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## **House brands are no longer sufficient**

### **Sustained structural change in the sale of banking services /**

### **Customers can benefit if they have the necessary information**

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**Berlin, 18 July 2008**

#### **Contradictory trends**

Product providers have recently been actively buying into financial services vendors in order to expand their value creation chains – and thus remain successful in a fiercely competitive financing and investment market that is showing scarcely any signs of growth. Well-known examples include: Swiss-Life and AWD or ING and Interhyp.

Along with this trend, ever more product providers are also offering competitor products to their existing clients in an effort to keep them and ensure their loyalty. Clients who approach a building society for complete financing of the purchase price of their houses, for example, are no longer being rejected. The building society arranges for the loan to be provided by a “competing” mortgage financing specialist but still keeps the client and has, at least, earned agency commission. The in-house building society contract frequently secures the suspension of repayments and will serve to replace the loan in future years. Group management is frequently aware that it happens and puts up with this procedure, although it is not welcomed.

Ronald Slabke, Co-CEO at Hypoport: “Ever more sales agents in banks, building societies and insurance companies are arranging for loans to be provided by other banks, irrespective of their relevant company policy. This enables them to sustain the client relationship in spite of gaps in their own product ranges and at least to cross sell some of their own company’s products. This procedure offers enormous sales potential.”

Over the medium term, banks will give their sales organisations ever more scope in selecting products in order to benefit from this potential. By opting for the EUROPACE platform, they can play an active role in shaping developments and offer their clients objectively favourable terms and conditions.

#### **Structural change from the client perspective**

We have all been there: You approach the representative of an insurance company or an affiliated sales organisation and can automatically assume that the parent company will emerge as the best solution in any comparison of the best possible insurance policies.

Clients are aware of this and nowadays approach independent agents or search the internet for a neutral comparison portal. Stiftung Warentest, vergleiche.de, billiger.de or others are used for comparison purposes. But what if a client approaches an agent who is no longer independent, who is meanwhile owned by a product provider? Not all potential clients have read about it in a trade medium.

Agency services can only be free, uninfluenced, objective and cost-optimised if they are not dominated by a single product provider.



## Objective

EUROPACE is an established B2B financial marketplace that mediates between vendors of financial services and product providers. In recent weeks, Hypoport has begun offering a new service - "packaging" - to arrange loans through external product providers without the need for sales organisations who are increasingly expanding their services to set up their own back office capacities. In addition to using the technical platform, this enables vendors of financial services to also centrally process and bundle loans with other sales organisations.

## Hypoport starts packaging with Allianz Dresdner Bauspar and Postbank/DSL

DSL Bank, a Postbank subsidiary, was one of the first partners to join. Hypoport "packages" the loan applications of DSL partners for other product providers through a joint subsidiary. The offer is gaining widespread acceptance among DSL Bank's sales partners. Allianz Dresdner Bauspar AG is a further new major client of the packager. According to Thilo Weigand, Member of the Management Board of Hypoport AG and responsible for packaging, among others: "The growth of independent vendors of financial services is one of the main reasons why ever more sales organisations in banks are adopting a product policy that has long since been commonplace in financial investments and insurance: the provision of independent advice to clients and a choice of products from the entire market, not just the house brand". The times where sales organisations in banks and insurance companies only offered house brand mortgage financing are probably coming to an end.

## Outlook

According to statistics published by Deutsche Bundesbank, the market for mortgage financing has recovered somewhat overall. In the first quarter, the market volume was 12% below the same period the previous year, whereas the new business volume of +3% in April exceeded the year-on-year month's figure for the first time.

According to Prof. Dr. Thomas Kretschmar, second Co-CEO at Hypoport AG: "We were already proud of our first quarter growth in spite of the overall market development. But we are even more delighted that we will grow at an even faster rate, now that the market is changing". EUROPACE had already posted a new record in terms of transaction volume in mid-April when it topped the EUR 3.4 billion mark.

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## About Hypoport AG

Hypoport Group is an internet-based all-round financial services provider based in Berlin. The Group employs more than 430 people. The company has been listed in the Prime Standard on Deutsche Börse since the end of 2007.

Its business model consists of two reciprocally beneficial pillars – the sale of financial products and the provision of a transaction platform for mediating financial products via the internet.

### **B2C**

Dr. Klein & Co. AG, Hypoport's wholly owned subsidiary, provides banking and finance products - ranging from current accounts to insurance policies to mortgage financing - to private clients via the internet and, if requested, offers advice both over the telephone or face-to-face. Dr. Klein & Co. AG is an independent company that selects the best products for the client from a wide range offered by more than 100 well-known banks and insurance companies. The web-based processes generate cost benefits that are passed on to the private clients. This enables Dr. Klein to usually offer much better terms than local banks, savings banks or insurance agents. In addition, the corporate property clients division at Dr. Klein, which has been operating since 1954, leads the market for financing municipal and cooperative residential property companies.

### **B2B**

Hypoport operates the EUROPACE B2B financial marketplace, which is the largest German online platform for transacting financing products. A fully integrated system links more than 30 banks with several thousand financial advisors, thus enabling the quick and direct agreement of contracts. The platform's highly automated processes generate considerable cost benefits. Nowadays, EUROPACE processes some 400 financing transactions every day. EUROPACE is also used as an information platform for ABS transactions throughout Europe. Hypoport AG publishes the monthly house price index (HPX).

