxes	-1,079	-562	-517
<b>Net profit for the year</b>	<b>15,877</b>	<b>5,927</b>	<b>9,950</b>

Against the backdrop of the operating performance described above, EBITDA increased to €25.1 million (2014: €12.7 million) and EBIT to €19.3 million (2014: €7.9 million), resulting in the EBIT margin (EBIT as a percentage of gross profit) rising from 14.1 per cent to 26.9 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 comprised income of €617 thousand from employee contributions to vehicle purchases (2014: €583 thousand), income of €513 thousand from other accounting periods (2014: €238 thousand), income of €470 thousand from sub-leases (2014: €426 thousand) and income of €326 thousand from the reversal of provisions (2014: €307 thousand). The rise in personnel expenses was largely attributable to wage and salary increases.

The rise in other operating expenses essentially relates to administrative expenses of €5.616 million (2014: €5.124 million) and selling expenses of €2.917 million (2014: €2.576 million).

The net finance costs mainly comprised interest expense and similar charges of €451 thousand (2014: €561 thousand), which stemmed from bank loans totalling €11.0 million (2014: €15.6 million).

### **3. Net assets**

The following information on the structure of the Hypoport Group's assets, equity and liabilities as at 31 December 2015 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'.

The Hypoport Group's consolidated total assets as at 31 December 2015 amounted to €96.1 million, which was a 19 per cent increase on the total as at 31 December 2014 (€80.4 million).

**Net asset**

<b>Assets</b>	<b>2015</b>		<b>2014</b>		<b>Change (€'000)</b>
	<b>(€'000)</b>	<b>%</b>	<b>(€'000)</b>	<b>%</b>	
Intangible assets	31,887	33.2	30,953	38.5	934
Property, plant and equipment	2,571	2.7	2,227	2.8	344
Investments accounted for using the equity method	34	0.0	83	0.1	-49
Financial assets	465	0.5	436	0.5	29
Trade receivables	3,580	3.7	4,181	5.2	-601
Other assets	1,418	1.5	1,124	1.4	294
Deferred tax assets	396	0.4	383	0.5	13
<b>Non-current assets</b>	<b>40,351</b>	<b>42.0</b>	<b>39,387</b>	<b>49.0</b>	<b>964</b>
Trade receivables	29,371	30.6	25,544	31.8	3,827
Other current items	1,481	1.5	3,255	4.0	-1,774
Income tax assets	116	0.1	202	0.3	-86
Cash and cash equivalents	24,757	25.8	12,024	15.0	12,733
<b>Current assets</b>	<b>55,725</b>	<b>58.0</b>	<b>41,025</b>	<b>51.0</b>	<b>14,700</b>
<b>Total assets</b>	<b>96,076</b>	<b>100.0</b>	<b>80,412</b>	<b>100.0</b>	<b>15,664</b>
<b>Equity and Liabilities</b>					
Subscribed capital	6,195	6.4	6,195	7.7	0
Treasury shares	-156	-0.2	-79	-0.1	-77
Reserves	46,352	48.2	32,472	40.5	13,880
	52,391	54.5	38,588	48.0	13,803
Non-controlling interest	270	0.3	264	0.3	6
<b>Equity</b>	<b>52,661</b>	<b>54.8</b>	<b>38,852</b>	<b>48.3</b>	<b>13,809</b>
Financial liabilities	6,920	7.2	11,261	14.0	-4,341
Provisions	97	0.1	96	0.1	1
Other liabilities	10	0.0	10	0.0	0
Deferred tax liabilities	2,033	2.1	942	1.2	1,091
<b>Non-current liabilities</b>	<b>9,060</b>	<b>9.4</b>	<b>12,309</b>	<b>15.3</b>	<b>-3,249</b>
Provisions	113	0.1	105	0.1	8
Financial liabilities	4,342	4.5	4,642	5.8	-300
Trade payables	20,430	21.4	16,521	20.6	3,909
Current income tax liabilities	1,022	1.1	268	0.3	754
Other liabilities	8,448	8.8	7,715	9.6	733
<b>Current liabilities</b>	<b>34,355</b>	<b>35.8</b>	<b>29,251</b>	<b>36.4</b>	<b>5,104</b>
<b>Total equity and liabilities</b>	<b>96,076</b>	<b>100.0</b>	<b>80,412</b>	<b>100.0</b>	<b>15,664</b>

## Balance sheet structure

### Aktiva

31.12.2015	42 %	58 %
31.12.2014	49 %	51 %

■ Non-current assets      ■ Current assets

### Passiva

31.12.2015	55 %	9 %	36 %
31.12.2014	48 %	15 %	37 %

■ Equity      ■ Non-current liabilities      ■ Current liabilities

Non-current assets totalled €40.4 million (31 December 2014: €39.4 million). They largely consisted of development costs of €15.6 million for the financial marketplaces (31 December 2014: €14.7 million) and unchanged goodwill of €14.8 million.

Current other assets essentially comprised commission of €0.6 million paid in advance to distribution partners (31 December 2014: €2.2 million).

The equity attributable to Hypoport AG shareholders as at 31 December 2015 grew by €13.8 million, or 35.8 per cent, to €52.4 million. The equity ratio increased from 48.3 per cent to 54.8 per cent as a result of the net profit reported for the period.

Other current liabilities mainly comprised bonus commitments of €4.4 million (31 December 2014: €3.4 million) and commissions received in advance totalling €1.0 million (31 December 2014: €1.3 million).

Total financial liabilities fell by €4.6 million to €11.3 million largely as a result of 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.

Liquidity position at the balance sheet date	31.12.2015 €'000	31.12.2014 €'000	Change €'000
Current liabilities	34,355	29,251	5,104
Cash and cash equivalents	24,757	12,024	12,733
	9,598	17,227	-7,629
Other current assets	30,968	29,001	1,967
Surplus cover	21,370	11,774	9,596

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

<b>Cover ratio</b>	<b>31.12.2015</b> €'000	<b>31.12.2014</b> €'000	<b>Change</b> €'000
Non-current assets	40,351	39,387	964
Equity	52,661	38,852	13,809
	-12,310	535	-12,845
Non-current liabilities	9,060	12,309	-3,249
<b>Surplus cover</b>	<b>21,370</b>	<b>11,774</b>	<b>9,596</b>

162 per cent (31 December 2014: 140 per cent) of the current liabilities of €34.355 million (31 December 2014: €29.251 million) are covered by current assets.

131 per cent (31 December 2014: 99 per cent) of non-current assets are funded by equity.

As a result of the Company's strong performance, net borrowing was lower than forecast.

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

	<b>31.12.2015</b>	<b>31.12.2014</b>
Return on investment = EBIT / (equity + non-current liabilities)	31.2%	15.5%
Cash flow (CF) return on equity = CF from operating activities / equity	50.7%	21.7%
EBIT margin = EBIT / gross profit	26.9%	14.1%
Tier-1 liquidity = cash and cash equivalents / current liabilities	72.1%	41.1%
Equity ratio = equity / total equity and liabilities	54.8%	48.3%
Gearing = liabilities / total equity and liabilities	45.2%	51.7%
Tier-1 capital ratio = equity / (Intangible assets + Property, plant and equipment)	152.8%	117.1%

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 rose by €13.0 million to €23.7 million (31 December 2014: €10.7 million). This increase was largely attributable to the substantial year-on-year improvement in the net profit reported for the period.

The total net cash generated by operating activities as at 31 December 2015 amounted to €26.7 million (31 December 2014: €8.4 million). The cash used for working capital fell by €5.3 million to €2.9 million (31 December 2014: minus €2.3 million).

The net cash outflow of €7.1 million from investing activities (31 December 2014: €6.2 million) stemmed primarily from the fact that capital expenditure on non-current intangible assets had risen to €5.7 million (31 December 2014: €5.2 million).

The net cash of €6.9 million used by financing activities (31 December 2014: €1.2 million) related to scheduled loan repayments of €4.6 million (31 December 2014: €4.9 million) and the purchase of treasury shares for €2.3 million (31 December 2014: €0.3 million). No loans were taken out in the reporting period (31 December 2014: €4.0 million).

Cash and cash equivalents as at 31 December 2015 totalled €24.8 million, which was €12.7 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 €11.432 million (31 December 2014: €12.047 million) in respect of rentals, leases and maintenance agreements covering several years. Included in these other financial commitments were commitments of €3.401 million (31 December 2014: €4.026 million) due within one year, €7.687 million (31 December 2014: €7.324 million) due in one to five years, and €344 thousand (31 December 2014: €697 thousand) due in more than five years.

**Overall statement on the Hypoport Group's economic position:**

The operating performance of the Hypoport Group was generally very positive, and exceeded our expectations. The Group's financial performance and financial position in the reporting period were also very encouraging. This also takes into account information obtained after the end of the financial year.

## 5. Capital expenditure and finance

The main capital expenditure in 2015 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 funded from current cash flow.

## 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. Employees

Total headcount increased slightly compared with the end of 2014, rising by 3 per cent to 577 employees (31 December 2014: 561 employees). The average number of people employed in 2015 was 569, which was a year-on-year increase of 1 per cent (2014: 561 people).

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

Employees	31.12.2015		31.12.2014		Change	
	Number	%	Number	%	Number	%
Financial Product Sales – Private Clients	232	40	183	32	49	27
Financial Product Sales – Institutional Clients	74	13	71	13	3	4
B2B Financial Marketplaces – Financial Service Providers	106	18	99	18	7	7
Information Technology	91	16	103	18	-12	-12
Administration	74	13	105	19	-31	-30
	<b>577</b>		<b>561</b>		<b>16</b>	<b>3</b>

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 AG'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 enhances its corporate culture.

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 setting in which managers and their staff can hold a structured discussion about aspirations, development opportunities and performance incentives.

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 AG'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.

## 8. 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.

## 9. Remuneration report

The overall structure and level of Management Board remuneration are determined by the Supervisory Board, which currently comprises its chairman Dr Ottheinz Jung-Senssfelder, its vice-chairman Roland Adams, and Christian Schröder. Both the structure and amount of this remuneration are reviewed regularly by the Supervisory Board and adjusted as necessary.

The main criteria used to assess the appropriateness of remuneration are the functions and responsibilities of each Management Board member and their personal performance. The financial situation, performance and sustainable development of the Company, customary remuneration in a comparable environment and the pay structure in other parts of the Company and other German companies are also taken into account. Furthermore, the level of remuneration is set so as to be competitive in the market for highly qualified executives.

The total remuneration for members of the Management Board in 2015 was composed of a basic salary, a performance-related salary, fringe benefits and variable year-end remuneration. Fringe benefits are essentially the use of a company car and insurance cover.

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 remuneration for 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 remuneration initially amounted to 5 per cent (also referred to below as the '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 variable year-end remuneration amounts to no more than the sum total of the annual basic salary and the performance-related salary.

The changes in basic salary, performance-related salary and year-end remuneration 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 2015.

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 or annuities have been agreed with any of the members of the Management Board. The Company pays Mr Ronald Slabke an amount of €1 thousand per annum for pension insurance cover. In return for Mr Hans Peter Trampe waiving his right to a company car, the Company pays him an amount of €18 thousand per annum for private pension insurance. Once the Company has paid these contributions it is not obliged to provide any further benefits.

The remuneration for the Management Board for 2015 totalled €1.734 million and was broken down as follows:

Bord of Management Remuneration €'000	Fixed remuneration*		Variable remuneration		Fringe benefits		Total remuneration	
	2015	2014	2015	2014	2015	2014	2015	2014
Ronald Slabke	204	204	204	185	12	13	420	402
Thilo Wiegand	204	204	204	185	15	16	423	405
Hans Peter Trampe	204	204	204	185	22	20	430	409
Stephan Gawarecki	204	204	204	185	53	59	461	448
<b>Total</b>	<b>816</b>	<b>816</b>	<b>816</b>	<b>740</b>	<b>102</b>	<b>108</b>	<b>1,734</b>	<b>1,664</b>

\*) The fixed remuneration includes the guaranteed bonus.

The two tables below show the benefits granted (including fringe benefits and the maximum and minimum remuneration achievable for variable remuneration components) and the allocations made to members of the Management Board for 2015 presented in accordance with the German Corporate Governance Code (DCGK).

Remuneration and Benefits Granted €'000	Ronald Slabke Chairmann Joined Dec. 21, 2001				Thilo Wiegand Financial Service Providers Joined Jun. 1, 2008			
	Target value 2014	Target value 2015	Minimum value 2015	Maximum value 2015	Target value 2014	Target value 2015	Minimum value 2015	Maximum value 2015
Fixed remuneration*	204	204	204	204	204	204	204	204
Fringe benefits	13	12	12	12	16	15	15	15
<b>Total</b>	<b>217</b>	<b>216</b>	<b>216</b>	<b>216</b>	<b>220</b>	<b>219</b>	<b>219</b>	<b>219</b>
Variable remuneration	185	204	0	204	185	204	0	204
<b>Aggregate remuneration</b>	<b>402</b>	<b>420</b>	<b>216</b>	<b>420</b>	<b>405</b>	<b>423</b>	<b>219</b>	<b>423</b>

\*) The fixed remuneration includes the guaranteed bonus.

**Remuneration and Benefits Granted  
€'000**

**Hans Peter Trampe  
Institutional Clients  
Joined Jun. 1, 2010**

**Stephan Gawarecki  
Privat Clients  
Joined Jun. 1, 2010**

	Target value 2014	Target value 2015	Minimum value 2015	Maximum value 2015	Target value 2014	Target value 2015	Minimum value 2015	Maximum value 2015
Fixed remuneration*	204	204	204	204	204	204	204	204
Fringe benefits	20	22	22	22	59	53	53	53
<b>Total</b>	<b>224</b>	<b>226</b>	<b>226</b>	<b>226</b>	<b>263</b>	<b>257</b>	<b>257</b>	<b>257</b>
Variable remuneration	185	204	0	204	185	204	0	204
<b>Aggregate remuneration</b>	<b>409</b>	<b>430</b>	<b>226</b>	<b>430</b>	<b>448</b>	<b>461</b>	<b>257</b>	<b>461</b>

\*) The fixed remuneration includes the guaranteed bonus.

**Allocation of Remuneration in/for 2014 and 2015  
€'000**

**Ronald Slabke  
Chairman  
Joined Dec. 21, 2001**

**Thilo Wiegand  
Financial Service Providers  
Joined Jun. 1, 2008**

**Hans Peter Trampe  
Institutional Clients  
Joined Jun. 1, 2010**

**Stephan Gawarecki  
Privat Clients  
Joined Jun. 1, 2010**

	2015	2014	2015	2014	2015	2014	2015	2014
Fixed remuneration*	204	204	204	204	204	204	204	204
Fringe benefits	12	13	15	16	22	20	53	59
<b>Total</b>	<b>216</b>	<b>217</b>	<b>219</b>	<b>220</b>	<b>226</b>	<b>224</b>	<b>257</b>	<b>263</b>
Variable remuneration	185	0	185	0	185	0	185	0
<b>Aggregate remuneration</b>	<b>401</b>	<b>217</b>	<b>404</b>	<b>220</b>	<b>411</b>	<b>224</b>	<b>442</b>	<b>263</b>

\*) The fixed remuneration includes the guaranteed bonus.

The remuneration for 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 12 June 2015 and consists of three components: 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 fixed remuneration of €15,000.00 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 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 €5,000.00 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 for the Supervisory Board for 2015 totalled €94 thousand and was broken down as follows:

Remuneration of the Members of the Supervisory Board €'000	Fixed remuneration		Variable remuneration		Fringe benefits		Total remuneration	
	2015	2014	2015	2014	2015	2014	2015	2014
Dr. Ottheinz Jung-Senssfelder	30	24	10	10	2	2	42	36
Roland Adams <sup>1)</sup>	13	0	4	0	1	0	18	0
Christian Schröder	15	12	5	5	1	1	21	18
Prof. Dr. Thomas Kretschmar <sup>2)</sup>	10	18	3	7	0	0	13	25
<b>Total</b>	<b>68</b>	<b>54</b>	<b>22</b>	<b>22</b>	<b>4</b>	<b>3</b>	<b>94</b>	<b>79</b>

1) Roland Adams was elected to the Supervisory Board of Hypoport AG with effect from 12 June 2015.

2) Prof. Dr. Thomas Kretschmar resigned from the Supervisory Board of Hypoport AG with effect from 12 June 2015.

## 10. 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 2015. 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.

### **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 shareholding in Hypoport AG was known to us at the time this management report was prepared:

Ronald Slabke, Berlin, holds 36,94 per cent of Hypoport's shares. Of these, the 34,77 per cent of the voting shares held by Revenia GmbH, Berlin, are attributable to him pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

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 dis-apply the shareholders' statutory pre-emption rights.

The Annual Shareholders' Meeting held on 12 June 2015 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 11 June 2020. 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.

**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.

## **11. 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](http://www.hypoport.com).

# 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. Risks are identified and assessed locally in the individual organisational units throughout the Group by compiling a risk inventory at least once a year. In this context, experts from all departments analyse and assess material risks using self assessments which are divided into a risk potential assessment, for identifying and assessing material risks, and the resulting proposed actions. In order to assess a risk that has been identified, the probability of the risk scenario arising and the potential loss level are determined. Risks that have been identified are managed using appropriate risk control strategies. All risks are also 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 opportunity and risk management system

### **Internal monitoring system**

The central feature of Hypoport's 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. 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 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 Hypoport. The data protection team as well as regular audits carried out by partners and by product standards regulator TÜV Süd, ensure a high level of data security. 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 opportunities and risks that could threaten the Hypoport Group as a going concern.

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

The mortgage finance market in Germany is experiencing a growth phase. Rising rents and the lack of alternative investments are driving the trend for purchasing property. Purchase prices are being driven up by excess demand for both luxury and basic housing in the urban centres. These trends are increasing the volume of mortgage finance, and this will continue to benefit Hypoport.

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. Given the persistently challenging economic conditions, we do not expect interest rates to rise significantly in the medium term. The recent trend in 2016 confirms this assumption.

In the life and pensions insurance business, however, the low level of interest rates is continuing to hamper life insurers. Poor investment yields in this sector will make people, who are already reluctant, even less willing to take out policies.

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 350 insurance companies, banks 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. By doing so, we may even face lower margins due to the stiff competition in our market. 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. Competition for highly qualified financial advisors has also increased. Transparent contractual conditions, competitive pay, the quality of our advisors and our non-captive status put us in an excellent position in the market.

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.

#### **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 and IT service providers we usually opt for standard software packages from reputable suppliers and service 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.

Every year, substantial amounts are spent on upgrading the IT infrastructure and IT application systems to ensure that our IT systems are efficient.

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 against potential liability risks and compensation claims in order 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 credit terms it allows as part of its operating activities and these terms 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 Hypoport 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 Hypoport Group provides for cancellation risk by retaining appropriate amounts of the commission due to agents and by recognising cancellation provisions. The provisioning level is based on the commission income received during the liability period and the claims for reimbursement of commission anticipated on the basis of past experience.

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 macro-economic 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. Neither Hypoport AG nor its subsidiaries are involved in current or foreseeable legal or arbitration proceedings that could have a significant impact on the Group's financial position. Appropriate provisions are recognised by each Group company for any potential financial charges arising from legal or arbitration proceedings.

In order to avoid tax risk, 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. The effectiveness of our risk management system and its implementation are also reviewed on a regular basis by external auditors and the internal audit department. 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.

The cumulative expected value of the ten biggest risks is €4.1 million. At present we have not identified any additional risks that might jeopardise the Company as a going concern. The risks described, and those of which we are not yet aware or have currently assessed as immaterial, could have a negative impact on the forecasts we expressed in the outlook. 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. No significant risks that could have a material effect on the continued existence of Hypoport AG as a going concern have arisen since the balance sheet date.

## **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 strict adherence to the double-checking principle in accounting and finance, Hypoport ensures that local (HGB and national 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 finance 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 finance function also acts as a central contact point at Group level for special issues in the Group, such as specific accounting questions. Ad-hoc analysis requested by the Management Board during the year is also carried out by the finance function.

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-only 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, 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 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 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 2016, 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.

While continuously monitoring the market and competitive environment from the Company's various perspectives, Hypoport examines the market for potential acquisition targets, including among FinTech companies. An acquisition could create opportunities for enhanced revenue potential.

The opportunities described, and those of which we are not yet aware or have currently assessed as immaterial, could result in a positive deviation from the figures provided in our forecast.

## 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.

## Outlook

In January, the IMF slightly raised its GDP forecast for Germany. It predicts that Germany's real economic output will rise by 1.7 per cent in both of the next two years. The German government, the OECD and the European Commission are even more optimistic, and are forecasting GDP growth of 1.8 per cent for Germany.

Growth in the eurozone, and particularly in Germany, will be driven by the strong domestic economy. Not only will consumer spending be boosted by low energy prices, the healthy employment situation, the low savings ratio and net inward migration, the public sector will also spend more on infrastructure measures because of net inward migration, which will stimulate growth. Assuming that the euro remains relatively weak, Deutsche Bank does not believe the ECB will raise interest rates for the first time until after March 2017. Experts agree that the ECB will not remove any liquidity from the market in 2016. The continuation of the ECB's expansionary monetary policy, the relatively weak euro, the balanced fiscal budget and the anticipated end of the recession in some emerging markets will prop up Germany's weakened export sector. Long-term loans and mortgages will remain affordable.

## Outlook

Hypoport AG annual report for 2015

Demand for construction will remain higher than the number of completed homes and net inward migration will increase this demand. The strong demand for housing stock in urban districts will result in more house-building, with Deutsche Bank, for example, expecting construction investment to rise by 2.4 per cent. At the same time, there will be a shift in the supply of housing stock from properties available to rent to those available to buy.

However, there are substantial threats to global growth and forecasts are uncertain. Growth could be constrained by weak world trade, the faltering economy in China, the abandonment of expansionary monetary policy by the US and the potential of a stronger euro than experts anticipate. The eurozone's high level of debt may depress both consumer spending and capital investment and a potential Brexit could also damage the eurozone. However, the biggest risks are any escalation in further geopolitical trouble spots or tensions caused by the migrant crisis.

Additional regulation of financial services with a negative impact on the competitiveness of Hypoport's business models poses a further risk. The increase in regulation in the financial services markets will make market participants wary again in 2015, particularly in the insurance industry, but also in the home loans market.

The Financial Service Providers business unit plans to continue its penetration of market segments using the Company's proprietary platform. It also aims to expand its range of products and services and consequently to extend the depth of services provided to individual customers. The faster pace of digital transformation in financial services resulting from regulation and pressure on margins, is likely to provide an added boost for the business unit's earnings.

The Private Clients business unit will focus on the continued expansion of its mortgage finance business while also aiming to further increase its profit margin by extending its distribution network within the low-cost franchise system.

The Institutional Clients business unit is forecasting another successful year thanks to its long-standing, close client relationships in the German housing sector. As the top innovator in the sector, the unit will continue to grow and to broaden its product range.

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 €6.8 million in 2016. Most of these funds will be invested in the expansion and refinement of the EUROPACE, GENOPACE and FINMAS financial marketplaces. The budget will allow all capital expenditure to be funded from cash flow.

As at the balance sheet date, the Hypoport Group had sufficient equity and adequate cash and cash equivalents. Our business model is not very capital intensive and generates large cash flows, making it possible – as things stand – for all funding needs to be met from internal resources in 2016. As a result, Hypoport is largely immune to developments in the capital markets. Rising interest rates or more restrictive bank lending would not have a negative impact on our ability to fund ourselves or our liquidity. We will essentially use our cash flows to increase the Hypoport Group's financial strength and for capital investment.

The Hypoport Group and its subsidiaries are well placed in the market for 2016. Assuming that the German economy performs well, and there is no significant turmoil in the real-estate markets, we expect the Group as a whole, and the individual Private Clients, Institutional Clients and Financial Service Providers business units, to achieve low double-digit growth in revenue and earnings in the coming year.

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, 11 March 2016  
 Hypoport AG – The Management Board



Ronald Slabke



Thilo Wiegand



Stephan Gawarecki



Hans Peter Trampe

# 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, 11 March 2016

Hypoport AG – The Management Board



Ronald Slabke



Thilo Wiegand



Stephan Gawarecki



Hans Peter Trampe

# Hypoport's shares

## Share price performance

Hypoport shares had already followed a strong upward trend in the first half of 2015. From a starting price of €12.29 on 5 January 2015, the share price doubled in the first half of the year, reaching €24.97 on 30 June 2015. It had fallen to €12.23, its lowest price for the year, on 9 January 2015.

In the second half of the year, the shares maintained their sharp upward trajectory, reaching their all-time high of €80.50 at the end of the year (30 December 2015). Overall, the value of Hypoport shares increased more than sixfold during 2015. Trading in the shares also increased significantly in 2015.

### Performance of Hypoport shares (daily closing prices, Xetra, €) up to 31 Dec 2015



## Earnings per share

Earnings per share for 2015 came to €2.61 (2014: €0.96).

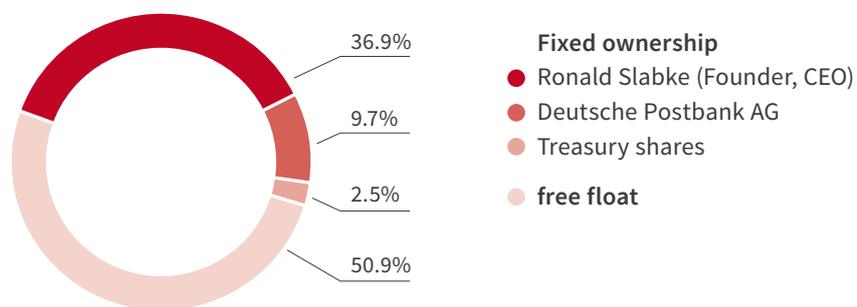
## Trading volumes

The daily volume of Hypoport shares traded in 2015 averaged €897,468.61. The highest average daily turnover was in the fourth quarter (40,050 shares), followed by the third quarter (20,329 shares). An average of 11,649 shares per day were traded in the second quarter. The lowest daily turnover was recorded in the first quarter, when an average of only 7,512 Hypoport shares changed hands.

## Shareholder structure

The free float in Hypoport's shares amounts to 50.9 per cent. Breakdown of shareholders as at 31 December 2015:

### Breakdown of shareholders as at 31 December 2015



## Research

The table below shows the research studies on Hypoport's shares published in 2015.

Analyst	Recommendation	Target price	Date
Montega	Hold	€78.00	14 Dec 2015
Oddo Seydler Bank AG	Buy	€64.00	02 Nov 2015
Oddo Seydler Bank AG	Buy	€57.00	23 Oct 2015
Oddo Seydler Bank AG	Buy	€41.00	03 Aug 2015
Montega	Buy	€37.00	23 Jul 2015
Oddo Seydler Bank AG	Buy	€41.00	22 Jul 2015
Montega	Buy	€30.00	22 Jun 2015
Montega	Buy	€29.00	13 May 2015
Montega	Buy	€29.00	05 May 2015
Oddo Seydler Bank AG	Buy	€26.00	04 May 2015
Montega	Buy	€29.00	21 Apr 2015
Oddo Seydler Bank AG	Buy	€21.00	17 Mar 2015
Montega	Buy	€23.00	10 Mar 2015
Montega	Buy	€18.50	24 Feb 2015
Oddo Seydler Bank AG	Buy	€17.00	30 Jan 2015

## 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 Oddo 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. Nine ad-hoc disclosures were published in 2015.

- **23 October 2015**  
Ad-hoc disclosure: Revenue and earnings in first nine months well above previous year
- **18 September 2015**  
Ad-hoc disclosure: Hypoport AG expands share repurchase programme:  
maximum price raised to €40.00
- **22 July 2015**  
Ad-hoc disclosure: Hypoport raises its revenue forecast for the 2015 financial year
- **3 July 2015**  
Ad-hoc disclosure: Hypoport AG approves share repurchase programme
- **19 June 2015**  
Ad-hoc disclosure for Q2 2015: Earnings after two months are well above  
the entire second quarter of 2014
- **21 April 2015**  
Ad-hoc disclosure: Hypoport raises its earnings forecast for the 2015 financial year
- **11 March 2015**  
Ad-hoc disclosure: Hypoport AG expands share repurchase programme:  
maximum price raised to €19.00
- **20 February 2015**  
Ad-hoc disclosure: Hypoport raises its earnings forecast for the 2014 financial year
- **16 January 2015**  
Ad-hoc disclosure: Hypoport AG approves share repurchase programme

Ad-hoc disclosures can be downloaded from our website at [www.hypoport.de](http://www.hypoport.de)

## Notification of directors' dealings

The table below shows the directors' dealings notified and published in 2015.

Transaction date	Notifying person/entity	Transaction	Stock exchange	Number of shares	Execution price
03 Nov 2015	Monika Schröder	Sale	XETRA	1,000	56.00
23 Sep 2015	Christian Schröder	Sale	XETRA	1,500	39.715
12 May 2015	Hans Peter Trampe	Purchase	Off-exchange	10,000	10.00
12 May 2015	Hans Peter Trampe	Sale	XETRA	1,000	21.90
08 May 015	Inge Trampe	Sale	XETRA	2,800	21.50
09 Apr 2015	Monika Schröder	Sale	XETRA	1,000	21.65
31 Mar 2015	Christian Schröder	Sale	XETRA, Frankfurt	1,500	19.40

## Key data on Hypoport's shares

WKN	549 336
ISIN	DE 000 549 3365
Stock exchange symbol	HYQ
Type	No-par-value shares
Notional value	€1.00
Subscribed capital	€6,194,958.00
Stock exchanges	Frankfurt
XETRA	XETRA
Market segment	Regulated market
Transparency level	Prime Standard
Membership of indices	SDAX
	CDAX
	Classic All Share
	DAXsector All Financial Services
	DAXsubsector Diversified Financial
	GEX
	Prime All Share
Performance	
Share price as at 5 January 2015	€12.29 (XETRA)
Share price as at 30 December 2015	€80.50 (XETRA)
High in 2015	€80.50 (30 December 2015, XETRA)
Low in 2015	€12.23 (9 January 2015, XETRA)
Market capitalisation	€498.7 million (30 December 2015)
Trading volume	€897,468.61 (daily average for 2015)

# Consolidated financial statements

## IFRS consolidated income statement for the year ended 31 December 2015

	Note	2015 €'000	2014 €'000
Revenue	(3.1)	138,982	112,325
Selling expenses	(3.2)	-67,306	-55,948
<b>Gross profit</b>		<b>71,676</b>	<b>56,377</b>
Own work capitalised	(3.3)	4,663	4,176
Other operating income	(3.4)	2,179	1,825
Personnel expenses	(3.5)	-38,224	-35,331
Other operating expenses	(3.6)	-15,246	-14,496
Income from companies accounted for using the equity method	(3.7)	29	147
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>25,077</b>	<b>12,698</b>
Depreciation, amortisation expense and impairment losses	(3.8)	-5,817	-4,763
<b>Earnings before interest and tax (EBIT)</b>		<b>19,260</b>	<b>7,935</b>
Financial income	(3.9)	366	137
Finance costs	(3.9)	-512	-822
<b>Earnings before tax (EBT)</b>		<b>19,114</b>	<b>7,250</b>
Income taxes and deferred taxes	(3.10)	-3,237	-1,323
<b>Net profit for the year</b>		<b>15,877</b>	<b>5,927</b>
attributable to non-controlling interest	(4.12)	6	8
attributable to Hypoport AG shareholders	(3.11)	15,871	5,919
<b>Earnings (loss) per share (€)</b>	<b>(3.11)</b>	<b>2.61</b>	<b>0.96</b>

## Consolidated statement of comprehensive income for the period 1 January to 31 December 2015

	2015 €'000	2014 €'000
Net profit (loss) for the year	15,877	5,927
Total income and expenses recognized in equity*)	0	0
Total comprehensive income	15,877	5,927
attributable to non-controlling interest	6	8
attributable to Hypoport AG shareholders	15,871	5,919

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

IFRS consolidated balance sheet as at 31 December 2015

	Note	31.12.2015 €'000	31.12.2014 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	(4.1)	31,887	30,953
Property, plant and equipment	(4.1)	2,571	2,227
Financial assets	(4.2)	34	83
Investments accounted for using the equity method	(4.3)	465	436
Trade receivables	(4.4)	3,580	4,181
Other assets	(4.5)	1,418	1,124
Deferred tax assets	(4.6)	396	383
		<b>40,351</b>	<b>39,387</b>
<b>Current assets</b>			
Trade receivables	(4.4)	29,269	25,442
Trade receivables from joint ventures	(4.4)	102	102
Other assets	(4.5)	1,481	3,255
Current income tax assets	(4.5)	116	202
Cash and cash equivalents	(4.7)	24,757	12,024
		<b>55,725</b>	<b>41,025</b>
		<b>96,076</b>	<b>80,412</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Subscribed capital	(4.8)	6,195	6,195
Treasury shares	(4.10)	-156	-79
Reserves	(4.11)	46,352	32,472
Equity attributable to non-controlling interes	(4.12)	270	264
		<b>52,661</b>	<b>38,852</b>
<b>Non-current liabilities</b>			
Financial liabilities	(4.13)	6,920	11,261
Provisions	(4.15)	97	96
Other liabilities	(4.14)	10	10
Deferred tax liabilities	(4.6)	2,033	942
		<b>9,060</b>	<b>12,309</b>
<b>Current liabilities</b>			
Provisions	(4.15)	113	105
Financial liabilities	(4.13)	4,342	4,642
Trade payables		20,394	16,493
Trade payables from joint ventures		36	28
Current income tax liabilities		1,022	268
Other liabilities	(4.14)	8,448	7,715
		<b>34,355</b>	<b>29,251</b>
		<b>96,076</b>	<b>80,412</b>

Consolidated statement of changes in equity for 2014 and 2015

<b>2014 €'000</b>	<b>Subscribed capital</b>	<b>Capital reserves</b>	<b>Retained earnings</b>	<b>Equity attributa- ble to Hypoport AG shareholders</b>	<b>Equity attribut- able to non-con- trolling interest</b>	<b>Equity</b>
Equity as at 1 Jan 2014	6,138	2,057	24,602	32,797	256	33,053
Sale of own shares	4	152	28	184	0	184
Purchase of own shares	-26	0	-286	-312	0	-312
Total comprehensive income	0	0	5,919	5,919	8	5,927
<b>Equity as at 31 Dec 2014</b>	<b>6,116</b>	<b>2,209</b>	<b>30,263</b>	<b>38,588</b>	<b>264</b>	<b>38,852</b>

<b>2015 €'000</b>	<b>Subscribed capital</b>	<b>Capital reserves</b>	<b>Retained earnings</b>	<b>Equity attributa- ble to Hypoport AG shareholders</b>	<b>Equity attribut- able to non-con- trolling interest</b>	<b>Equity</b>
Equity as at 1 Jan 2015	6,116	2,209	30,263	38,588	264	38,852
Sale of own shares	9	136	91	236	0	236
Purchase of own shares	-86	0	-2,218	-2,304	0	-2,304
Total comprehensive income	0	0	15,871	15,871	6	15,877
<b>Equity as at 31 Dec 2015</b>	<b>6,039</b>	<b>2,345</b>	<b>44,007</b>	<b>52,391</b>	<b>270</b>	<b>52,661</b>

Consolidated cash flow statement for the period 1 January 2015 to 31 December 2015

	2015 €'000	2014 €'000
Earnings before interest and tax (EBIT)	19,260	7,935
Non-cash income / expense	1,599	34
Interest received	27	29
Interest paid	-457	-564
Income taxes paid	-1,564	-907
Current tax	160	146
Change in deferred taxes	-1,079	-562
Income from companies accounted for using the equity method	-29	-147
Depreciation and amortisation expense, impairment losses / reversals of impairment	5,817	4,763
Gains / losses on the disposal of non-current assets	10	1
<b>Cash flow</b>	<b>23,744</b>	<b>10,728</b>
Increase / decrease in current provisions	8	46
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-1,661	-4,129
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	4,602	1,770
<b>Change in working capital</b>	<b>2,949</b>	<b>-2,313</b>
<b>Cash flows from operating activities</b>	<b>26,693</b>	<b>8,415</b>
Payments to acquire property, plant and equipment / intangible assets	-7,105	-6,166
Proceeds from the disposal of financial assets	54	4
Purchase of financial assets	-5	-19
<b>Cash flows from investing activities</b>	<b>-7,056</b>	<b>-6,181</b>
Purchase of own shares	-2,304	-312
Proceeds from the issue of bonds and drawdown of loans under finance facilities	0	4,000
Redemption of bonds and loans	-4,600	-4,850
<b>Cash flows from financing activities</b>	<b>-6,904</b>	<b>-1,162</b>
Net change in cash and cash equivalents	12,733	1,072
Cash and cash equivalents at the beginning of the period	12,024	10,952
<b>Cash and cash equivalents at the end of the period</b>	<b>24,757</b>	<b>12,024</b>

# Notes to the consolidated financial statements

## 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 2015 have been prepared in accordance with International Financial Reporting Standards, as adopted by the 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 11 March 2016 and are expected to be submitted to the Supervisory Board on 23 March 2016 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 separate 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. The growth of the subsidiaries in the Financial Service Providers and Private Clients business units can be seen from the volume of loans on the transaction platform. A transaction is included in the volume as soon as the advisor has set its status to 'customer has accepted the offer'. The volume is the volume before cancellations. 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 taken into account 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 IFRS**

All pronouncements by the International Accounting Standards Board (IASB) that were required to be applied by 31 December 2015 have been adopted. All the principles of the framework, the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the earlier interpretations of the Standing Interpretations Committee (SIC) applicable at the balance sheet date have been applied.

The following revised or new standards issued by the IASB were required to be applied for annual periods beginning on or after 1 January 2015:

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19: Employee Benefits)
- IFRIC 21: Levies
- Various: Annual Improvements 2010–2012 Cycle
- Various: Annual Improvements 2011–2013 Cycle

### **DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (AMENDMENTS TO IAS 19)**

These amendments published in November 2013 clarify that – as a practical expedient – contributions which are paid by employees themselves (or third parties) for defined benefit pension entitlements and which are not linked to years of service, can be recognised as a reduction in the service cost in the period in which the related service is rendered. This includes contributions set as a fixed percentage of annual salary. This change has no influence on Hypoport's consolidated financial statements.

### **IFRIC 21: Levies**

This interpretation published by the IFRS IC in May 2013 governs the timing and method of recognising obligations to pay government levies which do not constitute income taxes within the scope of IAS 12. It states that an obligation to pay a levy must be recognised as soon as the legally defined event occurs that triggers the payment obligation. The interpretation has no impact on the financial position or financial performance of Hypoport.

**ANNUAL IMPROVEMENTS 2010–2012 CYCLE**

Provisions arising from the annual improvement project that were published in December 2013 included amendments to the following seven standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. In addition to minor amendments to content, the requirements largely relate to clarifications regarding recognition, disclosure and measurement. The changes have no material influence on the presentation of the financial statements.

**ANNUAL IMPROVEMENTS 2011–2013 CYCLE**

Provisions arising from the annual improvement project that were published in December 2013 included amendments to four standards, including IFRS 3, IFRS 13 and IAS 40. In addition to minor amendments to content, the requirements largely relate to clarifications regarding recognition, disclosure and measurement. These changes have no influence on the consolidated financial statements.

The initial application of the above IFRS requirement did not give rise to any material impact on the presentation of financial position and financial performance or on the notes to these consolidated financial statements.

Furthermore, the IASB has issued the following standards, interpretations and amendments to existing standards that the Hypoport Group is not yet required to apply to these financial statements:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Commission)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) (1 January 2016, endorsed)
- Equity Method in Separate Financial Statements (Amendments to IAS 27: Separate Financial Statements) (1 January 2016, endorsed)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (1 January 2016, not endorsed)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) (1 January 2016, not endorsed)
- Disclosure Initiative (Amendments to IAS 1: Presentation of Financial Statements) (1 January 2016, endorsed)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11: Joint Arrangements) (1 January 2016, endorsed)

- IFRS 14: Regulatory Deferral Accounts (1 January 2016, not endorsed)
- Various: Annual Improvements 2012–2014 Cycle (1 January 2016, endorsed)
- IFRS 15: Revenue from Contracts with Customers (1 January 2018, not endorsed)
- IFRS 9: Financial Instruments (1 January 2018, not endorsed)

**AMENDMENTS TO IAS 16: PROPERTY, PLANT AND EQUIPMENT AND IAS 38: INTANGIBLE ASSETS**

The amendments published in May 2014 set out the conditions under which it is acceptable to select revenue-based methods for the depreciation of property, plant and equipment or amortisation of intangible assets. These amendments are not relevant to the Hypoport Group because it does not make use of any revenue-based depreciation or amortisation methods.

**AMENDMENTS TO IAS 16: PROPERTY, PLANT AND EQUIPMENT AND IAS 41: AGRICULTURE**

Bearer plants that are used for the harvesting of biological assets over more than one period without acting as agricultural produce themselves, e.g. grape vines or olive trees, can currently be measured at fair value. The amendments published in June 2014 clarify that bearer plants will in future have to be treated as property, plant and equipment in accordance with IAS 16 and measured at amortised cost. By contrast, the produce of bearer plants will continue to be recognised at fair value under IAS 41. These changes will have no impact on Hypoport's consolidated financial statements.

**EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS (AMENDMENTS TO IAS 27: SEPARATE FINANCIAL STATEMENTS)**

These amendments published in August 2014 permit the equity method to be used in separate financial statements to account for investments in subsidiaries, joint ventures and associates. The option of recognising such investments under IAS 39 or at cost remains unchanged. The amendments are not relevant to Hypoport AG, because no IFRS separate financial statements are prepared in accordance with section 325 (2a) HGB.

**AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS**

The amendments published in September 2014 clarify how the sale or contribution of assets by an investor to an associate or joint venture must be recognised. The amendments were originally supposed to come into effect on 1 January 2016. In spring 2015, the IASB provisionally decided to postpone the effective date and to bring it into line with the effective date of other changes to be made to IAS 28. Adopting the amendments into European law was therefore put on hold for the time being. It is not possible to assess the impact on the presentation of financial position and financial performance because the amendments have to be applied to future transactions on a prospective basis.

**AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS AND IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES**

The amendments published by the IASB in December 2014 entitled Investment Entities: Applying the Consolidation Exception clarify which of an investment entity's subsidiaries have to be consolidated and which are to be carried at fair value. The amendments are effective on a prospective basis and come into effect on 1 January 2016. These amendments are not relevant to Hypoport.

**DISCLOSURE INITIATIVE (AMENDMENTS TO IAS 1: PRESENTATION OF FINANCIAL STATEMENTS)**

These amendments, which were published in December 2014 as part of the Disclosure Initiative, relate to the principle of materiality in the presentation of all parts of financial statements. The specified structure for the notes to the financial statements has been abolished, which means entities are free to decide on the sequence of the notes. It has been clarified that immaterial information should not be included in the notes, even if other standards explicitly stipulate that the information be disclosed. Clarification is provided on the presentation in the statement of comprehensive income of shares of equity-accounted entities' other comprehensive income. The impact of the amendments on the presentation of the consolidated financial statements is currently being examined.

**AMENDMENTS TO IFRS 11: JOINT ARRANGEMENTS**

The provisions published in May 2014 specify the accounting treatment of acquisition of an interest in a joint operation that constitutes a business within the meaning of IFRS 3. Accordingly, the acquirer must measure identifiable assets and liabilities at fair value, report the costs associated with the acquisition as expenses, recognise deferred taxes and capitalise any residual amounts as goodwill. The disclosure requirements of IFRS 3 must also be observed. The amendments apply prospectively and are not expected to have any material impact on Hypoport's financial statements.

**IFRS 14: REGULATORY DEFERRAL ACCOUNTS**

This standard published in January 2014 allows companies adopting IFRS for the first time to continue to report price-regulated sales transactions in accordance with the accounting principles they previously applied. This standard is of no relevance to the Hypoport Group.

**ANNUAL IMPROVEMENTS 2012–2014 CYCLE**

Provisions arising from the annual improvement project that were published in September 2014 include amendments to four standards: IFRS 19, IAS 34, IFRS 5 and IFRS 7. In addition to minor amendments to content, the requirements largely relate to clarifications regarding recognition, disclosure and measurement. Hypoport does not expect first-time adoption of the amendments to have any material impact on its consolidated financial statements.

**IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS**

This standard published in May 2014 aggregates the requirements for revenue recognition that were previously included in various standards and interpretations. At the same time, it establishes consistent basic principles applicable to all categories of revenue-related transaction

across all sectors that govern the amount of revenue to be recognised and the point in time at which or the period of time over which it is recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The amendments come into effect on 1 January 2018. The impact of this standard on the Hypoport Group's financial position and financial performance is still being examined.

#### IFRS 9: FINANCIAL INSTRUMENTS

When it published the fourth and final version of this new standard in July 2014, the IASB completed the project on the recognition of financial instruments that it had started in 2008 in response to the financial crisis. The new standard replaces the previous provisions in IAS 39 Financial Instruments: Recognition and Measurement governing the recognition and measurement of financial assets and contains new requirements for hedge accounting. The requirements for calculating impairment losses are replaced by the expected-loss model. The IASB has set 1 January 2018 as the mandatory date for first-time adoption. Hypoport is currently examining the impact of the standard on the Group's financial position and financial performance.

Hypoport does not intend to adopt these standards and interpretations, or the amendments resulting from them, on a voluntary basis before their effective dates.

The Company is currently analysing the potential impact of all the relevant aforementioned amendments and new 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 impact on the consolidated financial statements.

### **1.3 Basis of consolidation**

Apart from Hypoport AG as the parent company, the IFRS consolidated financial statements include ten (2014: ten) domestic and international subsidiaries in which the Company directly or indirectly holds the majority of voting rights, and three (2014: three) joint ventures.

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

<b>Parent company</b>	<b>Holding in %</b>
Dr. Klein & Co. AG, Lübeck	100.00
Europace AG, Berlin	100.00
GENOPACE GmbH, Berlin	50.025
Hypoport B.V., Amsterdam	100.00
Hypoport Invest GmbH, Berlin	100.00
Hypoport Mortgage Market Ltd., Westport (Irland)	100.00
Hypoport Systems GmbH, Berlin	100.00
Qualitypool GmbH, Lübeck	100.00
Starpool Finanz GmbH, Berlin	50.025
Vergleich.de Gesellschaft für Verbraucherinformation mbH, Berlin	100.00
<b>Joint ventures</b>	
FINMAS GmbH, Berlin	50.00
Hypoport on-geo GmbH, Berlin	50.00
LBL Data Services B.V., Amsterdam	50.00

With the exception of Hypoport on-geo GmbH, FINMAS GmbH and LBL Data Services B.V. (all joint ventures accounted for under the equity method owing to lack of control), all Hypoport Group companies are fully consolidated.

#### 1.4 Principles of consolidation

The separate financial statements for the entities included in the Hypoport IFRS consolidated financial statements and the separate 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 separate 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 separate financial statements of the parent has been reported as goodwill. Negative differences have been accounted for in consolidated reserves.

The Hypoport Group consolidates its investments in joint ventures using the equity method. The carrying amount for long-term equity investments accounted for under the equity method in the consolidated financial statements 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. If the Group's share in a loss relating to a joint venture is equivalent to or exceeds its original interest in the entity (including other unsecured receivables), no further losses are reported. Further losses are only reported if obligations have been assumed for the joint venture or payments have been made on its behalf.

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.

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 equity 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 separate 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 Intangible assets

Goodwill arising on the consolidation of subsidiaries, capitalised development costs in connection with the development and refinement 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 in the income statement under 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 fair value equals the value in use and is calculated using the discounted cash flow method. 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.

## **2.2 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.

## **2.3 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.

## 2.4 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 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.

## 2.5 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.

### **2.6 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. Although loss carryforwards can still be carried forward indefinitely in Germany, annual utilisation in Germany is restricted by minimum taxation requirements.

In the year under review, the existing limit on offsetting losses imposed by the minimum taxation requirement meant that capitalisation restrictions for deferred taxes relating to losses were taken into account when offsetting deferred tax assets against deferred tax liabilities.

Having conducted this review, the Group recognised deferred tax assets worth €396 thousand as at 31 December 2015 (31 December 2014: €383 thousand). In the year under review, the minimum taxation requirements in Germany resulted in deferred tax assets amounting to €0 thousand (2014: €489 thousand) not being 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.

### **2.7 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.

### **2.8 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 in the income statement.

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

### 2.9 Cash and cash equivalents

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

Cash is measured at nominal value.

### 2.10 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.

### 2.11 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.

### **2.12 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.

### **2.13 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.

### **2.14 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.

### **2.15 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.

### 2.16 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.

### 2.17 Income 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 be-

tween 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 as a result of consolidation processes (with the exception of goodwill) and for recoverable loss carryforwards.

The accounting treatment of deferred tax assets on loss carryforwards still takes account of the minimum taxation requirement in circumstances where, in the absence of the expectation of future taxable earnings, deferred tax assets are only recognised in the amount of any surplus deferred tax liabilities.

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.

### 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:

Revenue	2015 € million	2014 € million
B2B Financial Marketplaces – Financial Service Providers	43.0	33.8
Financial Product Sales – Private Clients	78.6	63.8
Financial Product Sales – Institutional Clients	17.3	14.5
Other	0.1	0.2
	<b>139.0</b>	<b>112.3</b>

#### 3.2 Selling expenses

The table below gives a breakdown of selling expenses.

Selling expenses	2015 €'000	2014 €'000
Commissions	63,470	50,684
Lead costs	3,836	5,264
	<b>67,306</b>	<b>55,948</b>

Fee and commission expenses include write-offs of €432 thousand (2014: €127 thousand) relating to insurance commission receivable and impairment charges of €1.017 million (2014: €248 thousand) on advances paid for insurance commission.

#### 3.3 Own work capitalised

Own work capitalised of €4.663 million (2014: €4.176 million) comprises work on the development and enhancement of internally generated financial marketplaces. Of the total development costs of €7.660 million reported for 2015 (2014: €7.256 million), €2.997 million was therefore expensed as incurred (2014: €3.080 million).

### 3.4 Other operating income

Other operating income mainly comprised income of €617 thousand from employee contributions to vehicle purchases (2014: €583 thousand), income of €513 thousand from other accounting periods (2014: €238 thousand), income of €470 thousand from sub-leases (2014: €426 thousand) and income of €326 thousand from the reversal of provisions (2014: €307 thousand).

### 3.5 Personnel expenses

Personnel expenses are broken down as follows:

<b>Personnel expenses</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Wages and salaries	33,032	30,612
Social security contributions	5,024	4,559
Post-employment and other employee benefits	168	160
	<b>38,224</b>	<b>35,331</b>

The cost of defined-contribution pension plans amounted to €2.317 million (2014: €2.210 million).

### 3.6 Other operating expenses

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

<b>Other operating expenses</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Operating expenses	5,514	5,456
Selling expenses	2,917	2,576
Administrative expenses	5,616	5,124
Other personnel expenses	646	670
Other expenses	553	670
	<b>15,246</b>	<b>14,496</b>

The operating expenses consisted mainly of building rentals of €2.037 million (2014: €1.982 million) and vehicle-related costs of €1.453 million (2014: €1.440 million). The other selling expenses relate to advertising costs and travel expenses of €2.917 million (2014: €2.576 million). The administrative expenses largely comprised IT-related costs of €2.875 million (2014: €2.283 million) and legal and consultancy expenses of €967 thousand (2014: €1.123 million). The other personnel expenses mainly consisted of training costs of €502 thousand (2014: €531 thousand).

### 3.7 Profit (loss) from equity-accounted long-term equity investments

Profit (loss) from equity-accounted long-term equity investments relates to the pro-rata net profit (loss) for the period of the three joint ventures FINMAS GmbH, LBL Data Services B.V. and Hypoport on-geo GmbH. As in 2014, no impairment losses were recognised in the share of profit (loss) of equity-accounted investments.

Further disclosures regarding equity-accounted long-term equity investments can be found in 4.3 Equity-accounted long-term investments.

### 3.8 Depreciation, amortisation expense and impairment losses

Of the depreciation/amortisation expense and impairment losses of €5.817 million (2014: €4.763 million), €4.701 million (2014: €3.798 million) was attributable to intangible assets and €1.116 million (2014: €965 thousand) to property, plant and equipment.

### 3.9 Net finance costs

The breakdown of net finance costs is as follows:

	2015 €'000	2014 €'000
<b>Net finance costs</b>		
<b>Financial income</b>		
Other interest and similar income	365	135
Income from other securities and lending of financial assets	1	2
	<b>366</b>	<b>137</b>
<b>Finance costs</b>		
Interest expense and similar charges	512	822
	<b>-146</b>	<b>-685</b>

The finance costs mainly comprise interest expense and similar charges of €451 thousand (2014: €561 thousand) incurred by the drawdown of loans and use of credit lines. Financial income largely consists of the unwinding of discounts on non-current receivables and other non-current assets totalling €270 thousand (2014: €19 thousand).

### 3.10 Income taxes and deferred taxes

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

	2015 €'000	2014 €'000
<b>Income taxes and deferred taxes</b>		
Income taxes and deferred taxes	3,237	1,323
current income taxes	2,158	761
deferred taxes	1,079	562
in respect of timing differences	452	999
in respect of tax loss carryforwards	627	-437

A current income tax benefit of €138 thousand (2014: €173 thousand) relates to tax income from 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 €6.149 million (2014: €9.915 million) and €5.022 million (2014: €9.272 million) respectively. The loss carryforwards can be carried forward indefinitely in Germany. In the previous year, no deferred tax assets had been recognised on the losses carried forward for corporation tax and trade tax purposes. In both cases the loss carryforwards amounted to €1.647 million.

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 2014 and 2015 to the tax expense actually reported for those years:

<b>Reconciliation of Expected to Actual Income Tax Expense</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
Profit from ordinary activities	19,114	7,250
Tax rate to be applied	30.0%	30.0%
Expected tax expense	-5,734	-2,175
Effect of non-deductible expenses	-188	-213
Effect of differing tax rates	1,909	1,275
Adjustment of loss carry forwards	0	60
Tax expense for previous years	138	173
deffered taxes of loss carry forwards	549	-549
Other tax-related effects	89	106
Current tax expense	-3,237	-1,323
Tax rate for the Group	16.9%	18.2%

### 3.11 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.

<b>Earnings Per Share</b>	<b>2015</b>	<b>2014</b>
Net income for the year (€'000)	15,877	5,927
of which attributable to Hypoport AG stockholders	15,871	5,919
Basic weighted number of outstanding shares ('000)	6,075	6,135
<b>Earnings per share (€)</b>	<b>2.61</b>	<b>0.96</b>

As a result of the purchase and sale of treasury shares, the number of shares in issue fell by 76,717, from 6,115,875 as at 31 December 2014 to 6,039,158 as at 31 December 2015.

## 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 €11 thousand (31 December 2014: €12 thousand) in borrowing costs at an average funding rate of 2.60 per cent (31 December 2014: 3.45 per cent). Most of the intangible assets – with a carrying amount of €15.6 million (31 December 2014: €14.7 million) – related to internally generated financial marketplaces. Their remaining useful lives amounted to between one and ten years.

The carrying amounts for goodwill as at 31 December 2015 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:

<b>Acquired goodwill €'000</b>	<b>Institutional Clients</b>	<b>Private Clients</b>	<b>Financial Service Providers</b>	<b>Total</b>
Cost of acquisitions as at 1 January 2015	6,943	7,653	230	<b>14,826</b>
Additions	0	0	0	<b>0</b>
Cost of acquisitions as at 31 December 2015	6,943	7,653	230	<b>14,826</b>

The revenue growth rates for the detailed planning period 2016 to 2019 used in the discounted cash flow calculations were between 1.5 per cent and 4.8 per cent for the Corporate Real Estate Clients segment (2014: between 2.0 per cent and 2.4 per cent), between 5.1 per cent and 10.4 per cent for the Private Clients segment (2014: between 4.9 per cent and 9.7 per cent), and between 3.3 per cent and 6.8 per cent for the Financial Service Providers segment (2014: between minus 0.8 per cent and plus 7.8 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 2015 was 6.32 per cent (2014: 7.70 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 one percentage point 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:

Financial Assets	2015 €'000	2014 €'000
Loans to third parties	20	33
Loans to employees	5	41
Other shareholdings	9	9
	34	83

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 2014: €14 thousand, net profit for 2014: €3 thousand).

No specific write-downs have been recognised. There are no material overdue receivables.

#### 4.3 Equity-accounted investments

In the consolidated financial statements, three joint ventures (2014: three) are accounted for using the equity method. They are FINMAS GmbH, Berlin (Hypoport's interest: 50 per cent), Hypoport on-geo GmbH, Berlin (Hypoport's interest: 50 per cent) and LBL Data Services B.V., Amsterdam (Hypoport's interest: 50 per cent). All of these interests are held directly by the Group.

Investments accounted for using the equity method	2015 €'000	2014 €'000
Investments accounted for using the equity method as of the beginning of the year	436	289
Proportional net income	29	147
Investments accounted for using the equity method as of the end of the year	465	436

There are no obligations or contingent liabilities relating to the investments in joint ventures.

The following table shows the aggregate income-statement and balance-sheet data for the equity-accounted investments.

<b>Financial information on companies for using the equity method (Hypoport stake)</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
<b>Income statement information</b>		
Revenue	5,261	4,508
Selling expenses	-4,578	-3,787
Personnel expenses	-245	-203
Other operating expenses	-367	-314
Income taxes and deferred taxes	-33	-45
Earnings before interest and tax	62	192
Earnings before tax	61	192
Net income	29	147
<b>Balance sheet information</b>		
Non-current assets	72	57
There of property, plant and equipment	72	57
Current assets	1,038	832
There of cash and cash equivalents	376	494
<b>Total assets</b>	<b>1,110</b>	<b>889</b>
Equity	465	436
Non current liabilities	0	0
Non current liabilities	645	707
There of financial liabilities	0	0
<b>Total equity and liabilities</b>	<b>1,110</b>	<b>1,143</b>

#### 4.4 Trade receivables

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

<b>Trade receivables</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Trade receivables from		
third parties	32,849	29,623
joint ventures	102	102
	<b>32,951</b>	<b>29,725</b>

The table below shows impairment losses on receivables:

<b>Impairments of Trade Receivables</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
Balance as at 1 January	103	36
Addition to impairment of receivables	10	85
Irrecoverable receivables written off	26	18
<b>Balance as at 31 December</b>	<b>87</b>	<b>103</b>

Impairment charges of €236 thousand (31 December 2014: €162 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.

<b>Past-Due Trade Receivables</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
1 to 90 days	315	273
90 to 180 days	40	53
180 to 360 days	5	67
More than 360 days	28	0
<b>Total</b>	<b>388</b>	<b>393</b>

#### 4.5 Current income tax assets and other assets

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

<b>Current other assets</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
<b>Financial assets</b>		
Overpayments to suppliers	0	206
	0	206
<b>Non-financial assets</b>		
Advance payment of commissions	629	2.180
Advances	544	535
Prepaid expenses	116	202
Current income tax assets	58	12
VAT credits	27	5
Other	223	317
	1,597	3,251
	<b>1,597</b>	<b>3,457</b>

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

<b>Non-current other assets</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
Advance payment of commissions	1,397	1,103
Rent deposits	21	21
	<b>1,418</b>	<b>1,124</b>

Specific write-downs of €1.773 million (31 December 2014: €756 thousand) were recognised. In the year under review, €1.017 million was added (2014: €230 thousand). There are no material overdue receivables.

#### 4.6 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:

<b>Deferred tax assets</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
Deferred tax assets		
In respect of tax loss carryforwards	1,676	2,303
Rental an lease obligations	28	31
Other temporary differences	7	6
Consolidation	322	374
Offsetting	1,637	2,331
	<b>396</b>	<b>383</b>

<b>Deferred tax liabilities</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
Deferred tax liabilities		
Intangible assets	1,770	1,552
Property, plant and equipment	18	21
Receivables	1,842	1,698
Other temporary differences	38	0
Provisions	2	2
Offsetting	1,637	2,331
	<b>2,033</b>	<b>942</b>

#### 4.7 Cash and cash equivalents

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

Cash and cash equivalents	2015 €'000	2014 €'000
Cash at banks	24,753	12,020
Cash on hand	4	4
	<b>24,757</b>	<b>12,024</b>

#### 4.8 Subscribed capital

The Company's subscribed capital remains unchanged at €6,194,958.00 (31 December 2014: €6,194,958.00) and is divided into 6,194,958 (31 December 2014: 6,194,958) fully paid-up, registered no-par-value shares.

The Annual Shareholders' Meeting held on 12 June 2015 voted to carry forward Hypoport AG's distributable profit of €24,385,003.31 to the next accounting period.

#### 4.9 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.

#### 4.10 Treasury shares

Hypoport held 155,800 treasury shares as at 31 December 2015 (equivalent to €155,800.00, or 2.5 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 2015 are shown in the following table:

<b>Change in the balance of treasury shares in 2015</b>	<b>Number of shares</b>	<b>Proportion of subscribed capital %</b>	<b>Cost of purchase €</b>	<b>Sale price €</b>	<b>Gain or loss on sale €</b>
Opening balance as at 1 January 2015	79,083	1.277	849,515.71		
Buy in January 2015	5,757	0.093	77,651.26		
Sold in January 2015	12	0.000	123.12	145.32	22.20
Buy in February 2015	5,198	0.084	71,300.55		
Sold in February 2015	5	0.000	51.30	68.55	17.25
Buy in March 2015	22,700	0.366	418,319.13		
Sold in March 2015	7,631	0.123	79,192.46	136,511.96	57,319.50
Sold in April 2015	480	0.008	5,707.50	10,450.82	4,743.32
Sold in May 2015	66	0.001	782.43	1,450.16	667.73
Sold in June 2015	176	0.003	2,086.48	4,456.88	2,370.40
Buy in July 2015	25,826	0.417	742,592.75		
Sold in July 2015	23	0.000	272.67	626.54	353.87
Buy in August 2015	4,721	0.076	138,130.30		
Sold in August 2015	17	0.000	201.54	507.52	305.99
Buy in September 2015	13,472	0.217	529,601.56		
Sold in September 2015	150	0.002	1,778.25	4,659.66	2,881.41
Buy in Oktober 2015	8,448	0.136	325,758.36		
Sold in Oktober 2015	7	0.000	82.99	294.00	211.02
Sold in November 2015	38	0.001	450.49	2,147.38	1,696.89
Sold in December 2015	800	0.013	9,577.87	55,428.42	45,850.55
<b>Balance as at 31 Dec. 2015</b>	<b>155,800</b>	<b>2.515</b>	<b>3,052,562.52</b>		

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 (€414 thousand, of which €136 thousand relates to 2015).

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 (2014: €7 thousand), are also reported under this item.

#### 4.12 Non-controlling interests and financial information for non-controlling interests in subsidiaries

Total non-controlling interests in the period under review amounted to €270 thousand (2014: €264 thousand), of which €170 thousand (2014: €164 thousand) related to the non-controlling interest in the equity of Starpool Finanz GmbH (minority interest of 49.975 per cent) and €100 thousand (2014: €100 thousand) to GENOPACE GmbH (minority interest of 49.975 per cent).

There is a control and profit-and-loss transfer agreement between Hypoport AG and GENOPACE GmbH, as a result of which the entire net loss for 2015 of GENOPACE GmbH amounting to €212 thousand (2014: loss of €151 thousand) remained within the Group.

The aggregate financial information for Starpool Finanz GmbH, the main packager providing sales support for the Group's platform partners on an earnings-neutral basis, is presented below.

<b>Summarised balance sheet Starpool Finanz GmbH</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
<b>Current</b>		
Assets	8,554	6,999
Liabilities	(8,373)	(6,766)
Total current assets	181	233
<b>Non-current</b>		
Assets	159	93
Liabilities	(0)	(0)
Total non-current liabilities	159	93
<b>Net assets</b>	<b>340</b>	<b>326</b>

<b>Summarised statement of comprehensive income Starpool Finanz GmbH</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Revenue	20,952	16,964
Pre-tax profit	21	23
Income tax expense	-9	(7)
Post-tax profit	12	16
Other comprehensive income	0	0
Total comprehensive income	12	16
Total comprehensive income attributable to non-controlling interest	6	8
Dividends received attributable to non-controlling interest	0	0

<b>Summarised cash flow statement Starpool Finanz GmbH</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Cash flow	60	60
Change in working capital	2,319	(1,759)
Cash flows from operating activities	2,379	(1,699)
Cash flows from investing activities	(113)	(14)
Cash flows from financing activities	0	0
Net change in cash and cash equivalents	2,266	(1,713)
Cash and cash equivalents at the beginning of the period	1,587	3,300
Cash and cash equivalents at the end of the period	3,853	1,587

The information listed above relates to amounts before the elimination of intercompany profits and losses.

#### 4.13 Financial liabilities

The table below gives a breakdown of financial liabilities:

<b>Financial liabilities</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
<b>Non-current</b>		
Liabilities to banks		
Loans	6,667	10,966
Other liabilities		
Rental and lease obligations	253	295
	6,920	11,261
<b>Current</b>		
Liabilities to banks		
loans	4,300	4,600
Other liabilities		
Rental and lease obligations	42	42
	4,342	4,642
	<b>11,262</b>	<b>15,903</b>

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 2.60 per cent and 4.20 per cent (2014: between 2.60 per cent and 5.25 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:

<b>Credit line</b>	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
Credit line	1,500	1,500
Amount utilised	0	0
<b>Credit line available</b>	<b>1,500</b>	<b>1,500</b>

The average interest rate on the overdraft facilities utilised was 4.30 per cent (2014: 4.30 per cent).

The Company also had unutilised non-current loan commitments of €5.0 million (31 December 2014: €0.0 million).

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

<b>Maturities of contractual cash flows from financial liabilities</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
6 months or less	2,298	2,298
6 to 12 months	2,002	2,301
1 to 5 years	6,667	10,468
More than 5 years	0	499
	<b>10,967</b>	<b>15,566</b>

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

<b>Maturities of non-current financial liabilities</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Between 1 and 2 years	4,056	4,344
Between 2 and 5 years	2,819	6,297
More than 5 years	45	620
	<b>6,920</b>	<b>11,261</b>

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

<b>Carrying amounts and fair values of non-current financial</b>	<b>Carrying amount (€'000)</b>		<b>Fair value (€'000)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Liabilities to banks	6,667	10,966	6,842	11,352
Rental and lease obligations	253	295	253	295
	<b>6,920</b>	<b>11,261</b>	<b>7,095</b>	<b>11,647</b>

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:

	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
<b>Current other liabilities</b>		
<b>Tax liabilities</b>		
Value-added tax	286	364
Wage tax and church tax	611	405
	<b>897</b>	<b>769</b>
<b>Personnel</b>		
<b>Financial assets</b>		
Bonuses	4,404	3,400
Outstanding holiday entitlements	499	434
Wages and salaries	359	477
<b>Non-financial assets</b>		
Employers' liability insurance association	139	139
Disabled persons levy	38	56
Social security contributions	173	40
Partial retirement	52	73
	<b>5,664</b>	<b>4,619</b>
<b>Other</b>		
<b>Financial assets</b>		
Outstanding invoices	384	385
Commissions to be passed on	84	96
Year-end costs	153	148
<b>Non-financial assets</b>		
Advance payment of commissions	987	1,296
Deferred income	234	346
Sundry	45	56
	<b>1,887</b>	<b>2,327</b>
	<b>8,448</b>	<b>7,715</b>

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

	<b>2015</b> <b>€'000</b>	<b>2014</b> <b>€'000</b>
<b>Non-current other liabilities</b>		
Rent deposits	10	10
	<b>10</b>	<b>10</b>

#### 4.15 Provisions

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

<b>Provisions</b>	<b>01.01.2015</b> €'000	<b>Utilisation</b> €'000	<b>Additions</b> €'000	<b>31.12.2015</b> €'000
<b>Non-current provisions</b>				
Cancellations	77	77	87	87
Rental and lease obligations	19	9	0	10
	<b>96</b>	<b>86</b>	<b>87</b>	<b>97</b>
<b>Current provisions</b>				
Litigation	54	0	0	54
Cancellations	51	51	59	59
	<b>105</b>	<b>57</b>	<b>59</b>	<b>113</b>

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 4.7.

## 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.

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.

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).

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.

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 €139.0 million (2014: €112.3 million) included €4.4 million (2014: €4.1 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 €34.0 million and €19.4 million respectively (2014: one product partner generated revenue of €25.5 million).

In the Institutional Clients operating segment, two product partners generated revenue of €3.5 million and €3.0 million respectively (2014: €1.9 million and €1.5 million). In the Private Clients operating segment, two product partners generated revenue of €16.0 million and €13.2 million respectively (2014: €11.0 million and €6.8 million). In the Financial Service Providers operating segment, two product partners generated revenue of €18.0 million and €5.8 million respectively (2014: one product partner generated €14.6 million).

The segment breakdown of business performance in 2015 was as follows:

2015 (€'000)	Financial Service Providers	Private Clients	Institutional Clients	Reconciliation	Group
Segment revenue in respect of third parties	43,018	78,528	17,334	102	138,982
2014	33,798	63,841	14,459	227	112,325
Segment revenue in respect of other segments	947	56	9	-1,012	0
2014	675	108	0	-783	0
Total segment revenue	43,965	78,584	17,343	-910	138,982
2014	34,394	63,922	14,459	-450	112,325
Gross profit	27,607	26,972	17,009	88	71,676
2014	20,841	21,349	13,971	216	56,377
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	13,993	8,364	7,132	-4,412	25,077
2014	8,583	2,803	5,036	-3,724	12,698
Segment earnings before interest and tax (EBIT)	10,059	7,445	6,585	-4,829	19,260
2014	5,622	1,919	4,459	-4,065	7,935
Segment assets	50,118	20,490	22,346	3,122	96,076
2014	34,509	22,378	20,602	2,923	80,412
Segment liabilities	17,745	9,334	1,504	14,832	43,415
2014	13,576	8,820	1,791	17,373	41,560
Segment capital expenditure	4,421	560	701	1,423	7,105
2014	3,842	494	627	1,203	6,166
Segment depreciation/amortisation expense, impairment losses	3,934	919	547	417	5,817
2014	2,961	884	577	341	4,763
Significant non-cash expenses	2,637	2,427	1,175	55	6,294
2014	8,745	2,957	966	49	12,717

Of the total non-current assets of €40.351 million (31 December 2014: €39.387 million), €10.946 million (31 December 2014: €10.646 million) was located in European countries other than Germany, €10.068 million (31 December 2014: €9.835 million) of which was located in Ireland. Non-current assets located in Germany totalled €29.405 million (31 December 2014: €28.741 million).

The carrying amounts of and contributions to profits from equity-accounted joint ventures were €272 thousand (2014: €276 thousand) and a loss of €4 thousand (2014: profit of €88 thousand) respectively in the Financial Service Providers segment, and €193 thousand (2014: €160 thousand) and a profit of €33 thousand (2014: profit of €59 thousand) respectively in the Institutional Clients segment.

## **7. Other disclosures**

### **7.1 Other financial commitments**

At the balance sheet date, there were total other financial commitments of €11.432 million (31 December 2014: €12.047 million) relating to non-cancellable rentals, leases and maintenance agreements covering a number of years. Included in these other financial commitments were commitments of €3.401 million (31 December 2014: €4.026 million) due within one year, €7.687 million (31 December 2014: €7.324 million) due in one to five years, and €344 thousand (31 December 2014: €697 thousand) due in more than five years. The cost of rentals and leases (minimum leases) amounted to €2.955 million in 2015 (2014: €2.867 million). Rental income of €470 thousand (2014: €426 thousand) was generated by sub-leases.

The Group has options to extend its main office leases for five years.

### **7.2 Legal disputes**

Neither Hypoport AG nor its subsidiaries are involved in, or were involved in, any legal or arbitration proceedings that could have had a significant impact on the Group's financial position as at 31 December 2015 and no proceedings of this type are foreseen.

As in previous years, appropriate provisions were recognised by each Group company for all potential financial charges arising from legal or arbitration proceedings. Overall, charges of this type are not expected to have any material impact on the Group's future financial position.

### **7.3 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 for the members of the Group Management Board in 2015 amounted to €1.734 million (2014: €1.664 million); the total remuneration for the members of the Supervisory Board came to €94 thousand (2014: €79 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 2015.

	Shares (number) 31 Dec 2015	Shares (number) 31 Dec 2014
<b>Group Management Board</b>		
Ronald Slabke	2,288,381	2,288,381
Thilo Wiegand	30,000	30,000
Stephan Gawarecki	187,800	187,800
Hans Peter Trampe	153,690	144,690
<b>Supervisory Board</b>		
Dr. Ottheinz Jung-Senssfelder	10,500	14,000
Roland Adams	0	0
Christian Schröder	15,700	18,700

Ronald Slabke, Berlin, holds 36.94 per cent of Hypoport's shares. Of these, the 34.77 per cent of the voting shares held by Revenia GmbH, Berlin, 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.

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.

Hans Peter Trampe, Berlin, holds 2.48 per cent of Hypoport's shares.

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 €126 thousand was generated by joint ventures in 2015 (2014: €135 thousand). As at 31 December 2015, receivables from joint ventures amounted to €102 thousand (31 December 2014: €102 thousand) and liabilities to such companies amounted to €36 thousand (31 December 2014: €28 thousand).

#### **7.4 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 board of Dr. Klein & Co. AG
- Hans Peter Trampe, graduate in business administration, Berlin, 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 for the members of the Management Board in 2015 amounted to €1.734 million (2014: €1.664 million); for further information please refer to the remuneration report in the group management report (I.9).

#### **7.5 Supervisory Board**

The following persons were members of the Company's Supervisory Board in 2015:

- Dr Ottheinz Jung-Senssfelder (chairman of the Supervisory Board), lawyer, Erlangen; directorships at other companies: chairman of the supervisory board of BRANDAD Systems AG, Fürth
- Roland Adams (vice-chairman of the Supervisory Board), member of the supervisory board of Kretschmar Familienstiftung, Berlin, deputy chairman of the board of directors of Mind Institute SE, Berlin
- Christian Schröder, graduate in business administration, auditor, Lübeck.

Roland Adams was elected to the Supervisory Board at the Annual Shareholders' Meeting on 12 June 2015. Professor Thomas Kretschmar stepped down as a member of the Supervisory Board of Hypoport AG with effect from 12 June 2015.

The total remuneration for the members of the Supervisory Board in 2015 amounted to €94 thousand (2014: €79 thousand); for further information please refer to the remuneration report in the group management report (I.9).

### 7.6 Investments pursuant to section 21 (1) WpHG

In addition to the investments listed in section 7.3, the following shareholdings in Hypoport AG were known to us:

Pursuant to section 21 (1) WpHG, Deutsche Bank AG, Frankfurt am Main, Germany informed us on 9 December 2010 that its voting share in Hypoport AG, Berlin, Germany had exceeded the 3 per cent and 5 per cent thresholds on 3 December 2010 and stood at 9.685 per cent (600,000 voting rights) on that date. All the voting rights are fully attributable to Deutsche Bank AG via its direct subsidiary Deutsche Postbank AG pursuant to section 22 (1) sentence 1 no. 1.

Pursuant to section 21 (1) WpHG, Sparta AG, Hamburg informed us on 27 April 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 22 April 2015 and stood at 2.99 per cent (equivalent to 185,000 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Kretschmar Familienstiftung, Berlin, whose Chief Executive Officer is Professor Thomas Kretschmar, informed us on 9 December 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 December 2015 and stood at 2.863 per cent (equivalent to 177,366 voting rights) on that date.

Pursuant to section 21 (1) WpHG, Wallberg Invest S.A., Luxembourg, Luxembourg informed us on 5 October 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 30 September 2015 and stood at 2.47 per cent (equivalent to 152,921 voting rights) on that date. Pursuant to section 21 (1) WpHG, FAS S.A., Luxembourg, Luxembourg informed us on 7 October 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 30 September 2015 and stood at 2.47 per cent (equivalent to 152,921 voting rights) on that date. The 2.47 per cent (equivalent to 152,921 voting rights) is attributable to the company pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, Marcel Ernzer, Luxembourg, Luxembourg also informed us on 7 October 2015 that his voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 30 September 2015 and stood at 2.47 per cent (equivalent to 152,921 voting rights) on that date. The 2.47 per cent of the voting rights (equivalent to 152,921 voting rights) are attributable to Mr Ernzer pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Pursuant to section 21 (1) WpHG, Deutsche Balaton Aktiengesellschaft, Heidelberg, Germany informed us on 10 June 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. Pursuant to section 21 (1) WpHG, VV Beteiligungen Aktiengesellschaft, Heidelberg, Germany also informed us on 10 June 2015 that its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. The 2.98 per cent of the voting rights (equivalent to 184,844 voting rights) are attributable to the company pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, Delphi Unternehmensberatung Aktiengesellschaft, Heidelberg, Germany also informed us on 10 June 2015 that

its voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. The 2.98 per cent of the voting rights (equivalent to 184,844 voting rights) are attributable to the company pursuant to section 22 (1) sentence 1 no. 1 WpHG. Pursuant to section 21 (1) WpHG, Wilhelm Konrad Thomas Zours, Germany also informed us on 10 June 2015 that his voting share in Hypoport AG, Berlin, Germany had fallen below the 3 per cent threshold on 9 June 2015 and stood at 2.98 per cent (equivalent to 184,844 voting rights) on that date. The 2.98 per cent of these voting rights (equivalent to 184,844 voting rights) are attributable to Mr Zours pursuant to section 22 (1) sentence 1 no. 1 WpHG.

This information was taken from the most recent notification received by the Company from each party subject to disclosure requirements. All published notifications from investors in the reporting year and other years are available on the Hypoport Group's website at [www.hypoport.de/Investor\\_Relations/Stimmrechtsmitteilungen](http://www.hypoport.de/Investor_Relations/Stimmrechtsmitteilungen). It should be noted that the details of shareholding percentages and number of voting rights may now be out of date.

#### **7.7 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 2015 was €236 thousand (2014: €184 thousand). Total liabilities in relation to share-based remuneration amounted to €13 thousand (2014: €13 thousand).

#### **7.8 Auditors' fees and services**

The fees incurred for services rendered by the auditors BDO AG Wirtschaftsprüfungsgesellschaft in 2015 amounted to €103 thousand for audits of financial statements (2014: €102 thousand) and €4 thousand for other attestation services (2014: €3 thousand).

#### **7.9 Average number of persons employed during the financial year**

In 2015, the Company employed an average of 569 (2014: 561) 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:

Average number of persons employed during the financial year	2015		2014		Change	
	Number	%	Number	%	Number	%
Financial Product Sales Private Clients	214	38	183	32	31	17
Financial Product Institutional Clients	73	13	71	13	2	3
B2B Financial Marketplaces Financial Service Providers	102	18	99	18	3	3
Information Technology	93	16	103	18	-10	-10
Administration	87	15	105	19	-18	-17
	<b>569</b>		<b>561</b>		<b>8</b>	<b>1</b>

#### 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 2015, 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 2014: €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 2015, 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 2014: €0 thousand) higher or lower.

The Hypoport Group's credit risk stems primarily from its trade receivables, advance commissions, and other financial assets. In 2015 it recognised impairment losses of €679 thousand (2014: €406 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 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					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Fixed-rate financial liabilities	29	1,209	3,357	6,899	0	11,494
2014	43	1,235	3,773	10,988	505	16,544
Rental and lease obligations	5	7	31	214	38	295
2014	5	7	31	170	124	337
2015	34	1,216	3,388	7,113	38	11,789
2014	48	1,242	3,804	11,158	629	16,881

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 be subject to fixed interest rates. In 2015 and 2014, 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'.

Financial instruments 2015 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	Carrying amount on balance sheet at 31 Dec 2015
	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	
Trade receivables	32,951	-	-	-	32,951
Loans and receivables	32,951	32,951	-	-	32,951
Financial assets	34	-	-	-	34
Loans and receivables	34	34	-	-	34
Other assets	0	-	-	2,899	2,899
Loans and receivables	0	0	-	-	0
Non-financial assets	-	-	-	2,899	2,899
Cash and cash equivalents	24,757	-	-	-	24,757
Loans and receivables	24,757	24,757	-	-	24,757
<b>Total financial assets</b>	-	-	-	-	<b>57,742</b>
Thereof: loans and receivables	-	-	-	-	57,742
Financial liabilities	11,262	-	-	-	11,262
Measured at amortised cost	11,262	11,437	-	-	11,262
Trade payables	20,394	-	-	-	20,394
Measured at amortised cost	20,394	20,394	-	-	20,394
Other liabilities	5,883	-	-	2,575	8,458
Measured at amortised cost	5,883	5,883	-	-	5,883
Non-financial liabilities	-	-	-	2,575	2,575
<b>Total financial liabilities</b>	-	-	-	-	<b>37,539</b>
Thereof: measured at amortised cost	-	-	-	-	37,539

Financial instruments 2014 €'000	Measured at amortised cost		Measured at fair value	Non-financial assets/liabilities	Carrying amount on balance sheet at 31 Dec 2014
	Carrying amount	Pro forma: fair value	Carrying amount	Carrying amount	
Trade receivables	29,725	-	-	-	29,725
Loans and receivables	29,725	29,725	-	-	29,725
Financial assets	83	-	-	-	83
Loans and receivables	83	83	-	-	83
Other assets	206	-	-	4,173	4,379
Loans and receivables	206	206	-	-	206
Non-financial assets	-	-	-	4,173	4,173
Cash and cash equivalents	12,024	-	-	-	12,024
Loans and receivables	12,024	12,024	-	-	12,024
<b>Total financial assets</b>	-	-	-	-	<b>42,038</b>
Thereof: loans and receivables	-	-	-	-	42,038
Financial liabilities	15,903	-	-	-	15,903
Measured at amortised cost	15,903	16,289	-	-	15,903
Trade payables	16,493	-	-	-	16,493
Measured at amortised cost	16,493	16,493	-	-	16,493
Other liabilities	4,940	-	-	2,785	7,725
Measured at amortised cost	4,940	4,940	-	-	4,940
Non-financial liabilities	-	-	-	2,785	2,785
<b>Total financial liabilities</b>	-	-	-	-	<b>37,336</b>
Thereof: measured at amortised cost	-	-	-	-	37,336

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:

<b>Financial instruments 2015</b> <b>€'000</b>	<b>Loans and receivables</b>	<b>Loans and receivables</b>	<b>Fair value/ held for trading</b>	<b>Liabilities measured at am- ortised cost</b>	<b>2015</b>
Interest and similar income	365	-	-	-	365
Interest expense and similar charges	-	-	-	-512	-512
Impairment losses	-679	-	-	-	-679
<b>Net result</b>	<b>-314</b>	<b>0</b>	<b>0</b>	<b>-512</b>	<b>-826</b>

<b>Financial instruments 2014</b> <b>€'000</b>	<b>Loans and receivables</b>	<b>Held-to- maturity investments</b>	<b>Fair value/ held for trading</b>	<b>Liabilities measured at am- ortised cost</b>	<b>2014</b>
Interest and similar income	135	-	-	-	135
Interest expense and similar charges	-	-	-	-822	-822
Impairment losses	-406	-	-	-	-406
<b>Net result</b>	<b>-271</b>	<b>0</b>	<b>0</b>	<b>-822</b>	<b>-1.093</b>

### 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 2015 and 31 December 2014:

<b>Company's gearing</b>	<b>2015 €'000</b>	<b>2014 €'000</b>
Financial liabilities	11,262	15,903
Minus cash and cash equivalents	24,757	12,024
Net debt	-13,495	3,879
Equity	52,661	38,852
Gearing	-26%	10%

### 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 separate financial statements documentation and to prepare a management report:

- Dr. Klein & Co. Aktiengesellschaft, Lübeck, Germany
- Europace AG, Berlin, Germany
- 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](http://www.hypoport.com).

**7.15 Events after the reporting period**

No material events have occurred since the balance sheet date.

Berlin, 11 March 2016

Hypoport AG – The Management Board



Ronald Slabke



Thilo Wiegand



Stephan Gawarecki



Hans Peter Trampe

**Consolidated statement of changes  
in non-current assets 2015**

	<b>Cost</b>				
	Balance 1 Jan 2015 €'000	Additions €'000	Disposals €'000	Reclassifi- cation €'000	Balance 31 Dec 2015 €'000
<b>I. Intangible assets</b>					
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets					
1.1 Software	5,004	595	246	0	5,353
1.2 Development costs	40,860	3,128	0	2,109	46,097
2. Goodwill	14,826	0	0	0	14,826
3. Advance payments and development costs in progress	1,294	1,912	0	-2,109	1,097
	<b>61,984</b>	<b>5,635</b>	<b>246</b>	<b>0</b>	<b>67,373</b>
<b>II. Property, plant and equipment</b>					
1. Land, leasehold improvements and buildings, including buildings on land owned by others	21	0	0	0	21
2. Office furniture and equipment	9,106	1,415	1,493	57	9,085
3. Advance payments and constructions in progress	2	55	0	-57	0
	<b>9,129</b>	<b>1,470</b>	<b>1,493</b>	<b>0</b>	<b>9,106</b>
	<b>71,113</b>	<b>7,105</b>	<b>1,739</b>	<b>0</b>	<b>76,479</b>

**Cumulative depreciation, amortisation and impairment**

Balance 1 Jan 2015 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2015 €'000
3,590	566	246	3,910
27,441	4,135	0	31,576
0	0	0	0
0	0	0	0
<b>31,031</b>	<b>4,701</b>	<b>246</b>	<b>35,486</b>
21	0	0	21
6,881	1,116	1,483	6,514
0	0	0	0
<b>6,902</b>	<b>1,116</b>	<b>1,483</b>	<b>6,535</b>
<b>37,933</b>	<b>5,817</b>	<b>1,729</b>	<b>42,021</b>

**Carrying amount**

Balance 31 Dec 2015 €'000	31 Dec 2014 €'000
1,443	1,414
14,521	13,419
14,826	14,826
1,097	1,294
<b>31,887</b>	<b>30,953</b>
0	0
2,571	2,225
0	2
<b>2,571</b>	<b>2,227</b>
<b>34,458</b>	<b>33,180</b>

**Consolidated statement of changes  
in non-current assets 2014**

	Cost			Balance 31 Dec 2014 €'000
	Balance 1 Jan 2014 €'000	Additions €'000	Disposals €'000	
<b>I. Intangible assets</b>				
1. Patents, licences, trademarks and similar rights and assets, including licences for such rights and assets				
1.1 Software	4,257	747	0	5,004
1.2 Development costs	37,718	3,142	0	40,860
2. Goodwill	14,826	0	0	14,826
3. Advance payments and development costs in progress	0	1,294	0	1,294
	<b>56,801</b>	<b>5,183</b>	<b>0</b>	<b>61,984</b>
<b>II. Property, plant and equipment</b>				
1. Land, leasehold improvements and buildings, including buildings on land owned by others	21	0	0	21
2. Office furniture and equipment	8,300	981	175	9,106
3. Advance payments and constructions in progress	0	2	0	2
	<b>8,321</b>	<b>983</b>	<b>175</b>	<b>9,129</b>
	<b>65,122</b>	<b>6,166</b>	<b>175</b>	<b>71,113</b>

**Cumulative depreciation, amortisation and impairment**

Balance 1 Jan 2014 €'000	Additions €'000	Disposals €'000	Balance 31 Dec 2014 €'000
3,121	469	0	3,590
24,112	3,329	0	27,441
0	0	0	0
0	0	0	0
<b>27,233</b>	<b>3,798</b>	<b>0</b>	<b>31,031</b>
21	0	0	21
6,090	965	174	6,881
0	0	0	0
<b>6,111</b>	<b>965</b>	<b>174</b>	<b>6,902</b>
<b>33,344</b>	<b>4,763</b>	<b>174</b>	<b>37,933</b>

**Carrying amount**

Balance 31 Dec 2014 €'000	31 Dec 2013 €'000
1,414	1,136
13,419	13,606
14,826	14,826
1,294	0
<b>30,953</b>	<b>29,568</b>
0	0
2,225	2,210
2	0
<b>2,227</b>	<b>2,210</b>
<b>33,180</b>	<b>31,778</b>

# Report of the supervisory board

The Supervisory Board hereby reports on the discharge of its responsibilities in the 2015 financial year.

In 2015, 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 2015. In addition, three regular and three non-scheduled 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 attended every 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. Supervisory Board elections were held in 2015. The Supervisory Board also addressed the setting of targets for the proportion of women on the Company's Supervisory Board and Management Board.

On **16 January 2015**, a non-scheduled Supervisory Board meeting was held by telephone. Because the share repurchase programme was not fully provided with treasury shares last year, the Supervisory Board adopted a resolution, based on the Management Board's decision, that the share repurchase programme should be extended from 19 January 2015 to 31 May 2015, with the intention of providing treasury shares for employee share ownership schemes and other means of issuing shares to employees of the Company and the Hypoport Group.

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).

At the meeting held on **6 February 2015**, the Supervisory Board noted with approval the budget for 2015 submitted by the Management Board.

A representative of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, attended the meeting held on **11 March 2015** and presented a comprehensive report on BDO's audit of the separate financial statements for 2014 and the consolidated financial statements for 2014. As required by section 171 AktG, the Supervisory Board reviewed and approved the separate and consolidated financial statements for 2014 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.

The Supervisory Board also discussed its own report on the 2014 financial year and voted to adopt it.

The Management Board reported on the fourth quarter of 2014 and on the fact that the 2015 financial year had started very well.

At the meeting, the Supervisory Board also approved the Management Board's decision to increase the maximum price for the share repurchase programme from €14.00 per share to €19.00 per share.

The Company's risk management system was also discussed in detail at the meeting. The Supervisory Board came to the conclusion that the existing control mechanisms and procedures are suitable and appropriate for achieving the desired objectives in full. The Supervisory Board also resolved to include the risk management system in the internal audit schedule.

On **22 April 2015**, after having made appropriate preparations and discussed the draft agenda for the 2015 Annual Shareholders' Meeting, the Supervisory Board adopted a written resolution approving the convening of the 2015 Annual Shareholders' Meeting and its agenda.

The Supervisory Board meeting held by telephone on **30 April 2015** mainly dealt with the interim report for the first quarter of 2015.

The Management Board also reported on the sale and/or assignment to Hypoport AG of shares in Vergleich.de Gesellschaft für Verbraucherinformation mbH by Dr. Klein & Co. AG.

At the constitutive meeting on **12 June 2015** of the recently elected Supervisory Board, Dr Ottheinz Jung-Senssfelder was appointed as its chairman and Mr Roland Adams as his deputy. The Management Board reported on the first quarter and the progress of the second quarter to date.

During the non-scheduled Supervisory Board meeting held by telephone on **3 July 2015**, the Supervisory Board approved the share repurchase programme for the period 6 July 2015 to 31 December 2015 as proposed by the Management Board.

The main topic of discussion at the Supervisory Board meeting held by telephone on **31 July 2015** was the Management Board's report on the Hypoport Group's performance in the second quarter of 2015.

At the meeting held on **4 September 2015**, the Management Board reported on the second quarter of 2015 and on specific developments and trends in the individual business units. The Management Board and Supervisory Board also examined the risk report in detail. Furthermore, the schedule for 2016 was approved.

At the non-scheduled Supervisory Board meeting held by telephone on **18 September 2015**, the Supervisory Board approved the Management Board's proposal to increase the maximum price for the share repurchase programme to €40.00 per share.

Following appropriate preparations and discussions, the Supervisory Board adopted a written resolution on **26 September 2015** establishing that targets must be set for the proportion of women on Hypoport's Supervisory Board and Management Board and specifying those targets.

On **16 October 2015**, the Supervisory Board adopted a written resolution approving Hypoport AG's plan to raise a new loan for €5 million from IKB Deutsche Industriebank AG, which includes public funding from the ERP Innovation Programme 184 offered by Germany's KfW development bank. Funds promoting innovation will be provided for the capital expenditure and development for Europace 2 BausparSmar (B2B front end and market engine).

The main subject discussed during the Supervisory Board meeting held by telephone on **30 October 2015** was the interim report for the period ended 30 September 2015.

The Supervisory Board also extended the appointment of Mr Ronald Slabke as a member of the Management Board for the period from 1 January 2016 to 31 December 2020 and appointed him Chief Executive Officer for this period.

Furthermore, the Supervisory Board approved the Company's intention to enter into two new contracts of employment with new members of the management board of Europace AG.

At the meeting, the Management Board reported on the status of the share repurchase programme and outlined its expectations for the future performance of the Company, including the pricing of Hypoport shares.

The Company's operating performance in the third quarter of 2015 as well as the latest developments and trends in the business units were discussed extensively with the Management Board at the Supervisory Board meeting held on **11 December 2015**. The Management Board

and Supervisory Board also noted with approval the internal audit report and the update on the internal audit schedule, and specified the topics to be audited in 2016.

In addition, the Management Board and Supervisory Board discussed the preparations for the strategy meeting in January 2016 and agreed on the main strategic questions and issues to be covered during the strategy discussion.

The date was also set for the 2016 Annual Shareholders' Meeting.

In the absence of the Management Board, the Supervisory Board then reviewed the effectiveness of its own work over the course of the previous year. 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 2015, 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 for 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 take due account of the standards.

## Separate and consolidated financial statements

The Management Board submitted to the Supervisory Board the 2015 separate financial statements that it had prepared in accordance with the German Commercial Code (HGB), the 2015 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 separate financial statements, the consolidated financial statements and both management reports for the year ended 31 December 2015 and they issued an unqualified opinion in each case. As required by section 171 AktG, the Supervisory Board reviewed and discussed the separate and consolidated financial statements for 2015 and both management reports. At the Supervisory Board meeting held on **23 March 2016** 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 separate and consolidated financial statements for 2015 prepared for the Company by the Management Board. The financial statements for 2015 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, 23 March 2016



Dr. Ottheinz Jung-Senssfelder  
Chairman of the Supervisory Board

# Corporate governance report

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 24 June 2014, which was published in the German Federal Gazette on 30 September 2014, and as amended on 5 May 2015, which was published in the German Federal Gazette on 12 June 2015. The declaration of conformity was submitted by the Management Board and Supervisory Board of Hypoport AG on 29 January 2016 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](http://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 23 January 2015, 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 24 June 2015, 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 30 September 2015. Since 13 June 2015, Hypoport AG has also complied – with the exception of the recommendations listed below – with the corresponding recommendations made by the German government commission on the German Corporate Governance Code as amended on 5 May 2015, which were published in the German Federal Gazette on 12 June 2015. 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 5 May 2015 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. Paragraph 4.2.3 (2) of the German Corporate Governance Code recommends that the level of remuneration for 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.

Hypoport AG is of the view that the existing remuneration structure for 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 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, 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 – 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, a specific time limit on membership of the Supervisory Board, and diversity. Paragraph 5.4.1 (3) states that the Supervisory Board should take these targets into account when proposing candidates for election, and that both the targets and the progress towards their implementation should be published in the corporate governance report. To date, the Supervisory Board of Hypoport AG has not set such targets for its composition.

The current members of the Company's Supervisory Board were elected by the 2015 Annual Shareholders' Meeting in accordance with the proposals made by the Supervisory Board. Each was elected by a large majority. Their term of appointment is due to end in 2020. The Supervisory Board is of the opinion that its current composition takes full and proper account of the Company's particular situation and believes that this is corroborated by the election results for the Supervisory Board candidates that it had proposed. The Supervisory Board is therefore of the opinion that specific written targets for its composition are inappropriate at the present time. Such binding targets would risk unduly restricting its flexibility to elect suitable candidates of either sex; nor does it appear appropriate to set specific targets at this point, as the terms of appointment of the current members still have until 2020 to run. Due to the size of the Supervisory Board, the Supervisory Board also believes that each vacant position should be filled first and foremost on the basis of candidates' professional suitability, taking due account of the Company's particular situation. 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. Nonetheless, the Supervisory Board will continuously and properly examine whether to comply with the recommendation in paragraph 5.4.1 (2) and (3) of the German Corporate Governance Code in future or whether to retain the current 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 for 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 the amount by which positive earnings before interest and tax (EBIT) as reported in the Company's IFRS consolidated annual financial statements exceeds €5 million, 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 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.

## Disclosures of corporate governance practices

### 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 2015 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 2019 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 separate and consolidated financial statements prepared by the Management Board, thereby adopting the separate financial statements.

#### **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 2015.

<b>Group Management Board</b>	<b>Shares (number)</b>
Ronald Slabke	2,288,381
Thilo Wiegand	30,000
Stephan Gawarecki	187,800
Hans Peter Trampe	153,690

<b>Supervisory Board</b>	
Dr. Ottheinz Jung-Senssfelder	10,500
Roland Adams	0
Christian Schröder	15,700

Directors' dealings are published at [www.hypoport.de/directors\\_dealings.html](http://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 2015 can also be found on the Company's website at [www.hypoport.de/directors\\_dealings.html](http://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 rules of procedure and schedule of responsibilities, 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 voting. 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 voting. 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 June 2020.

### **Setting targets for the proportion of women on the Management Board and Supervisory Board and in managerial positions**

The 'Law for the equal participation of women and men in managerial positions in the private and public sectors' came into force on 1 May 2015. It establishes the obligations for the Supervisory Board and Management Board of Hypoport AG to set targets for the proportion of their members who are women. In accordance with the law, the Supervisory Board and Management Board have decided on the following targets:

#### **Targets for the Management Board and Supervisory Board**

In accordance with section 111 (5) AktG, the Supervisory Board of Hypoport AG adopted a resolution on 26 September 2015 setting a target of 0 per cent for the proportion of women on both the Management Board and the Supervisory Board. A deadline of 30 June 2017 was set for achieving the target figures. At present, both the Management Board and the Supervisory Board of Hypoport AG consist exclusively of male persons.

The Supervisory Board will continue to strive to give due consideration to women when there are personnel changes on the Management Board and Supervisory Board. Because of the small number of Supervisory Board members, the Supervisory Board is currently of the opinion that professional suitability, experience and independence, regardless of gender, should remain the key determinants for its composition. Consequently, the Supervisory Board believes that it is not appropriate to set a target of more than 0 per cent for the proportion of women on the Supervisory Board, because its current flexibility for proposing candidates for vacant Supervisory Board positions would otherwise be unduly impaired. The Supervisory Board is also of the view that professional suitability and experience, regardless of gender, should remain the key determinants for filling vacant positions on the Management Board. Furthermore, no personnel changes on the Management Board are currently foreseeable. Because of the length of the Management Board members' employment contracts, no extension of appointment or recruitment of a new member of the Management Board is likely to apply during the implementation period to 30 June 2017.

#### **Targets for senior management levels**

In accordance with section 76 (4) AktG, the Management Board of Hypoport AG adopted a resolution on 26 September 2015 setting a target of 14 per cent for the proportion of women at the first management level below the Management Board and a target of 33 per cent for the second management level below the Management Board, both of which are to be met by 30 June 2017. On the date at which the resolution was adopted, the proportion of women at the first management level below the Management Board was 14 per cent and the proportion of women at the second management level below the Management Board was 33 per cent. The two management levels were defined as follows: the first management level below the Management Board comprises the business unit heads and the second management level below the Management Board comprises the group heads.

When filling vacant positions at the two management levels below the Management Board in the past, the Management Board already took particular account of aspects of gender diversity as well as professional suitability and experience. Because of the small number of positions to

be filled at the two management levels below the Management Board, the Management Board is of the opinion that professional suitability and experience, regardless of gender, should remain the key determinants for filling vacant positions at these management levels.

#### **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.

Berlin, March 2016

#### **Hypoport AG**

Management Board and Supervisory Board

# Auditor's report

We have audited the consolidated financial statements prepared by the HYPOPORT AG, Berlin, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2015 to 31 December 2015. 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 sec. 315a para. 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 sec. 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 annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, 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 sec. 315a para. 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, 11 March 2016

BDO AG

Wirtschaftsprüfungsgesellschaft

Prill

Wirtschaftsprüfer

(German Public Auditor)

Dr. Wißmann

Wirtschaftsprüfer

(German Public Auditor)



# Single-entity financial statements

## of Hypoport AG 2015 (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 dec 2015

	2015 €'000	2014 €'000
Revenue	10,836	9,201
Own work capitalised	1,184	1.193
Other operating income	3,880	2,571
Personnel expenses	-14,912	-13,455
Depreciation, amortisation and write-downs on intangible fixed assets and on property, plant and equipment	-701	-472
Other operating expenses	-5,623	-5,722
Income from long-term equity investments	3,247	2,196
Income from profit transfer agreements	19,001	7,629
Income from other securities and lending of financial assets	16	36
Other interest and similar income	155	175
Expense in respect of loss transfers	-212	-151
Interest expense and similar charges	-452	-560
<b>Profit from ordinary activities</b>	<b>16,419</b>	<b>2,641</b>
Income taxes	-741	173
Other taxes	-6	-12
<b>Net profit (loss) for the year</b>	<b>15,672</b>	<b>2,802</b>
Profit brought forward	24,385	21,583
<b>Distributable profit</b>	<b>40,057</b>	<b>24,385</b>

Balance sheet as at 31 December 2015

	31.12.2015 €'000	31.12.2014 €'000
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	3,358	2,770
Property, plant and equipment	216	141
Financial assets	24,352	25,946
	<b>27,926</b>	<b>28,857</b>
<b>Current assets</b>		
Trade receivables	6,461	4,856
Receivables from affiliated companies	23,247	21,916
Receivables from other long-term investees and investors	61	66
Other assets	65	256
Cash and cash equivalents	11,094	3,495
	<b>40,929</b>	<b>30,589</b>
<b>Prepaid expenses</b>	<b>84</b>	<b>88</b>
	<b>68,938</b>	<b>59,534</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Subscribed capital	6,195	6,195
Treasury shares	-156	-79
Issued capital	6,039	6,116
Capital reserves	2,346	2,210
Retained earnings	4,955	7,082
Distributable profit	40,058	24,385
	<b>53,398</b>	<b>39,793</b>
<b>Provisions</b>	<b>2,524</b>	<b>1,671</b>
<b>Liabilities</b>		
Liabilities to banks	10,967	15,567
Trade payables	267	348
Liabilities to affiliated companies	1,454	1,866
Other liabilities	313	289
	<b>13,001</b>	<b>18,070</b>
<b>Deferred income</b>	<b>15</b>	<b>0</b>
	<b>68,938</b>	<b>59,534</b>

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