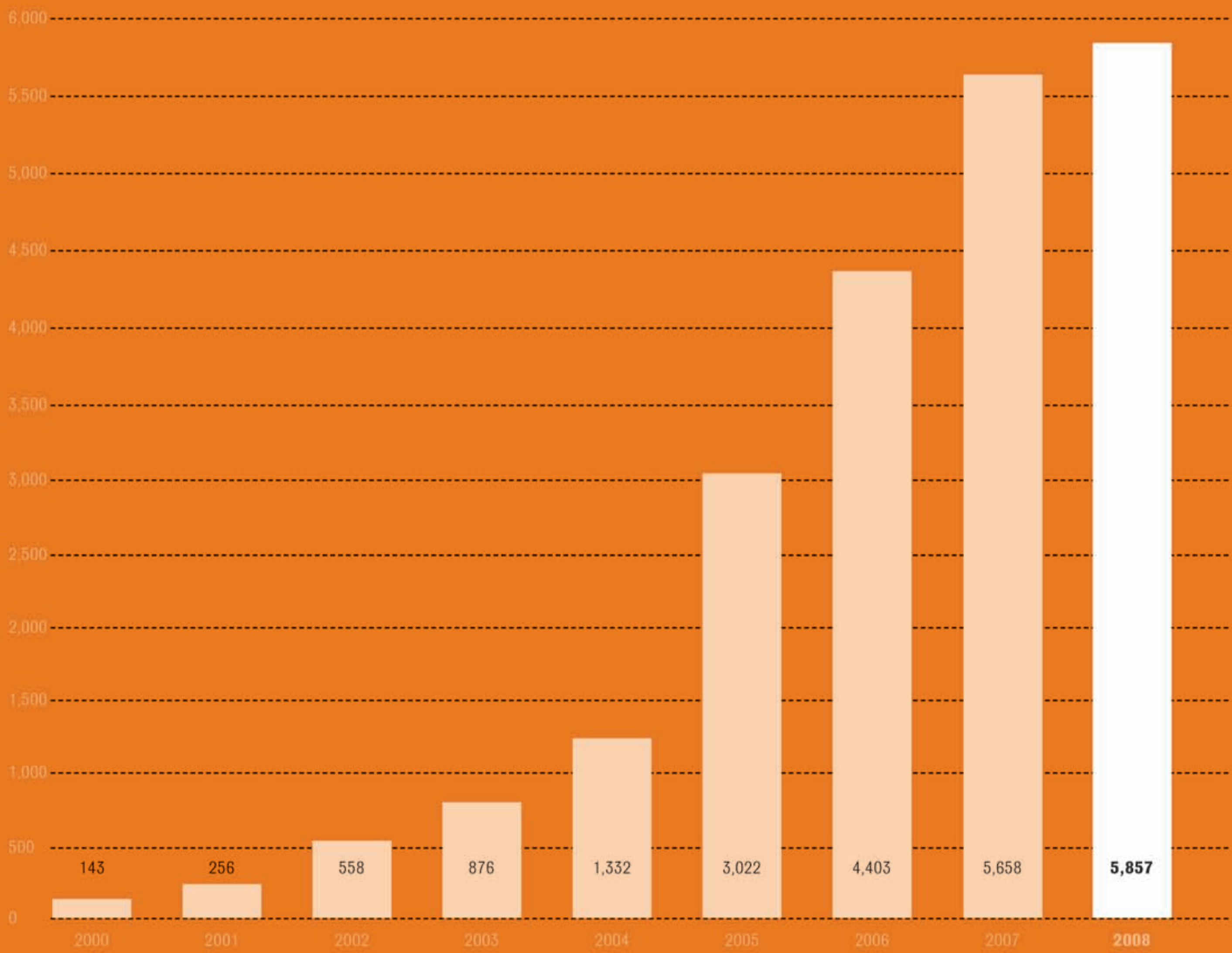
Annual Report 2008

08

interhyp

Closed mortgage volume *in EUR m*



Key Figures *(in EUR m)*

	2008	2007	+/-
New residential mortgage volume	5,857	5,658	+4%
Net revenues	73.2	75.4	(3%)
EBIT	12.5	28.5	(56%)
Net income	8.0	18.1	(56%)
Earnings per share in EUR (undiluted)	1.22	2.78	

Summary

Preface by the Management Board

Dear Shareholders,

In many respects, 2008 was a turbulent year. The financial crisis which began in 2007 in the US subprime mortgage market developed into a banking crisis and eventually a global economic crisis. All companies thus face a number of new challenges. As a mortgage broker, Interhyp does not hold any credit risk and therefore is not directly affected by the disturbances on the capital markets. Nevertheless, such dramatic changes in the banking environment and in refinancing are challenging for a mortgage broker as well. However, with our business model we succeeded in holding up well even in such a difficult environment. The mortgage volume we placed with our partner banks grew to EUR 5.9 billion and the number of closed mortgages rose to 38,908. This enabled us to increase our market share in new mortgage business for the full year to 3.32%. Total revenues came to EUR 91.2 million while net revenues stood at EUR 73.2 million. Earnings before interest and taxes (EBIT) came – mainly due to one-time special effects in connection with the takeover by ING DIRECT – to EUR 12.5 million. Net income of EUR 8.0 million was reported.

The strength of our business model is especially impressive in the current market environment. While a number of banks are more hesitant about residential mortgages, others – especially local and regional players – are actively seeking retail customers with their respective mortgage needs. Subsequently, we expanded our partner basis and are now able to choose from more than 100 banks– trend: upwards. Thus, even in a market like this, we remain able to find the best individual solution for our customers – an advantage only a broker can offer.

Yours sincerely,

Michiel Goris

Robert Haselsteiner

Jörg Utecht

Marcus Wolsdorf

The **Shares**

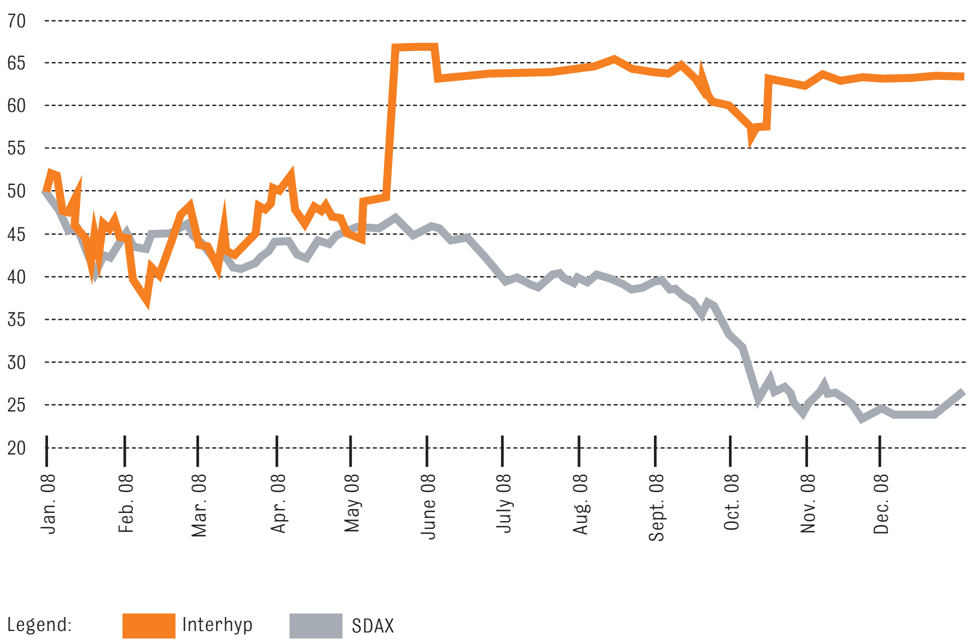
In the financial year 2008, the share price of Interhyp AG initially developed in a range similar to that of the German small-cap index SDAX, in which the shares were listed until September 2008.

Thus the price of the share proved highly volatile in the first half of 2008. The Interhyp share started the year at EUR 49.83 (Xetra closing price). By the end of February, the price had fallen to an annual low of EUR 37.50. The share reached its zenith at EUR 67.00, directly after the takeover offer by ING Direct was announced on 19 May 2008.

The takeover offer amounted to EUR 64 in cash per share plus the dividend for the financial year 2007 totalling EUR 4.10. This amount was paid out at the beginning of June and thus before the end of the acceptance period. After dividends were paid out, and also during the acceptance period from 20 June to 24 July 2008, the share was trading close to the offer price of EUR 64 despite the difficult capital market environment. Only after the end of the additional acceptance period from 31 July to 13 August 2008 did the share price, together with the weakening overall market, gradually decline to EUR 55.39 at the beginning of October. After ING Direct's acceptance ratio exceeded the 95% threshold in mid-October, and thus again actuated the statutory put option of the remaining shareholders according to the German Securities Acquisition and Takeover Act at EUR 64, the Interhyp share again rose close to the original offer price. At the end of the year, the closing price thus came to EUR 63.40.

The share had been ***decoupled from the weak market*** *by the takeover offer in 2008.*

Share price performance Interhyp vs. SDAX *(indexed)*



As a result of detaching the Interhyp share from the generally weak market following the takeover offer, Interhyp shareholders posted a price rise of 28% in the financial year just ended. The SDAX lost 46% of its value in the same period.

Investors who bought Interhyp shares in the IPO at the end of September 2005 and accepted the offer from ING Direct enjoyed a 52% rise in the share price compared with the issues price of EUR 42.

Shareholder structure

The percentage of Interhyp shares in the free float declined as a result of the public takeover offer announced by ING Direct on 19 May 2008, from an original 67.7% at the end of 2007 to the current 2.7%. In the course of the offer made up of the acceptance period and the statutory additional acceptance period, investors offered ING Direct the great majority of the available shares for purchase at a price of EUR 64 per share. The non-free float holdings of ING Direct thus rose from 0% before the takeover offer to 91.21% of the outstanding shares at 18 August 2008. Upon expiry of the offer, ING Direct acquired additional shares in our Company, thus diminishing the free float further and the percentage of the non-free float holdings, according to the announcement dated 4 December 2008, rose to the current 97.26%. According to the Securities Acquisition and Takeover Act, the remaining shareholders still had the legal right up to 13 January 2009 to offer ING Direct Interhyp shares at a price of EUR 64.

*The **free float** declined to now 2.7%.*

Investor Relations activities

In the financial year just ended, we continued to focus our activities here on serving national and international institutional investors and on strengthening ties to existing investors and security analysts. Once more in the spring of 2008, we were involved in a broad range of road show activities. Corporate presentations at European capital market conferences and numerous one-on-one meetings were held with investors.

In addition, through our Investor Relations department, we exchange information with private Interhyp shareholders and interested parties on a regular basis.

Following conclusion of the takeover offer by ING Direct and the resulting sharp contraction of the free float of Interhyp shares, institutional investors' interest in the share declined over the course of the year, so some security analysts discontinued ongoing monitoring of the Interhyp share.

The Interhyp financial calendar for 2008 provides an overview of our activities:

Interhyp financial calendar *2008*

Date	Activity
25 February 2008	Preliminary results for the financial year 2007
25 February 2008	Press conference for the financial year 2007
14 March 2008	Sal. Oppenheim Financials Forum (Milan)
1 April 2008	Morgan Stanley European Banks Conference (London)
8 April 2008	Dresdner Kleinwort Small- and MidCap Conference (London)
9 April 2008	Road show (Edinburgh)
7 May 2008	Report on first quarter of 2008
8–9 May 2008	Road show London/Frankfurt
4 June 2008	Interhyp Annual General Meeting of Shareholders 2008 (Munich)
7 August 2008	Report on first half of 2008
12 November 2008	Report on 3rd quarter of 2008
12 November 2008	Analyst Conference German Equity Forum (Frankfurt)

Our annual event for analysts was held once again before a broad audience in the context of the German Equity Forum in Frankfurt on 12 November 2008, in the course of which we presented our results for the third quarter of 2008.

Information on the Interhyp share

German Securities Identification Number (WKN):	**512 170**
ISIN:	DE0005121701
Stock exchange:	Frankfurt Stock Exchange
Trading segment:	Regulated market (Prime Standard)
Indexes:	CDAX; Prime All Share, Classic All Share; GEX
Type of share:	No-par registered shares
Symbol:	IYP
Reuters:	IYPGn.DE
Bloomberg:	IYP GR
Registered capital:	EUR 6,593,525 divided into 6,593,525 shares
Designated sponsors:	Sal. Oppenheim
IPO:	29 September 2005

Group Management Report

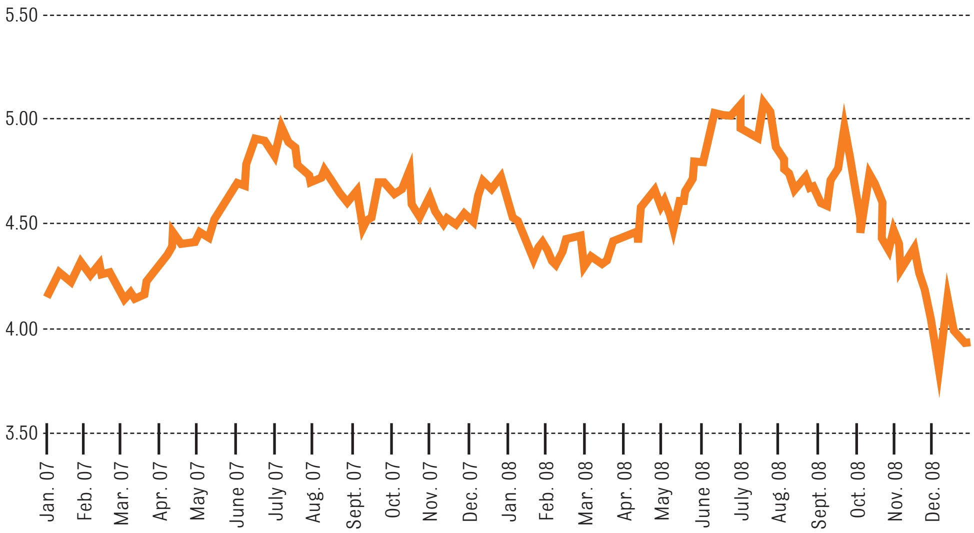
General Economic Conditions

Economic development

The year 2008 posed unprecedented challenges for policy-makers and central bankers around the world. The financial crisis which began in 2007 worsened over the course of 2008 to a previously unimaginable degree, and increasingly impacted the real economy in the second half of the year. This forced central bankers, practically in sync with policy-makers, to resort to unorthodox measures to stabilise the world economic system. Whether and how these initiatives will work remains uncertain for the time being, and will only become apparent in the later part of 2009 and in 2010. While the US slid into a recession in December 2007 and the Fed, therefore, in 2008 undertook a series of key interest rate cuts down to the lowest possible level of 0%–0.25%, the interest rate policy of the European Central Bank remained influenced by persistently rising inflation rates up until the month of July. In July, the ECB raised the key interest rates by 0.25 percentage points to 4.25% and then in October, under the pressure of events, began to lower interest rates, bringing key interest rates to an historic low of 2.0% in January 2009. This development was triggered by the virtual collapse of the banking system as a result of the bankruptcy of Lehman Brothers and the attendant drying up of the inter-bank money market. Subsequently, capital markets experienced dramatic dislocations and a number of financial institutions had to be stabilised by the state. Since it became progressively obvious in the autumn that the financial crisis would have significant effects on the global economy, almost all governments began preparing to provide not only bailout packages for banks but economic stimulus packages of thus far unseen dimensions to keep their economies from caving in. Also the effectiveness of these measures cannot yet be fully assessed. As a result of central bank policy, the interest rate curves in the US and the euro zone over the past few months have become noticeably steeper and, despite the current deflationary trend, risk premiums for long maturities can be seen to be rising. At present, it is too uncertain as to how exactly the different governments intend to finance the new indebtedness in the range of trillions.

*It became progressively obvious in the second half of 2008 that the financial crisis would have **significant effects** on the global economy.*

***10-year covered bond yields** in %*



Sector development

The volume of new business reported by the Bundesbank amounting to EUR 176.4 billion in 2008 constitutes a contraction of 3% compared with EUR 181.8 billion in 2007.

For a more detailed picture of demand, the market for purchases by private households in 2007 must be analysed. Data compiled by the surveyors' councils in eleven large German cities shows that activity here remained practically as slow as in 2007. In 2008, the number of transactions thus fell to the level of 2004, which was even lower than in 2002 and 2003.

*In 2008, building permits reached a **new low point**.*

Once again in 2008, the weakest segment was new construction. Building permits in 2008, at around 148,000 units, compared with the already drastically reduced level of 2007 declined again by 6%. This is the lowest level seen since 1949. Higher construction costs, defensive consumer behaviour, the slashing of direct government subsidies for owner-occupied homes and tax incentives for investors had a dramatic impact here, and it is time for political leaders to start thinking about initiatives to revive new construction activity. Independent institutes forecast that by the year 2025 around 400,000 housing units per year must be built in Germany in order to maintain an equilibrium. The run rate of recent years is thus significantly lower. Again in 2008, no signs of a positive trend were discernible for prices for existing property throughout the German market. In short, 2008 was another disappointing year for the development on the German housing market.

Interhyp – Business and Strategy

Business Activities and Group Structure

Business activities

Interhyp AG is Germany's largest distributor of residential mortgages. As a broker, Interhyp does not act as a lender but instead selects the best mortgages for its customers among offers from over 100 commercial banks, building societies, savings banks and insurance companies. We focus on competent, personal and objective consulting by our approximately 250 mortgage consultants. Our target group is made up of private customers interested in building or buying real estate for which they seek a customised financing solution. Furthermore, we help customers with existing mortgages to optimally adjust the follow-up mortgage to any new individual circumstances and the interest rate environment.

The individual consulting process at Interhyp begins with a mortgage application which contains all important information on the customer's financial situation and on the property itself.

In winning customers, we therefore always target the range of information on our website www.interhyp.de, where potential customers can not only find information but also use various online calculators to obtain an initial interest estimate for their plans and complete a mortgage application which they then send to us.

With 18 regional offices in large German cities, Interhyp is a true multichannel provider of residential mortgages. Regardless of whether our customers submit enquiries via the Internet, by phone or in writing, every customer has a personal consultant to assist them throughout the entire mortgage process. And every customer can make an appointment for a meeting in their nearest regional office.

*Interhyp is a true **multichannel provider** of residential mortgages.*

For a sound analysis of financing options, our advisors use eHyp, our proprietary software platform which ensures a high degree of efficiency and an absolute focus on the customer in the discussion with the mortgage consultant. With the aid of eHyp, every consultant can match customer data with the individual credit criteria for the lending partners in real time and calculate the terms for an optimum mortgage structure. Our customer is involved in this process, either over the telephone or in a face-to-face meeting in one of our regional offices.

This procedure substantially increases the likelihood of concluding a transaction for the over 100 lenders with whom we cooperate, since the applications are not submitted simultaneously to several institutions. Thus for mortgage providers, collaboration with Interhyp replaces or supplements traditional, cost-intensive sales channels. Moreover, they can define their offer precisely for certain target groups by means of lending criteria. If a mortgage is successfully closed, the lender pays Interhyp for arranging the transaction when the loan agreement is signed. Banks thus profit from an effective sales channel for their products on a purely variable cost basis. Commissions for our brokerage activities are not distributed over the life of the loans, but are recognised as up-front cash payments when a loan agreement is signed.

Legal structure

In addition to Interhyp AG, two operatively active subsidiaries belong to the Interhyp Group: Prohyp GmbH is a wholly owned subsidiary, while in MLP Hyp GmbH the Interhyp Group has a holding of 50.2%, with 49.8% held by MLP Finanzdienstleistungen AG.

The subsidiary Prohyp GmbH enables independent financial service providers or brokers to offer their customers the full capability of a residential mortgage broker – without itself having to create the infrastructure and processes. Prohyp combines powerful system support with comprehensive product selection, attractive interest rates and the know-how of experienced residential mortgage experts. With this service, Prohyp is the leading independent mortgage platform for financial service providers in Germany. In 2008, this segment of the business accounted for 47.0% of the mortgage volume brokered by Interhyp.

*Through **MLP Hyp GmbH**, MLP benefits from our full range of mortgage services.*

MLP Hyp GmbH is a subsidiary which was founded together with MLP Finanzdienstleistungen AG. The purpose of the Company is to provide MLP's sales force with mortgage offers, the requisite software technology and support in processing and supplying the related services in the scope of the long-term cooperation agreement concluded with MLP Finanzdienstleistungen AG. As a subsidiary, MLP Hyp GmbH is fully consolidated in the Group financial statements. MLP Finanzdienstleistungen AG's share of net income is shown as a minority holding.

Moreover, a long-term marketing cooperation agreement exists with iMakler GmbH which is backed by a minority holding of 25.2%.

The wholly owned subsidiary Hausfinanz Beratungsgesellschaft mbH is not conducting any business activities at the moment.

Sales channels

Interhyp uses two different sales channels for its brokerage services:

Interhyp AG offers its brokerage services to prospective mortgage customers directly under the Interhyp brand ("Direct Channel").

***Institutional cooperation partners** can also use the services offered by Prohyp.*

Our subsidiary Prohyp GmbH is geared to independent financial advisors offering mortgages, local mortgage specialists and institutional partners who, with assistance from Prohyp, act as independent mortgage brokers and have access to our range of products ("Intermediary Channel"). This segment operates under the independent Prohyp brand.

These two sales channels simultaneously constitute the segments of financial reporting.

Regional offices

In addition to the 17 already existing offices, we strengthened our position in southern Germany in 2008 by opening a regional office in Augsburg. Interhyp now maintains a presence in 18 large cities which can be accessed by our local customers, thus positioning the Company as a full multichannel provider.

Processes

Our customer acquisition efforts in the Direct Channel business are strongly geared to Interhyp's website (www.interhyp.de). Here, prospective customers find detailed information and calculation tools dealing with building, buying, renovating and refinancing, and thus receive the information they need in the orientation phase. In advertisements in local print media, the focus is on the respective Interhyp regional office with opportunities for direct contact, while in super-regional marketing initiatives the emphasis is on contacting us via a toll-free service number. By opening regional offices and expanding capacities for supporting first-time customers by phone, we have extended our customer acquisition activities accordingly.

Prospective customers with specific mortgage requirements wishing to take advantage of Interhyp's services first provide us with the personal data needed for consultation and a subsequent loan decision. This can be done either by letter, phone, a conversation with one of our consultants in a regional office or through our website. This information contains details on the customer's projected mortgage, the desired financing structure and also on the customer's income and assets.

Thereafter, prospective customers contact their personal Interhyp mortgage consultant who guides them through the entire mortgage process and clears up preliminary questions. If the prospective customer is located in the catchment area of one of our regional offices, service will be provided automatically by the nearest regional office in order to facilitate subsequent personal contact locally.

In the course of the consultation, the customer's objectives are discussed and the personal circumstances of the customer's life are also taken into account. The remaining steps in the application procedure and the requisite documents are then discussed and a preliminary indication of possible interest rates is provided.

The strong proprietary software platform eHyp enables our mortgage consultants to assess the feasibility of applications on an individual basis and to find and compare in real time the best lending partner for the desired mortgage. The analysis is based on several hundred lending criteria per lender – all of which are stored in the system.

The eHyp system, which was also continually updated in 2008 offers the consultant strong workflow support, makes it possible for us to make a binding offer as soon as we have received all the documents required for making a decision. For bank partners who already have these interfaces, we can even issue the final loan agreement. Once the agreement has been signed by the borrower and the lender, the loan is paid out in accordance with the borrower's requirements.

*A **broad spectrum** of forms of cooperation: from pure systems support to complete outsourcing.*

In the Intermediary Channel, Interhyp provides customised versions of the eHyp software to residential mortgage brokers and independent financial advisors. Prohyp's partners can access the product range and Interhyp's conditions and – like our mortgage consultants in the Direct Channel – check mortgage applications and find the best offers in real time. Furthermore, our Prohyp mortgage consultants are on hand with their expertise to support brokers in closing mortgages. Moreover, institutional cooperation partners can also avail themselves of the services of Prohyp. Depending on the partner's strategic orientation, we offer a broad spectrum of forms of cooperation: from pure systems support and access by the cooperation partner's own sales teams to complete outsourcing of the entire sales process as a white label solution.

Products

In 2008, Interhyp generated 98.4% of all net revenues – in other words, sales less the commissions paid in the Intermediary Channel – from brokering residential mortgages. Both in the Direct and Intermediary Channels, a number of fixed-rate, (partly) variable rates and other special types of mortgages from various lenders are available. Over the course of 2008, we expanded our offers to include the products of over 100 lenders. A complete product overview can be found on our website at http://www.interhyp.de/produkte.html.

The remaining share of 1.6% of net revenues is accounted for by complementary insurance products related to properties and their financing and by proceeds from services in connection with our eHyp platform.

Sales markets

As a market leader in Germany, Interhyp holds a market share of 3.32% of new business in residential mortgage brokerage. As by far the leading broker, we continue to see clear opportunities for structurally related growth in our domestic sales market.

Competitive environment

Interhyp competes primarily with local financial institutions and building societies, as well as nationwide commercial banks throughout Germany and, in particular, with local providers in locations where we maintain regional offices. Other competitors are direct banks and online mortgage brokers such as Dr. Klein & Co. AG (part of Hypoport AG) and Planethome (wholly owned subsidiary of HypoVereinsbank), as well as independent financial service providers.

However, a number of competitors from the banking sector have recognised the value-added of complementing their existing traditional sales channels with independent broker distribution and are exploiting their growth opportunities as a producer by offering their products through us. Other, usually regional banks are leveraging cooperation with Prohyp in order to be able to offer their customers a mortgage solution even when the bank's own product range does not offer an appropriate solution.

Corporate Management

Key operating indicators

In mortgage consulting (Direct Channel and Intermediary Channel business), the following indicators are used as a basis for judging performance:

- Number of mortgage applications
- Number of mortgage packages passed on to lending partners
- Number of successfully brokered mortgages
- Resulting conversion rates for the individual steps in the sales process
- Margin earned
- Mortgage volume
- Referral rates from customers

Based on the above factors, quantitative and qualitative earnings indicators for management purposes can be derived. Also considered are the workload of consultants, customer satisfaction as established in customer feedback and other qualitative measurement standards.

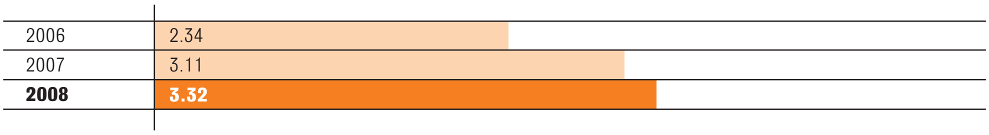
Key strategic indicators

__Our market share__ of new business with residential mortgages __grows__.

Since Interhyp AG is geared to an organic growth strategy in brokering mortgages, market share as a percentage of the total volume of new business with residential mortgages to private individuals in Germany is a key strategic indicator. Quantification is made on the basis of the information published by the Deutsche Bundesbank. The following bar graph shows the development of Interhyp's market share since 2006. The volume of closed mortgages also constitutes a means of comparison for quantifying the competition situation. Since not all direct competitors in the mortgage brokerage market are represented in the capital market, a direct survey is, for the most part, unfeasible.

However, the development of Interhyp in the mortgage brokerage market can be analysed since the volumes of new mortgage business of our partner banks are known to a great extent. If the share of new business generated through other sales channels is deducted from these totals, market share per annum can be fairly well estimated for mortgage brokers in Germany.

Market share in new residential mortgage business*, in %*



Financial indicators

In considering revenue, we focus purposely on net revenues, since commission for partners in Prohyp's intermediary business is contained in (gross) revenues.

This is why the net revenue margin is calculated with reference to the volume of closed mortgages, and in the profitability estimate the EBIT margin is also measured in terms of net revenue.

An important early indicator for operative business is the number of applications received from various market channels. Since mortgages are usually closed in an average of six weeks from the time of application, assumptions about average loan sizes, conversion rates and the time required for processing by banks permit us to estimate the yield flow from commission proceeds. Long-term early indicators refer to general economic factors which can influence transaction frequency in the residential mortgage market, such as price trends, consumer behaviour, unemployment rates and interest rate trends, particularly at the long end of the market.

Financial targets

In February 2008, Interhyp published its expectations of double-digit growth with reference to closed mortgage volume, net revenue and earnings before interest and taxes (EBIT) for the entire year.

The persistent negative influence of the financial crisis on consumer behaviour, and thus also on demand from customers, has made our guidance for the course of business up to the end of the year more conservative. In addition, the one-time strategy and legal counselling costs in connection with the takeover offer of ING Direct also affected Interhyp's profitability for 2008. Due to these circumstances and to the changes in the economy, we did not consider the achievement of our original targets realistic and have adjusted our guidance for the year.

In November 2008, we therefore published the expectation that Interhyp, despite the more difficult economic situation, can increase mortgage volume compared to the preceding year while maintaining stable net revenues. However, through the one-off effects from the takeover, investments in the evaluation of an international strategy and the lower pace of growth, EBIT would not be able to match the prior-year level.

Being ranked best mortgage broker for the third consecutive time*, we aim to remain on top in the years ahead.*

The following table contains this amended guidance and a target/performance comparison for the figures actually achieved for mortgage volume and net revenues:

Key indicator	Expected result (November 2008)	Result achieved	Difference vs. prior year
Closed mortgage volume	>EUR 5.7 bn	EUR 5.9 bn	+3.5%
Net revenues	~EUR 75 m	EUR 73.2 m	(2.9%)

At EUR 12.5 million, EBIT, as expected, fell below the result of EUR 28.5 million the year before, thus registering a decline of 56.3%.

Non-financial goals

The business model, geared to providing competent service to our customers coupled with our rapid growth, means that we attach high priority to employee training and qualification. An in-house training and qualification team ensures that new colleagues are prepared for their assignments in mortgage consulting and identify with Interhyp's core values.

In addition, we aim to constantly expand our product range. This can be done through product innovations, but also through enlarging our pool of cooperation agreements with lenders. In 2008, we succeeded in increasing the number of active product providers for our mortgage offers from over 70 to more than 100 providers at present. The emphasis in expansion was to gain lending partners directly in the area of our regional offices. This structure and thus the strengthening of our position locally will be consistently pursued.

In 2008, we also succeeded in positioning ourselves in the studies of various consumer and business magazines as the winner above other mortgage providers, thus demonstrating Interhyp's competitiveness.

Also in 2008, Interhyp was ranked, for the third consecutive time, "Best Residential Mortgage Provider" by the business magazine *€uro*. In a survey commissioned by *€uro* and conducted by the independent institute, S.W.I. Finance, between May and July, 21 residential mortgage providers were examined. The institutions tested included not only major and branch-based banks but also direct banks, specialised mortgage brokers and financial service providers.

Interhyp was ranked ***"Best Residential Mortgage Provider"*** *for the third consecutive time.*

In the April 2008, edition of the business magazine *FocusMoney*, a large-scale test appeared which was performed by the Deutsches Institut für Service-Qualität. Altogether 17 mortgage providers were tested for their service quality and conditions. The study was based on an extensive service test with over 500 mystery shopping contacts by e-mail and phone. Once again, Interhyp was named as the overall winner.

The fact that we were able to distinguish ourselves from our competitors in these tests confirms that we are on track with our standards and goals when it comes to the quality of the advice and service we offer. In future comparisons, we aim to rank among the top three and thus maintain our outstanding position in the market for residential mortgages.

Segment Strategies

Direct Channel

*With its **18 regional offices**, Interhyp's service is available locally.*

In business with private customers under the Interhyp brand, we concentrate on achieving further organic growth through market share. We do this by steadily expanding and regularly evaluating our central marketing activities, and through constantly optimising our sales process. In addition, with the regionalisation strategy we have pursued since 2005, we have developed into a full multichannel provider with 18 regional offices in Germany. Deeper penetration of a broader range of customers and the increase in the probability of mortgage closures following a face-to-face meeting with our mortgage consultants are core components of our regionalisation strategy.

More recent regional offices in metropolitan areas with approximately 500,000 inhabitants are on a somewhat smaller scale in terms of personnel, but can, when it comes to office space and equipment in parallel with increasing local market share, grow to a target figure of about ten mortgage consultants, and thus become more productive. This remains the prime goal for the more recent offices in 2009 as well. Moreover, we plan to encourage the regional anchoring of our offices by winning new regional lending partners. Expansion by cooperating with new lending partners, a strategy already launched last year, will be continued in the current financial year.

Intermediary Channel

Within the scope of a clearly defined growth strategy, individual brokers and institutional partners have emerged as the core target groups.

For one thing, Prohyp acts as a partner for independent financial service providers and brokers who wish to offer their customers residential mortgage solutions. These independent advisors are usually not mortgage specialists but enjoy, thanks to Prohyp, a complete brokerage functionality: the product range of a large number of banks, the capabilities of the leading residential mortgage platform and customised specialist advice through Prohyp's mortgage experts. With support from Prohyp, independent financial service providers can position themselves as mortgage brokers at little expense. Along with the spread of the brokerage model, a growing number of independent mortgage specialists are emerging who operate regionally, provide competent advice based on experience and need a strong product offering to service their customers. Prohyp also supports this group by providing direct access to the eHyp system and direct submission of applications to banks. The team for serving local mortgage specialists and independent financial advisors is distributed locally over six regions in Germany (North, West, Central, East, Southwest, Southeast) since we see strong growth opportunities for this Intermediary Channel in close regional proximity with our partners.

Moreover, by consistently winning more institutional partners for cooperation with Prohyp, we have moved further into what is for us a relatively new sub-segment. Here, we offer a complete mortgage package as an outsourcing solution which can extend from website integration to an outsourced customer advisory service. We are therefore constantly adjusting our technological capacities in this area.

The aim of our strategy in business with institutional partners is to win new large cooperation partners for our Prohyp platform and to leverage the opportunities with our current cooperation partners.

The aim of the strategy in the other segment, namely business with local residential mortgage specialists and independent financial brokers, is growth by winning further active partners and increasing the mortgage volume brokered by Prohyp on a per-partner basis.

Thereby we are relying on a strong, distinct brand which is positioning itself as the partner of choice in mortgages for professional independent financial consultants. The brand presence is based on an advertising campaign in trade magazines, active PR work and a selective local presence – such as in road shows and training sessions under the Prohyp Academy brand. Moreover, Prohyp participates in the most important trade fairs for independent financial advisors.

Strategic holdings

In 2007, together with the financial service provider MLP, Interhyp founded a subsidiary called MLP Hyp. The purpose of the company is to give MLP advisors access to the eHyp product and system platform for residential mortgages and provide selective support in matters relating to mortgages. The company is headquartered in Schwetzingen. Interhyp holds 50.2% of the shares in MLP Hyp GmbH, while MLP holds the remaining 49.8%. Operative management lies with Interhyp AG.

*Via **MLP Hyp GmbH** MLP gets access to our full capacity in mortgages.*

Research and Development

Work in software development in 2008 was geared to expanding the eHyp software platform by adding general functions available for both business segments.

The emphasis on activities overlapping both segments was on topics such as more flexible inclusion of products and new interface links, and on projects to improve the stability and performance of eHyp.

Otherwise, as in the previous year, the focus in development activities was on business in the Intermediary Channel. The emphasis was on improving the connection with institutional cooperation partners and the integration of new white label partners.

*Our **eHyp platform** has become even more powerful.*

In the period under review, expenditure for research came to EUR 1.1 million compared with EUR 1.3 million in 2007. The R&D ratio thus amounted to 1.5% of net revenues.

Organisation

Interhyp has a central management structure with four members of the Management Board of equal rank, but at the same time, with a clear separation of responsibility for individual departments and the two main business segments.

Compensation system

Members of the Management Board receive remuneration consisting of fixed and variable components.

In 2008, the members of the Management Board received the following total remuneration (in thousands of euros):

	Total compensation
Robert Haselsteiner	787
(previous year)	(506)
Marcus Wolsdorf	791
(previous year)	(510)
Jörg Utecht	435
Michiel Goris	111

Jörg Utecht and Michiel Goris received variable remuneration for 2008 amounting to EUR 100 thousand and EUR 66 thousand, respectively, which is contained in the total compensation. Moreover, the compensation for Mr Utecht contains a one-time payment of EUR 230 thousand. The latter was paid as compensation for the contractually agreed salary components which due to the change in the shareholder structure could no longer be fulfilled. In the previous year, the amount of the variable components for Mr Haselsteiner and Mr Wolsdorf was EUR 219 thousand each. The variable components were calculated as a function of previously defined corporate goals such as commissions, EBITA, etc. Adequate caps were applied.

The remuneration system for members of the Supervisory Board provides for fixed components which vary depending on the office held and is contingent upon attendance at Supervisory Board meetings.

The compensation system in the sales areas in both the Direct Channel and the Intermediary Channel foresees a fixed base salary and possible additional variable components. The variable part of compensation is based on the mortgage consultant's monthly commission revenues generated by the closure of mortgage deals.

In the first months in which new mortgage consultants do not yet advise customers, they are excluded from this incentive system. We consider this period an investment phase in which our staff members receive sound specialist training.

Activities in other areas of Interhyp are compensated by a base salary and a variable performance bonus which may be awarded depending on achievement of qualitative and, if appropriate, quantitative goals agreed on in individual talks with supervisors.

Incentive programmes
The following is a presentation of Interhyp's stock option programme.

Stock option programme
Following the IPO in September 2005, a stock option programme was launched as an incentive for long-term commitment for employees and members of management.

When Interhyp AG went public in September 2005, employees and members of management were therefore offered the possibility to acquire up to 85,000 stock options. Another offer for the acquisition of up to 28,500 stock options was made in December 2007. In the 2008 financial year, 72,275 stock options were exercised.

Specific time limits were set for the issue of a total of up to 113,500 stock options, each of which giving the right to acquire one Interhyp share. The programme will run for ten years. Time limits for exercising stock options are:

- 30 days prior to the publication date of a quarterly report or the consolidated financial statements and up to four calendar days after the date of one of these publications

- from the date on which an offer for the acquisition of new shares, bonds or other securities with conversion or option rights is published until the date on which the preferential shares are quoted "ex subscription rights"
- from the date on which the distribution of a special dividend is announced until the date on which the shares with special dividend rights are quoted "ex dividend".

Qualifying periods are agreed in the share option programme which, simply presented, end after between two and five years from the issue date, in respect of one quarter of the shares issued to a preferential shareholder. If a majority of the shares of Interhyp AG are acquired, as was the case for ING Direct in the previous financial year, the qualifying period will be reduced to two years.

Furthermore, exercise barriers are agreed in respect of share price development, and share options can only be exercised against payment of a base price which is defined by the share price for the 20 trading days prior to the issue date. Should there be fewer than 20 trading days prior to the issue date, reference will be made to the issue price. The complete version of the share option programme approved at the General Meeting of Shareholders on 13 September 2005 is available for inspection as part of the authenticated records of this General Meeting of Shareholders and at the Commercial Register in Munich.

Information according to Section 315a of the German Commercial Code (HGB)

Holdings of over 10% in the Company *as of 20 February 2009*

	Ordinary shares at end of 2008 (units)	Share of common stock (%)	Ordinary shares at end of 2007 (units)	Share of common stock (%)
ING Direct	6,412,666	97.26%	0	0%
Other shareholders	180,859	2.74%	6,501,250	100.00%
Total	**6,593,525**	**100.00%**	**6,501,250**	**100.00%**

Appointment and dismissal of members of the Management Board, amendment to the Articles of Association

The Supervisory Board appoints the members of the Management Board and fixes their number. The Supervisory Board can revoke the appointment of a member of the Management Board and the appointment of the Chairman of the Management Board for good cause.

All amendments to the Articles of Association are subject to the approval of the General Meeting of Shareholders with at least three quarters of the common stock represented when the resolution is adopted. The Supervisory Board is authorised to make changes exclusively with regard to the version of the Articles of Association.

Authorisation to issue and buy back shares

Authorised capital

By resolution of the General Meeting of Shareholders of 13 September 2005, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company's registered capital by up to a total of EUR 2,877,275 by a single or multiple issue of new registered no-par shares against cash and/or investment in kind (authorised capital 2005/I). The authorised capital is valid until 13 September 2010.

Contingent capital
The registered capital of the Company was conditionally increased by resolutions of the General Meetings of Shareholders of 29 June 2005 and 13 September 2005. The corresponding entries were made in the Commercial Register. Conditional capital 2005/I serves to grant conversion rights to the owners of convertible bonds. A convertible bond with a nominal value of EUR 2.00 certifies the right to convert a bond into one new Company share. Condition capital 2005/IV serves to implement management and employee participation programmes.
Through the conversion of share options, the conditional capital was reduced by EUR 92,275 to EUR 97,462 by the end of 2008.

Authorisation to acquire the Company's own shares
At the General Meeting of Shareholders on 4 June 2008, it was resolved to authorise the Company to purchase its own shares. The Company is thus empowered to purchase its own shares until 4 December 2009 in an amount of up to 10% of the common stock at the time the resolution was adopted. Shares purchased on the basis of this authorisation may, together with other shares owned by the Company or those which may be attributed to the Company according to Section 71a ff. of the German Stock Corporation Act, at no time exceed 10% of the common stock. Trade with proprietary shares is excluded.

There are no agreements by the Company in the event of a change of control following a takeover offer.

No compensation agreements exist for members of the Management Board of employees in the event of a takeover offer. Statutory laws apply.

General Legal Conditions

The core activity of residential mortgage brokerage in Germany is regulated in principle by the Trade, Commerce and Industry Regulation Act with its related regulations, in particular the Real Estate Agent and Commercial Contractor Regulation (MaBV). The Company and its subsidiaries Prohyp and MLP are registered as loan and mortgage brokers. Since the beginning of 2005, neither the parent company nor the subsidiaries are now required to undergo an annual audit according to Section 16 (1) of the above ordinance. The most important legal regulations refer to the disclosure of certain information to the authorities and to proper record retention.

Interhyp AG and Prohyp GmbH are entered in the Insurance Broker Register.

The two-week revocation period pursuant to the German Civil Code applies to all loan agreements offered through Interhyp, Prohyp and MLP Hyp, and thus influences the time at which Interhyp receives commission payments from lending partners.

Interhyp is also subject to the regulations of German data protection (German Data Protection Act, Teleservice Data Protection Act) and, therefore, must appoint a data protection officer who monitors handling of private information and ensures compliance with the provisions of the law.

The German Risk Containment Act became effective in August 2008. However, it has no significant impact on the business activities of Interhyp AG and its subsidiaries.

No major changes in the underlying legal conditions occurred in the reporting period which would affect our business.

Summary of Business Performance

The course of business of Interhyp was determined both in the Direct Channel and the Intermediary Channel by growth through continued expansion of market share in private residential mortgage brokerage in Germany. Over the course of the year, our market share of new business again rose from 3.11% at the end of 2007 to 3.32% at the end of 2008.

Our projection published at the beginning of 2008 for the entire year assumed double-digit growth of mortgage volume. However, due to a transaction market which reflected the hesitance of private consumers, this failed to materialise. This became apparent in August 2008, and we lowered our expectations for mortgage volume which, despite the difficult environment, was up 4% over the level of the previous year.

Closed mortgage volume was up 4% *despite the difficult environment.*

Following the adjustment of our mortgage volume expectation and due to expenses in connection with the takeover offer and further strategic orientation of the Company, we also had to revise our original annual targets for revenue and earnings before interest and taxes (EBIT).

Revenue after deducting brokerage commissions to third parties (net revenue) came to EUR 73.2 million, down some 3% from last year's result of EUR 75.4 million. Earnings before interest and taxes came to EUR 12.5 million (previous year: EUR 28.5 million), influenced by investments, weak demand and, above all, one-time effects from the takeover amounting to approximately EUR 6 million.

Overall business performance

On the whole, we have successfully held our own in a contracting market in yet another difficult year for residential mortgages, posting growth from greater market share. Thus we have emerged stronger from the year 2008 as a clear market leader among the independent mortgage providers.

Company Development

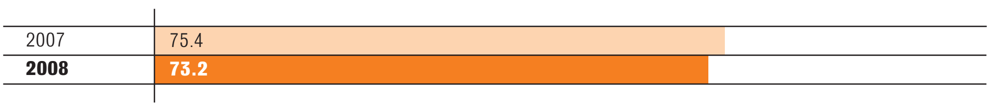
Development of Revenues

We succeeded in raising revenues in 2008 to EUR 91.2 million, up 3% from last year (EUR 88.6 million). This growth was exclusively achieved organically and in domestic business. No acquisitions were made.

We succeeded in raising ***revenues*** *by 3%.*

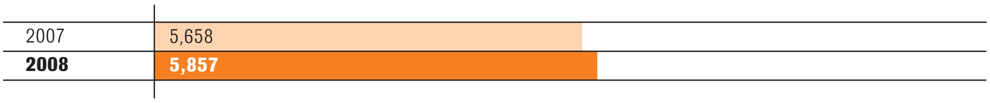
Net revenue, which is a more relevant key figure for our business, results from revenues after deduction of expenses for commission payments to Prohyp partners. For the past year, we posted net revenue of EUR 73.2 million, down 3% from the comparable figure for the previous year (EUR 75.4 million).

Net revenues *(in EUR m)*



The basis for this trend in revenues is a growth in the closed mortgage volume of 4%, which we succeeded in raising to EUR 5.857 billion from EUR 5.658 billion in the previous year. In 2008, 38,908 mortgages were successfully brokered (previous year: 38,645). Compared with the previous year, a far larger share of the mortgage volume was contributed by our subsidiary Prohyp (2008: 47%, previous year: 36%). Due to the brokerage commissions paid to Prohyp partners, the contribution of Prohyp to net revenues is systematically lower, which explains the slight decline in net revenues compared with the previous year.

Closed mortgage volume *(in EUR m)*

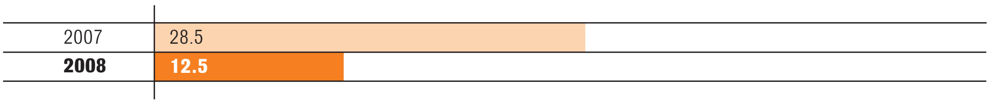


Development of Earnings

EBIT was at EUR 12.5 million.

Compared with 2008, earnings before interest and taxes (EBIT) at EUR 12.5 million, were 56% below the previous year's earnings (EUR 28.5 million). This decline reflects investments, one-time counselling expenses in connection with the takeover by ING Direct and slower demand.

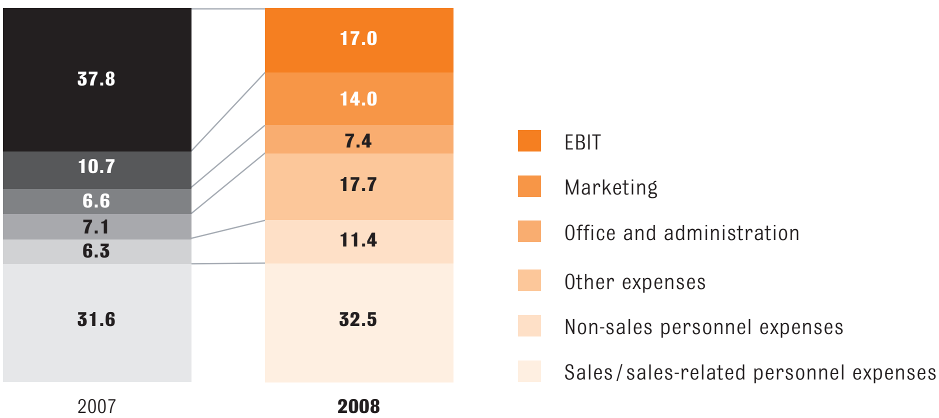
Earnings before interest and taxes *(EBIT in EUR m)*



Costs

The difference in the rates of increase for revenues and EBIT are reflected in changes in the cost picture: In 2008, we had to cope with the negative influence of lower-than-expected demand from customers. Moreover, the one-time strain, as a special effect, in connection with the takeover offer, had to be absorbed. This is also reflected in the development of the individual cost components as a percentage of net revenues:

Cost breakdown *(in % of net revenues)*



The most important cost components in the financial year just ended was “other expenses” totalling EUR 13.0 million (previous year: EUR 5.4 million), of which the one-time special effect accounted for about EUR 6 million, followed by marketing expense which rose from EUR 8.1 million in 2007 to EUR 10.2 million.

Share of result of associated companies

The result of the holding in iMakler GmbH is reported under the new item “Share of result of associated companies.”

Net interest income

Net interest income in 2008 came to EUR 1.9 million, unchanged from the prior year. The result is due mainly to interest income from the investment of cash in fixed-term deposits.

Earnings before taxes (EBT) contracted to EUR 13.6 million, down 55% from EUR 30.2 million in the previous year.

Consolidated net income

Consolidated net income after minorities amounted to EUR 8.0 million in the financial year just ended. It contracted by 56% compared with the previous year (EUR 18.1 million). This figure contains the share of MLP Hyp GmbH which is transferred to MLP Finanzdienstleistungen AG. Consolidated net income before minorities amounts to EUR 8.7 million.

Consolidated net income *contracted compared to the prior year.*

Income taxes

A tax rate of 35.7% was applied in the 2008 reporting period. Tax expense amounted to EUR 4.9 million.

Earnings per share

Based on the average number of 6,540,496 outstanding shares, a profit of EUR 1.22 was generated. In 2007, a per-share profit of EUR 2.78 was generated, based on 6,499,097 shares.

Proposal for profit distribution

In agreement with the Supervisory Board, the Management Board proposes to carry forward the net accumulated profit of EUR 7,869,320.17.

Accounting policy

The consolidated financial statements are prepared according to the International Financial Reporting Standards which must be applied in the European Union. In this framework, accounting policy aims to provide information for investors which is relevant for their decisions.

Development of Segments

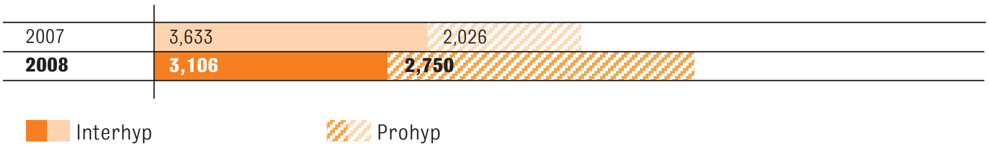
In 2008, thanks to its strong positioning in its core business, Interhyp succeeded in both the Direct and the Intermediary Channels in bucking the negative trend.

In contrast to the previous year, this year only the Intermediary Channel under the Prohyp brand reported dynamic growth through increasing the extent of the network with partners – both with individual brokers as well as institutional cooperation partners: With the mortgage volume up 36% over the prior-year level and a resulting growth of 35% in net revenues, the segment clearly uncoupled from the contracting overall market. This strong growth has more than offset the 14% lower mortgage volume in the Direct Channel under the Interhyp brand, resulting altogether in a 4% expansion of the closed mortgage volume.

Prohyp reported ***dynamic growth*** *in 2008.*

An overview of the mortgage volume closed by the respective segments in a year-on-year comparison is shown below.

Mortgage volume per segment *(in EUR m)*



Direct Channel
In Direct Channel business under the Interhyp brand, a mortgage volume of EUR 3.106 billion was placed in the financial year just ended (2007: EUR 3.633 billion).

Net revenue in the Direct Channel in the reporting period amounted to EUR 45.6 million, representing a decline of 17% against the EUR 54.9 million the year before.

As a result, 62.3% (2007: 72.8%) of net revenue was accounted for by the Direct Channel in the past financial year.

Intermediary Channel
In the Intermediary Channel, the closed mortgage volume, at EUR 2.750 billion (2007: EUR 2.026 billion) delivered an increase of 36%.

Net revenues could be increased by 35% *in the Intermediary Channel.*

Net revenue in the reporting period came to EUR 27.6 million, corresponding to an increase of 35% against EUR 20.5 million in 2007.

In the reporting period, the Intermediary Channel thus accounted for 37.7% of net revenues compared with 27.2% in the previous year.

Finance and Assets Position

Financial management principles and goals
Interhyp operates under a central financial management system in which its subsidiaries are included. Through this internal equalisation in cash management, the Group's capital investments can be optimised and any cash surpluses bundled. The same applies to management of trade accounts payable: this bundling allows Interhyp to optimise its accounting. At present no currency risks must be hedged since all business is conducted in Germany.

Financing structure
Through accumulated operative profits and our strong capital resources, our equity ratio remains very robust at 76.4%. However, due to the dividend payouts of EUR 26.7 million in June 2008, it is lower than the 85.4% reported at the end of 2007.

Borrowed capital continued to consist primarily of short-term liabilities (97.3% of borrowed capital in 2008 compared with 94.7% the year before).

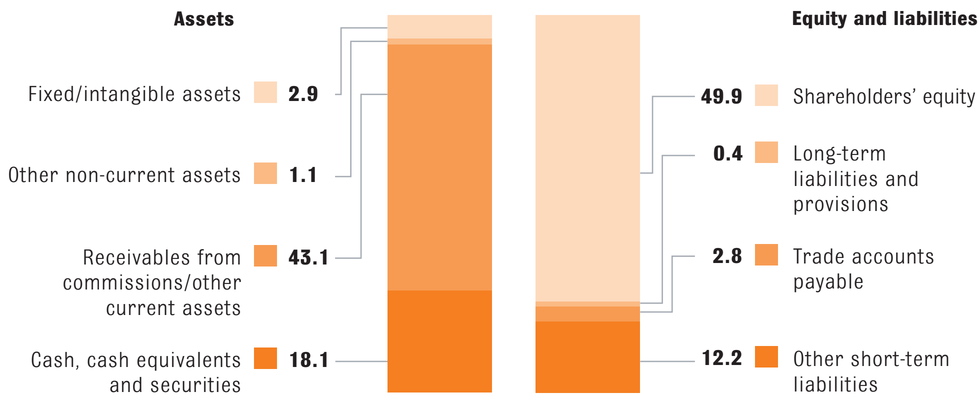
Balance Sheet

The total assets of Interhyp AG in 2008 were strongly marked, on the one hand, by continued organic growth of the consolidated companies, and on the other, by dividend payouts for the 2007 financial year. Total assets, at EUR 65.3 million, were below last year's level of EUR 74.9 million.

***Total assets** declined due to the dividend payouts.*

Below you will find an overview of the balance sheet structure. The balance sheet itself can be found in the consolidated financial statements together with the related explanations in the Notes.

***Balance sheet structure** (in EUR m)*



Assets

Fixed assets contracted from EUR 3.4 million at the end of 2007 to EUR 2.5 million in the financial year just ended. This development must be seen in connection with the regional office strategy in the Direct Channel; in 2008, in contrast to 2007, only one additional regional office was opened. As a result, the related investments in operating and office equipment declined.

At EUR 16.1 million, short-term receivables from commissions were slightly lower than at the end of the 2007 financial year (EUR 18.8 million). Receivables include those from banks, insurance companies and building societies with high credit standing.

The biggest changes on the assets side of the consolidated balance sheet were generated by longer-term investment of cash and cash equivalents amounting to EUR 25.0 million in fixed-term deposits, which are now carried in the balance sheet as "Other assets".

Liabilities

The common stock of Interhyp AG at 31 December 2008 was valued at EUR 6,593,525, and has thus risen by EUR 92,275 through the exercise of stock options and convertible bonds. More detailed information on the stock option programme is provided under "Organisation". Common stock is divided into 6,593,525 registered no-par shares with an arithmetical share of the common stock of EUR 1.00 each.

*Interhyp has a **strong equity position**.*

The contraction of equity capital compared with the level at the end of the previous year is due to the dividend payouts for 2008 amounting to EUR 26.7 million. Mainly through the positive contributions from current business activity, the decline in equity capital from operating activities compared with the previous year was only EUR 14.1 million, bringing our equity ratio to 76.4%.

On reporting day, there were no short-term or long-term financial liabilities.

Other short-term liabilities consist mainly of commission claims of sales staff and for partners in the Intermediary Channel, and reserves for bonus payments to employees. This item rose in the reporting period on the reporting date from EUR 7.1 million to EUR 10.2 million.

A detailed breakdown of other liabilities can be found in the Notes to the consolidated financial statements.

The rise in tax liabilities to EUR 1.6 million (2007: EUR 0.5 million) results mainly from lower advance tax payments.

Other financial liabilities include leasing liabilities for property, plant and equipment. These are exclusively from operating-leasing contracts.

Cash Flow

Cash flow from ongoing business activity rose in the reporting period to EUR 16.9 million (compared with EUR 10.1 million in 2007). The rise was mainly due to the position paid income tax. In 2007, income tax of EUR 17.4 million was paid due to high advance payments, while in the financial year just ended the comparable figure was EUR 3.9 million. The decline in advance payments is attributable mainly to the balanced result in the second quarter (due to special effects from the takeover) and to correspondingly lower advance payments.

Cash flow from investment activities in 2008 of minus EUR 24.1 million in 2008 (compared with plus EUR 10.0 million the year before) was strongly influenced by fixed-term deposits of EUR 25.0 million with maturities of at least three to twelve months. In contrast, in the previous year, cash flow from investment activities was mainly influenced by the maturity of securities (EUR 11.0 million).

Cash flow from financing activities in the reporting period amounted to minus EUR 23.6 million, influenced mainly by payment of dividends of EUR 26.7 million for the 2007 financial year. In the previous year, the cash flow was also marked by dividend payments which at the time amounted to EUR 10.4 million. Cash flow from financing activities in the previous year amounted to minus EUR 8.8 million.

Free cash flow for 2008 totalled minus EUR 7.3 million compared with EUR 20.2 million in the previous year. For this comparison, the fixed-term deposits of EUR 25.0 million in the reporting period must be taken into account, as well as the maturity of securities valued at EUR 11.0 million in the previous year.

Cash and cash equivalents at 31 December 2008 amounted to EUR 18.1 million, whereas at the beginning of the reporting period they totalled EUR 49.0 million. Here too, financing activity and dividend payouts are reflected.

Investments

In addition to the above-mentioned investments, cash flow from investment activity includes investments in associated companies (iMakler GmbH: EUR 168 thousand). From lower payouts for fixed assets (from EUR 2.8 million in 2007 to EUR 759 thousand in the period under review) it can be seen that as part of our regional office strategy in 2008 only one additional regional office was opened (in Augsburg), while in 2007 nine new offices were opened.

Non-financial assets

In the mortgage process, Interhyp receives detailed information about the income and assets position of its customers, about the property in question and the mortgage which is ultimately closed. Utilisation of this customer profile and information about the mortgage is available to Interhyp for the purpose of further consultation. Interhyp is thus able to offer the customer advice on an appropriate follow-up mortgage before the originally concluded interest period expires. Since Interhyp again receives commission from the lending partner for its advisory and brokerage service when an extension of the loan from the same lender) or refinancing with another lender is agreed, customer information constitutes a non-financial asset.

Other intangible assets

A high degree of customer satisfaction generates referrals from customers and forms positive associations with the Interhyp brand. Both are important requirements for new earnings opportunities and further growth. Our most valued assets are the good relationships, based on trust, between our mortgage consultants and our customers.

*A **high degree of customer satisfaction** is key to further growth.*

Since its foundation, Interhyp AG has maintained close direct contact with our lending partners. This is ensured by a product management team which is responsible for maintaining and further developing cooperation agreements and for winning new lending partners. The experience acquired over many years and fruitful cooperation agreements is extremely important for our Company's success.

In addition, Interhyp possesses sound expertise and broad experience when it comes to organisation and procedures for the top-notch and efficient brokering of mortgages to our lending partners. This expertise makes possible rapid, mutually profitable integration of new lending partners which, in turns, generates further opportunities for growth.

Employees

In the period under review, our staff grew by eight salaried employees to a total of 481, constituting only a slight increase over the end of 2007 (473 employees). Once again, we focused on recruiting junior staff and experienced mortgage consultants.

*At the end of 2008, our staff grew to **481 salaried employees**.*

Number of employees at year-end

2007	473
2008	**481**

Personnel expenses in the period under review amounted to EUR 32.1 million. This represents an increase of 13% over the previous year (EUR 28.5 million). The increase is mainly due to a higher percentage of employees performing management and specialist functions within the organisation over the course of the year.

Employees by function and segments *(year-end)*

	2008	**2007**
Sales and sales-related*	388	383
of which mortgage consultants	269	268
- Direct Channel	190	193
- Intermediary Channel	79	75
Non-sales	93	90
Total employees	**481**	**473**

* Sales and sales-related employees are mortgage consultants and sales support employees.

Innovations

*Interhyp acts as **supplier of ideas** for product innovation.*

Since Interhyp acts as an intermediary between mortgage lenders and end customers, the Company has an influence on the development of product innovations through active involvement in product design and close contact with lending partners via the product management team. However, the products are implemented and priced by the mortgage lenders. In the innovation process, Interhyp concentrates on supplying ideas and introducing them into the sales channels. Developments which expand Interhyp's product range and which have appropriate sales potential are evaluated and integrated into the software platform. Our own sales force and Prohyp partners are trained and the product is marketed with ongoing support for the sales force.

Supplementary Report

No events of particular significance have occurred after the close of the financial year which would have a major impact on the Company's profit, financial or assets situation.

Risk Report

Risk and Opportunity Management

Interhyp has a risk and opportunity management system which contains an early-warning system for risk in addition to an internal monitoring and controlling system. It serves to identify, analyse, assess and manage risk.

The subsidiaries in the Interhyp group are included in the opportunity and risk management system.

The goal of the risk management system is to identify and assess risks in a transparent manner and, in the event of significant undesirable trends, to take action by means of appropriate countermeasures. Typical instruments for this purpose are target/actual comparisons and short-term planning and risk record sheets which are updated regularly by the various departments of the Company. The goal of the opportunity management system is to selectively and successfully identify and leverage opportunities. The combined risk and opportunity management system is intended to secure current and future earnings potential over time, to leverage competitive advantages and avoid the loss of assets. In the scope of the 2008 audit, the auditor verified the early risk detection system. From the audit it ensued that the Management Board has undertaken the measures required in accordance with § 91 (2) of the German Stock Corporation Act (AktG), in particular the establishment of a monitoring system, in a suitable manner, and that the monitoring system is appropriate for early detection of developments which could endanger the continued existence of the Company.

Individual Risks

Potential risks with regard to business activity and possible legal and regulatory risks were explained in detail to shareholders in the securities prospectus for admission of Interhyp shares to the stock market. The following is a selection of these risks. However, this list of risks can in no way be considered exhaustive, nor does the selection or sequence of risks imply any representation concerning the probability of occurrence of the individual risks or their severity.

Risks in relation to business activity
Interhyp's future success also depends on potential customers continuing to accept and use the Internet, as they have until now, as the medium for brokering residential mortgages.

Demand for Interhyp's services could decline if prospective customers fear data privacy risks in spite of extensive technical security measures taken by Interhyp.

Despite comprehensive multilevel redundancy, faults in, or interference with, the security of the IT system could, under certain circumstances, lead to interruption of business activity and cause revenue losses and, possibly, increased costs.

Since business activity is currently concentrated exclusively in Germany, Interhyp is particularly exposed to factors which affect the German economy, the German residential property market and lending practice in Germany.

Growth risks

To date, Interhyp has pursued a very successful recruiting and training strategy in order to guarantee the build-up of personnel. At present, we see no reason which would prevent us from a further expansion of personnel.

Interhyp is endeavouring to raise awareness of the Interhyp and Prohyp brands by means of a series of communication measures in such a way that demand for the services offered will enable the achievement of growth objectives. However, success will depend on the effectiveness of these initiatives.

Risks from competition

Should Interhyp's most important lending partners no longer be in a position to offer competitive interest rates, reduce Interhyp's broker commissions or terminate their cooperation agreements with Interhyp, Interhyp's resulting growth could be lower.

Since the foundation of the Company and due to the transparency of its service offering, Interhyp has been exposed to strong competitive pressure and has shaped its successful expansion against this background. At present, neither a relaxation nor increase in competitive pressure can be identified.

Financial risks

*The financial market crisis has **not yet had any significant impact** on our risk assessment.*

Classical default risks can be considered low since the Company's receivables are exclusively from banks and insurance companies with good credit standing and receivables are constantly monitored. The financial market crisis has not yet had any significant impact on the risk assessment of Interhyp AG. Further details of financial risks can be found in the Notes to the consolidated financial statements.

Legal and regulatory risks

No regulations or changes in the law are identifiable for 2009 which would substantially affect Interhyp's business activity.

Short-term changes in tax legislation could have a negative effect on Interhyp's business.

Should it be impossible to defend intellectual property rights against third-party attacks, or should data privacy regulations be violated, the Interhyp and Prohyp brands and business could suffer.

Overall Risk

In the opinion of the Company, no significant changes have arisen with regard to the listed risks since the publication of the stock market report prospectus. Extension of the Interhyp business model is necessarily associated with strategic risks. Individual risks are limited by carefully considering the options available for managing the potential threat to the positioning of Interhyp AG. Due to positive business development, we consider the strategic potential for threats and risks to our reputation as limited and manageable.

Since the Company was founded, we have been able to finance our organic growth alone through the capital of venture-capital providers and the founders and have not needed to tap the capital market for third-party funds. Interhyp AG has therefore not been rated by a rating agency. Through the positive cash flow contributions from operative business, we do not presently foresee any necessity for external funding for operating activities and further organic growth.

There are no individual risks which threaten the continuity of business at present or in the foreseeable future. Even the sum of all risks does not threaten Interhyp's continued existence.

Forecast Report

Future Business Policy

Direct Channel
Direct Channel business remains geared towards organic growth. Targeted marketing initiatives to strengthen the Interhyp brand and a clear positioning in the competitive environment shall ensure growing demand for Interhyp's service in 2009.

After opening an additional regional office, we now have a far-reaching network of 18 regional offices in large German cities. In the current year, we will focus on optimal use of these locations and expand team strength in parallel with the possible acquisition of market share in the local environment of our offices.

Intermediary Channel
Prohyp will continue to concentrate on two customer groups:

Both business segments shall ***show further structual growth***.

For independent financial service providers and regionally active mortgage intermediaries, Prohyp will increasingly become an indispensable solution for workflow management, consulting and processing. The eHyp software platform provides access to the broad range of products and lets partners participate in the scoring and process expertise of Interhyp AG as well as in our purchasing position when dealing with banks. Existing partnerships will be intensified and expanded through key accounting activities and support from Prohyp mortgage consultants from the regional offices.

In recent years, Prohyp has positioned itself as an effective outsourcing partner for institutions such as banks, insurance companies, broker pools and financial service providers who wish to offer an open architecture solution for mortgages. This has enabled us to clearly extend our reach in the Intermediary Channel business and achieve high growth rates. In the current year, the focus will be on leveraging our potential together with existing cooperation partners.

The subsidiary MLP Hyp, which was founded jointly with MLP Finanzdienstleistungen AG, provides MLP's mortgage consultants with the functions of Prohyp in Schwetzingen. This relatively young cooperation arrangement will also be further expanded and promoted.

In all departments of Intermediary Channel business, targeted personnel growth will ensure that we have sufficient capacity to handle growing demand for our services.

Employees
In the reporting period, our staff was increased mainly for central functions such as business development and software development in order to support further growth through acquisition of market share. The emphasis in future growth of our staff will remain on mortgage consultants whose numbers can be increased in line with demand, particularly at Prohyp and in the Interhyp regional offices.

Future markets
With a current market share of 3.32% of new business in residential mortgages, Interhyp will continue to concentrate on opportunities for growth offered by the German market for the independent mortgage broker business model. Opportunities for growth here lie in further acquisition of market share in competition with traditional sales models, in stronger leveraging the application flow and in a broader product spectrum through existing and new lending partners.

Future products

Interhyp will promote the development of new mortgage products through intensive discussions with current and prospective partners. This also includes regional providers who, with Interhyp as a sales channel, are seeking to expand their sales opportunities, in particular with interested parties in their local environment who are increasingly using the Internet in the search for mortgage solutions.

Future dividends

The Management Board's proposal for appropriation of profits will, as in the past, be geared to market conditions and Interhyp's growth and investment opportunities.

Future Economic Conditions

We expect a continuation of the ***global economic downturn***.

For 2009, we expect a continuation of the global downturn in the first half of the year. In Germany, we believe the economy, negatively influenced by crumbling demand for exports, will contract further. We expect that the Fed will leave key interest rates in the first half-year at the present level of 0%–0.25%. However, long-term capital market rates in the US will tend higher in the course of the year due to the enormous volume of new debt. We expect that the European Central Bank will lower interest rates to 1.0% towards the middle of the year in view of the weak economy. However, long-term interest rates will not sink further because of the development in the US.

Activity in the housing market is influenced by two opposing trends: on the one hand, the uncertain outlook for stock markets and lower interest rates for savings deposits are bringing many people back to the residential real estate market which is considered safe, namely for owner-occupied housing which is a conservative investment and a form of old-age provision. At the same time, however, fear of unemployment is making consumers more conservative about big investments. As long as new construction activity remains weak, the relative price advantages of existing property compared with costs for new construction should at least stabilise demand in the secondary market. This trend could also be accompanied by price effects.

Measured in terms of the volume of new business according to Bundesbank statistics, which also contain follow-up mortgages and internal resets, we expect an annual volume of EUR 175 to 180 billion on the basis of the level in the second half of 2008.

Future Legal Environment

On 5 November 2008, the German government passed the draft of a law to implement the consumer credit guideline, the civil-law part of the payment service guideline and the amendment to the act governing revocation and the right of return. Among other things, the bill provides for amendments to the German Civil Code, the introductory statute to the Civil Code and the regulation governing the statement of prices. The proposals contained have no significant impact on the business activities of Interhyp AG and its subsidiaries since the prerequisites thus created (in particular, new information and explanation requirements, and advertising information) have already been fulfilled, or can be fulfilled with little effort.

To date, no regulation initiatives on the basis of the White Book have been introduced concerning the integration of EU mortgage credit markets of the Commission of European Communities.

Expected Performance

For the current financial year of 2009, we will concentrate on acquiring further market share and aim at maintaining stable earnings for Interhyp.

Expected financial position

Due to the capital increase following the IPO in 2005 and the positive contributions from operative business, we have a very solid holding of cash and cash equivalents, as well as short-term investments (fixed deposits) of around EUR 43 million. For this reason, no long-term debt financing is planned.

Opportunities

Interhyp's growth strategy is based on acquiring further market share in brokering private residential mortgages in Germany. The path to this expansion lies in controlled organic growth and the corresponding scaling of the business model. On further strengthening market leadership in this segment, advantages may be derived from this position in order to accelerate growth yet further. One key to leveraging this growth potential lies in the continuous rise in demand for the services of Interhyp, Prohyp and MLP Hyp, and thus in consistent expansion of communication and marketing initiatives.

*We want to grow by **acquiring further market share**.*

In the scope of our regionalisation strategy in the Direct Channel, we plan to use the opportunities which arise because we as the local specialist are more accessible for our customers. The resulting greater demand for our services, a higher ratio of closed mortgages after a local appointment in one of our regional offices, and enthusiastic local referrals from customers, which we can leverage offer clear potential for growth.

In the Intermediary Channel, we see opportunities in the general trend towards independent financial advisors who wish to expand their range of services by providing mortgages. We also see opportunities in the increasing acceptance of open architecture solutions in offering mortgages by banks and financial service providers who, in turn, are seeking opportunities in cooperating with mortgage specialists and wish to profit from the economies of scale of an efficient (additional) distribution channel.

Additional opportunities

Expanding mortgage options through offering new products for target groups still inadequately provided for today would result in a greater volume of mortgage applications for Interhyp and thereby further opportunities for growth.

In addition, more widespread use of the Internet and its growing acceptance by the population at large would generate stronger demand for Interhyp's services. However, due to associated uncertainties, these factors have not been taken into account in our above-mentioned plans.

Interhyp aims to expand its market leadership both in the Direct Channel and Intermediary Channel, and thus profit at an above-average rate from the expected rising demand from customers for services from independent mortgage brokers.

Remarks on prospective development

Interhyp operates in a dynamic market for independent residential mortgage brokerage in Germany. Through further growth from acquiring greater market share in residential mortgages, we assume that the long-term development of our business will continue to be positive despite the current difficult environment. The Management Board sees Interhyp as extremely well-positioned in order to consistently leverage future growth potential.

*Interhyp is extremely well positioned in order to consistently leverage **future growth potential**.*

The Consolidated Financial Statements

Consolidated income statement *of Interhyp AG as at 31 December 2008 in EUR*

	Notes	01.01.–31.12.2008	01.01.–31.12.2007	+/-
Revenues	(14)	91,156,470	88,581,123	3%
Cost of services purchased	(15)	17,997,786	13,230,107	36%
Net revenues		**73,158,684**	**75,351,016**	**(3%)**
Other operating income		0	950,971	
Personnel expenses	(16)	32,100,440	28,501,851	13%
Other operating expenses	(19)	26,664,300	17,499,093	52%
thereof marketing		10,230,866	8,060,808	27%
Amortisation and depreciation	(1), (2)	1,938,413	1,826,080	6%
Earnings before interest and taxes (EBIT)		**12,455,531**	**28,474,964**	**(56%)**
Share of results from investments in associates	(3)	(719,485)	(153,636)	
Interest income		1,872,897	1,875,437	0%
Interest expense		10,520	13,906	(24%)
Net interest income	**(18)**	**1,862,378**	**1,861,531**	**0%**
Net income before income taxes (EBT)		**13,598,423**	**30,182,859**	**(55%)**
Income taxes	(19)	(4,853,440)	(12,175,028)	(60%)
Net income		**8,744,984**	**18,007,831**	**(51%)**
thereof: share of third party associates		**750,578**	**(65,354)**	
Net income in regard to associates of the corporation		**7,994,406**	**18,073,185**	**(56%)**

Earnings per share IAS 33	Notes	01.01.–31.12.2008	01.01.–31.12.2007
Net income in regard to associates of the corporation		7,994,406	18,073,185
Weighted average of shares outstanding		6,540,496	6,499,097
Earnings per share (undiluted)	**(20)**	**1.22**	2.78
Weighted average of potential shares, adjusted for dilution effects		6,544,044	6,551,569
Earnings per share (diluted)	**(20)**	**1.22**	**2.76**

The accompanying Notes to the consolidated financial statements are an integral part of the consolidated financial statements.

Consolidated balance sheet *of Interhyp AG as at 31 December 2008 in EUR*

Assets

	Notes	as at 31.12.2008	as at 31.12.2007
Non-current assets			
Intangible assets	(1)	382,800	674,359
Fixed assets	(2)	2,538,905	3,426,274
Receivables from commissions	(4)	384,635	463,392
Other assets	(6)	574,483	567,044
Deferred tax assets	(19)	187,034	265,069
Investments in associates	(3)	0	551,964
		4,067,858	**5,948,102**
Current assets			
Receivables from commissions	(4)	16,054,721	18,843,915
Other assets	(6)	26,974,194	976,891
Deferred tax assets	(5)	76,394	206,577
Cash and cash equivalents	(7)	18,086,159	48,963,312
		61,191,468	**68,990,695**
Total assets		**65,259,326**	**74,938,797**

Equity and liabilities

	Notes	as at 31.12.2008	as at 31.12.2007
Shareholders' equity	**(8)**		
Common stock		6,593,525	6,501,250
Additional paid-in capital		32,197,999	28,527,043
Net accumulated profit		8,913,879	27,574,600
Equity in regard to associates of the corporation		47,705,403	62,602,893
Share of third-party associates		2,179,224	1,428,646
		49,884,628	**64,031,539**
Long-term liabilities and provisions			
Other provisions	(9)	209,672	197,426
Non-current financial liabilities	(13)	0	800
Deferred tax liabilities	(19)	49,614	56,709
Other liabilities	(12)	156,742	317,909
		416,028	**572,844**
Short-term liabilities and provisions			
Trade accounts payable	(11)	2,771,483	2,553,692
Other provisions	(9)	357,000	149,600
Tax liabilities	(10)	1,636,984	539,398
Other liabilities		10,193,204	7,091,724
		14,958,670	**10,334,414**
Total equity and liabilities		**65,259,326**	**74,938,797**

Shareholders' equity *of Interhyp AG in EUR*

	Notes	Common stock	Additional paid-in capital	Revalu-ation surplus	Net accumulated profit	Equity in regard to associates of the corporation	Share of third-party associates	Total
01.01.2007		**6,498,350**	**33,008,021**	**(2,782)**	**14,926,265**	**54,429,854**	**0**	**54,429,854**
Sum of items recorded directly in shareholders' equity				2,782		2,782		2,782
Group result					18,073,185	18,073,185	(65,354)	18,007,831
Total		**0**	**0**	**2,782**	**18,073,185**	**18,075,967**	**(65,354)**	**18,010,613**
Dividends					(10,397,360)	(10,397,360)		(10,397,360)
Expense from the issuance of convertible bonds and stock options	(8)		372,632			372,632		372,632
Capital paid in by exercise of stock options	(8)	2,900	118,900			121,800		121,800
Capital paid in by third-party associates							1,494,000	1,494,000
Withdrawal from additional paid-in capital			(4,972,510)		4,972,510			0
31.12.2007		**6,501,250**	**28,527,043**	**0**	**27,574,600**	**62,602,893**	**1,428,646**	**64,031,539**
Group result					7,994,406	7,994,406	750,578	8,744,984
Total		**0**	**0**	**0**	**7,994,406**	**7,994,406**	**750,578**	**8,744,984**
Dividends	(21)				(26,655,125)	(26,655,125)		(26,655,125)
Expense from the issuance of convertible bonds and stock options	(8)		726,881			726,881		726,881
Exercise of convertible bonds	(8)	20,000	(19,600)			400		400
Exercise of stock options	(8)	72,275	2,963,675			3,035,950		3,035,950
31.12.2008		**6,593,525**	**32,197,999**	**0**	**8,913,879**	**47,705,403**	**2,179,224**	**49,884,628**

The accompanying Notes to the consolidated financial statements are an integral part of the consolidated financial statements.

Consolidated cash flow statement *of Interhyp AG as at 31 December 2008 in EUR*

	Notes	01.01.–31.12.2008	01.01.–31.12.2007
Consolidated net income in regard to associates of the corporation		7,994,406	18,073,185
Share of results of third-party associates		750,578	(65,354)
Income tax	(19)	(4,853,440)	(12,175,028)
Earnings before income tax		**13,598,423**	**30,182,859**
Adjustments:			
Amortisation and depreciation of non-current assets	(1), (2)	1,938,413	1,826,080
Loss from the disposal of fixed assets		0	16,527
Net interest income	(18)	(1,862,378)	(1,861,531)
Share of the result of investments in associates	(3)	719,485	153,636
Expense from the issuance of convertible bonds and stock options	(8)	726,881	372,632
Income from the disposal of subsidiaries		0	(949,924)
Increase in receivables and other assets	(4), (5)	2,255,513	(2,293,640)
Increase in provisions	(9)	219,646	59,259
Increase in liabilities	(11), (12)	3,158,102	47,761
Income tax paid	(19)	(3,896,103)	(17,390,584)
Interest paid	(18)	(1,083)	(3,594)
Other non-cash items		(9,437)	(10,312)
Net cash from operating activities		**16,847,464**	**10,149,168**
Cash paid for investments in non-current assets		(759,485)	(2,838,685)
Cash paid for investments in associates	(3)	(167,521)	(705,600)
Interest received		1,821,964	1,911,631
Cash paid for fixed-term deposits		(25,000,000)	0
Cash received from disposal of securities		0	11,000,000
Cash received from disposal of subsidiaries minus purchased cash position		0	634,577
Net cash from investing activities		**(24,105,042)**	**10,001,923**
Cash paid for dividends	(21)	(26,655,125)	(10,397,360)
Cash recorded as common stock by the exercise of stock options		72,275	2,900
Additional paid-in capital by the exercise of stock options		2,963,275	118,900
Cash paid in by minority shareholders		0	1,494,000
Net cash from financing activities		**(23,619,575)**	**(8,781,560)**
Changes in cash and cash equivalents		(30,877,153)	11,369,531
Cash and cash equivalents at the beginning of the period	(7)	48,963,312	37,593,782
Cash and cash equivalents at the end of the period	**(7)**	**18,086,159**	**48,963,312**

Notes to the Consolidated Financial Statements

as at 31 December 2008 in accordance with International Financial Reporting Standards

I. General Principles of the Consolidated Financial Statements

Commercial principles

Interhyp AG (the "Company") is recorded in the Commercial Register at the Local Court of Munich under HRB 125915. The Company's registered office is located at Marcel-Breuer-Strasse 18, 80807 Munich, Germany.

Interhyp AG has been listed in the Prime Standard market segment of Deutsche Börse AG since 29 September 2005. The shares were traded from 19 December 2005 to 22 September 2008 in the SDAX index. The German security identification number (WKN) is 512170.

The Company brokers and consults in relation to residential mortgages, building society savings plans and insurance policies via Internet and telephone.

On 20 February 2009, the Management Board prepared the consolidated financial statements of Interhyp AG for the financial year ending 31 December 2008, which will be presented to the Supervisory Board on 12 March 2009 for publication.

General information

The consolidated financial statements of Interhyp AG and its subsidiary companies have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared using the historical cost accounting method with the exception of available-for-sale financial investments which were assessed at their current market value. The consolidated financial statements have been compiled in EUR. Unless otherwise stated, all amounts in the Notes to the consolidated financial statements are given in thousands of EUR. Figures contained in the tables may show differences due to rounding to EUR thousand.

The income statement has been compiled in accordance with the total expenditure format.

The accounting and valuation methods applied correspond to the methods employed in the previous year with the following exceptions:

The Group applied the new and amended IFRS standards and interpretations listed below during the financial year. The use of these new or amended IFRS standards and interpretations had no effect on the consolidated financial statements.

However, additional disclosures are required.

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets, IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions", IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset Minimum Fund Requirements and their Interaction"

The fundamental effects of these amendments are as follows:

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

The amendments to IAS 39 and IFRS 7 make it possible to reclassify certain financial instruments in special circumstances from the category "Held for trading purposes" in another category. The Group has not allocated any financial instruments to the category "Held for trading purposes" so the amendments have no impact on the Group's asset, financial and profit situation.

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"

The Group has applied IFRIC 11 to the extent it does not refer to the consolidated financial statements. According to this interpretation, agreements according to which employees are granted rights to equity instruments of a company must be reported in the balance sheet as share-based remuneration with compensation by means of equity instruments if the company acquires the instrument from a third party or if the shareholder furnishes the required equity instruments. The Group has adapted its accounting and valuation methods accordingly. The Group has not issued instruments which fall under this sphere of application.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset Minimum Fund Requirements and their Interaction"

IFRIC 14 provides guidelines for determining the maximum amount of profit from a performance-based plan which according to IAS 19 benefits to employees can be capitalised as assets. The Company has adjusted its accounting and valuation methods accordingly. Since no performance-based plans were concluded in the Interhyp Group, application of this interpretation has no effect on the Group's asset, financial and profit situation.

Moreover, the Group did not apply the following standards and IFRIC interpretations which have already been issued but not yet become effective:

Standard/ Interpretation	Applicable from	Planned application at Interhyp	Issued in	Date of EU endorsement
IFRS 8 Operating segments	FY beginning on or after 1 January 2009	Financial year 2009	November 2006	21 Nov. 2007
IAS 23 Borrowing costs (revised 2007)	1 January 2009	Financial year 2009	March 2007	10 Dec. 2008
IAS 1 Presentation of financial statements (revised 2007)	1 January 2009	Financial year 2009	September 2007	17 Dec. 2008
Amendment to IFRS 2 – Conditions for exercising and cancellations	1 January 2009	Financial year 2009	January 2008	16 Dec. 2008
IFRS 3 Business combinations (revised in 2008)	1 July 2009	Financial year 2010	January 2008	Open
IAS 27 Group and separate financial statements according to IFRS (revised in 2008)	1 July 2009	Financial year 2010	January 2008	Open
Amendment to IAS 32 and IAS 1 – Redeemable financial instruments and obligations arising on repayment	1 January 2009	Financial year 2009	February 2008	21 Jan. 2009
Amendment to IFRS 1 and IAS 27 – Acquisition costs of shares of subsidiaries, jointly managed companies and associated companies	1 January 2009	Financial year 2009	May 2008	23 Jan. 2009
Improvements to IFRS 2007	1 January 2009/ 1 July 2009	Financial year 2009/2010	May 2008	23 Jan. 2009
Amendment to IAS 39 – Qualifying underlying transactions	1 July 2009	Financial year 2010	August 2008	Open
IFRS 1 First-time application of IFRS (revised in 2008)	1 July 2009	Financial year 2010	November 2008	Open
IFRIC 12 – Service concession arrangements	1 January 2008	Financial year 2009	November 2006	Open
IFRIC 13 – Customer loyalty programmes	1 July 2008	Financial year 2009	June 2007	16 Dec. 2008
IFRIC 15 – Agreements for the construction of real estate	1 January 2009	Financial year 2009	July 2008	Open
IFRIC 16 – Hedges of a net investment in a foreign operation	1 October 2008	Financial year 2009	July 2008	Open
IFRIC 17 – Distributions of non-cash assets to owners	1 July 2009	Financial year 2010	November 2008	Open
IFRIC 18 – Transfer of assets of customers	1 July 2009	Financial year 2010	January 2009	Open

IFRS 8 Operating segments

This standard requires information about operating segments of the Group and supersedes the requirement to determine segment reporting formats for the Group for primary (operating) and secondary (geographical) segments. As established by the Group, the operating segments identified in the Group according to IFRS 8 correspond to the operating segments identified according to IAS 14. Additional information will presumably have to be provided in the respective segments.

IAS 23 Borrowing costs (revised in 2007)

This standard requires capitalisation of borrowing costs which can be attributed to a qualifying asset. A qualifying asset is an asset for which a considerable amount of time is required in order to get ready for its intended use of sale. The change does not lead to any application in the Interhyp Group since the Group does not hold qualifying assets.

IAS 1 Presentation of financial statements (revised in 2007)

The purpose of revision of this standard is to increase the usefulness of the information contained in the financial statements, in particular by means of an expanded income statement or consolidated financial statements comprising all the revenue and expense items in the income statement and revenue and expense items which are not recognised in profit and loss. The change will presumably make additional disclosures necessary for the Interhyp Group.

Amendment to IFRS 2 – Conditions for exercising and cancellations

The amendment to IFRS 2 defines exercise conditions more precisely and regulates balance sheet treatment of effectively annulled commitments. The change will probably no have any effect on the Group's net assets, financial position and operating results

IFRS 3 Business combinations (revised in 2008) and IAS 27 Consolidated and separate financial statements according to IFRS (revised in 2008)

The standard introduces changes in the balance sheet treatment of corporate mergers occurring, starting in 2010, which have an effect on the stated amount of the transaction value or good will on the results in the reporting period in which an acquisition occurs as well as on future results. IAS 27 (revised in 2008) prescribes that a change in the amount of the holding in a subsidiary (without loss of control) is shown in the income statement as an equity transaction. Neither a transaction value nor goodwill nor profit or loss will arise from such a transaction. Furthermore, allocation of losses to the parent company and minority holdings and the accounting regulations for transactions which lead to loss of control have been changed. Subsequent changes result for IAS 7, IAS 12, IAS 21, IAS 28 and IAS 31. The changes will have an effect on future acquisitions, loss of control and transactions with minority interests.

Amendment to IAS 32 and IAS 1 – Puttable financial instruments and obligations arising on liquidation

To a minor extent, the amendment permits exceptions which allow classification of puttable financial instruments as shareholders' equity provided they meet certain criteria. The change will not affect the Group's net assets, financial position and operating results since the Group has not issued instruments of this kind.

Amendment to IFRS 1 and IAS 27 – Acquisition cost of an interest in subsidiaries, jointly managed companies and associated companies and IFRS 1 First-time application of IFRS (revised in 2008)

The amendments to IFRS 1 allow a company to state the acquisition costs of interests in subsidiaries, jointly managed companies and associated companies in its IFRS opening balance sheet in compliance with IAS 27 or in applying the amounts shown previously according to previously applied accounting regulations or the fair value as a substitute for acquisition costs (deemed cost). Moreover, these changes relate to the assessment of holdings in subsidiaries in the individual IFRS financial statements. The new requirements which only affect the individual IFRS financial statements have no effect on the consolidated financial statements.

Amendment to IAS 39 – Qualifying underlying transactions

The amendment defines how the principles contained in IAS 39 are to be applied when stating the guarantee relationships on the designation of a unilateral risk in an underlying transaction and the designation of inflation risks as an underlying transaction. We assume that the amendment will not affect the Group's net assets, financial position and earnings since the Group is not involved in any such transactions.

Improvements to IFRS 2007

The amendments from the collective standard on amending various IFRS standards aims primarily to eliminate inconsistencies and to make formulations clearer. There are transition regulations for each standard. We assume that the changes will not have any major impact on the consolidated financial statements.

There will be no amendments to IFRIC 12, 13, 15 to 18 due to the lack of underlying transactions.

Consolidated companies

Group financial statements include the financial statements of INTERHYP AG and its subsidiaries.
The Company holds 100% of the shares of its subsidiaries:

- PROHYP GmbH, Munich
- Hausfinanz Beratungsgesellschaft mbH, Munich, and
- 50.2% of MLP Hyp GmbH, Schwetzingen.

In addition, the Company holds 25.2% of the associated company iMakler GmbH, Bad Soden.

PROHYP GmbH, Munich, and Hausfinanz Beratungsgesellschaft mbH, Munich, made use of the exemption regulation of Section 264 (3) of the German Commercial Code in the financial year 2008.

Business operations of Hausfinanz Beratungsgesellschaft mbH are currently suspended.

Principles of consolidation

The consolidated financial statements are based on the annual financial statements of INTERHYP AG and its consolidated subsidiaries which are prepared according to uniform principles of accounting and valuation.

For INTERHYP AG and its subsidiaries, the financial year ends on 31 December of each year.

All internal Group balances, transactions, earnings, expenses and unrealised profits and losses from internal Group transactions are fully eliminated.

Subsidiaries are fully consolidated from the time of their acquisition, in other words from the time in which the Group obtains a controlling interest. Inclusion in consolidated financial statements ends when the subsidiary is no longer controlled by the parent company.

Shares of other associates (minority shares)

Shares of other associates represent the share of the result and net assets which is not attributable to the Group. Shares of other associates are reported separately in the Group income statement. Disclosure in the Group financial statements is made under shareholders' equity, separate from the equity accounted for by shareholders of the parent company.

II. Significant Accounting and Valuation Principles

Discretionary decisions, assumptions and estimates

In the consolidated financial statements, discretionary decisions, estimates and assumptions must be made which have an effect on the amount and disclosure of the accounting assets and liabilities, earnings and expenses, as well as any accounts payable and contingent liabilities. The actual figures may differ in some cases from the assumptions and estimates made.

In applying the accounting and valuation methods, the Management Board has taken the following discretionary decisions which most significantly impact the amounts contained in the financial statements. Decisions which include estimates are not considered here.

Liabilities from operational leasing arrangements
The Group has determined that all substantial risks and rewards related to property and articles leased within the context of operational leasing arrangements are to be assigned to the owner.

Estimating uncertainties
The most important assumptions related to the future as well as other significant sources of estimating uncertainties existing on the record date, on the basis of which a considerable risk exists that a significant adjustment of the book values of assets and liabilities may be required within the next fiscal year, are explained below:

Shares of associated companies
On every reporting date, the Group determines whether there are any indications of impairment. The shares of associated companies are assessed for recoverability when there are indications that the book value exceeds the achieved amount. To establish the use value, the presumed future cash flows of a holding is estimated and an appropriate discount factor selected in order to calculate the cash value of this cash flow.

Share-based payment
The costs from granting equity capital instruments to Group employees are assessed at the fair value of these instruments when granted. A suitable valuation procedure must be fixed to establish the fair value from granting such instruments to employees. This depends on the conditions for granting the instruments. Furthermore, suitable data must be selected for this valuation process, including, in particular, the presumed life of the option, volatility and dividend yields. The assumptions and procedures applied are shown in Section III (8).

Restoration liabilities
The amount for restoration liabilities is calculated on the basis of empirical values and cost estimates in order to estimate the liability. The Group must estimate the anticipated costs of restoration measures. It must also choose an appropriate discount rate in order to calculate the cash value of the liability.

Intangible assets

On inclusion in the accounts for the first time, individually acquired intangible assets are valued at acquisition or production cost. The acquisition cost of an intangible asset which was acquired on the basis of a merger corresponds to its actual cash value at the time of acquisition.

Intangible assets are stated in the following periods at their acquisition or production costs less accumulated depreciation and all accumulated depreciation costs. With the exception of development costs which may be capitalised, the costs of self-generated intangible assets are recognised in the period in which they arise.

A distinction is made between intangible assets which have a limited useful life and those with an indefinite useful life.

Intangible assets with a limited useful life are depreciated over their useful economic life and examined for possible depreciation whenever there is an indication that it might be possible to depreciate the intangible asset. As a minimum, the depreciation period and depreciation method for an intangible asset with a limited useful life are examined at the end of each respective financial year. The required amendments to the depreciation method and the useful life are treated as changes to an estimate.

There are no intangible assets with an indefinite useful life in the Group.

The accounting principles applied to the intangible assets of the Group are summarised as follows:

Intangible assets acquired in return for payment, essentially software, software licences and the customer base, are allocated to acquisition costs and depreciated as scheduled on a straight-line basis over their estimated useful economic life as follows:

Software and software licences	3	years

Profits or losses from the deletion of intangible assets are calculated as the difference between net disposal revenues and the book value of the asset and are reported in the income statement in the period in which the item is deleted.

Research and development costs

Research and development costs are booked as expenditure in the period in which they accrue. Total expenditure on research in the reporting period was EUR 1,101 thousand (previous year: EUR 1,323 thousand).

An intangible asset which arises from the development of an individual project is only capitalized when the Group can demonstrate the technical feasibility to complete the intangible asset in order for it to be available for internal use or for sale and the intention and capability to complete the intangible asset and to use or sell it. Furthermore, the Group must substantiate the generation of a future utility from the asset, the availability of resources to complete the asset and the ability to calculate reliably the costs attributable to the intangible asset during its development.

During the development period, the asset value is checked once annually for recoverability. After inclusion in the accounts for the first time, the acquisition cost model is applied to the development costs. In accordance with this model, the asset value is to be charged to acquisition costs less accumulated depreciation and accumulated costs of depreciation. Depreciation begins on completion of the development when the asset is ready for use. The asset value is depreciated over the period in which income can be expected and is verified annually for recoverability during the period in which it is not yet in use.

In compliance with the provisions of IAS 38 „Intangible Assets“, development expenditure on the internal software “eHyp”, which is the platform for the presentation of all processes relevant to the business of Interhyp AG, has been capitalised. The software is used for the Company’s website and by employees as a consultancy and management tool.

Development expenditure for this software was capitalised from the time the requirements for capitalisation of self-created intangible assets were met and amortised following installation over a useful life of three years.

Fixed assets

Fixed assets are valued at acquisition or production cost – with the exception of ongoing maintenance costs – less accumulated scheduled depreciation and accumulated depreciation costs. These costs include the costs for the replacement of a part of such an object at the time when the costs are incurred if the criteria for inclusion are met. This includes, among other items, capitalised renovations carried out by tenants which result from restoration liabilities. The estimated periods of use of the asset, form the basis for planned straight-line depreciation.

Fixed assets basically consist of office equipment and computers and are amortized over a useful economic life of three to thirteen years.

Fixed assets are deleted from the accounts either on disposal or when no further economic utility can be expected from the use or disposal of the asset. Profits or losses resulting from the deletion of the asset are calculated as the difference between net disposal revenue and the book value of the asset, and reported in the period in which the item is disposed of, with direct effect on the income statement.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted where necessary.

Shares of associated companies

According to the equity method, shares of an associated company are shown in the balance sheet. An associated company is a company in which the Group has a critical influence and which is neither a subsidiary nor a joint venture. According to the equity method, shares of an associated company are shown in the balance sheet at acquisition cost plus any changes after acquisition in the Group’s share in the net assets of the associated company. The goodwill of an associated company is contained in the book value of the share, and neither a scheduled write-off nor scheduled depreciation is foreseen. The income statement contains the Group’s share in the success of the associated company. Changes shown directly in the equity of the associated company are recorded by the Group in the amount of its share and – if applicable – entered in the statement of changes in equity. Profits and losses from transactions between the Group and the associated company are eliminated according to the share in the associated company.

The balance sheet date of the associated company is the same as that of the Group. Group accounting and valuation methods are applied accordingly.

Applying the equity method, the Company establishes whether it is necessary to report an additional depreciation expense for shares of the Group in associated companies. The Group establishes on each balance sheet date whether there are objective indications that a holding in an associated company could be depreciated. If this is the case, the difference between the achievable amount of the holding in the associated company and the book value of the holding is reported in the income statement as depreciation expense.

Borrowing costs

Borrowing costs are reported as expenditure in the period in which they were incurred.

Leasing

Whether an agreement contains a leasing arrangement is established on the basis of the economic content of the agreement and requires an estimate as to whether the fulfilment of the contractual agreement is dependent on the use of a certain asset or assets and whether the agreement grants the right to the use of the asset.

The Group as lessee

Financial leasing arrangements in which all the basic risks and rewards related to ownership of the transferred asset are transferred to the Group are capitalised at the beginning of the leasing arrangement at the actual cash value of the leased object, or the cash value of the minimum leasing payments if this value is lower. Leasing payments are thus divided into their components of financing expenditure and repayment of the leasing liability in such a way that the remaining residual book value of the leasing liability is accounted for against a constant interest rate. Financing expenditure is recorded immediately in the income statement.

If transfer of ownership to the Group at the end of the term of the leasing arrangement is not sufficiently certain, the capitalised leased objects are completely written off over the shorter of the two periods of expected useful life and the term of the leasing arrangement.

The Group does not have any financial leasing arrangements.

Expenditure on operational leasing arrangements is reported directly as expenditure in the income statement on a straight-line basis over the term of the leasing arrangement. Corresponding future liabilities from operating leasing arrangements are reported on under other financial liabilities under item IV.

Depreciation of non-financial assets

On each balance sheet date, the Group assesses whether indicators exist concerning whether an asset might be depreciated. If such indicators exist or an annual examination of an asset for depreciation is required, the Group makes an estimate of the amount realisable. The realisable amount of an asset is the higher of the following two amounts: the actual cash value of an asset or of a funds-generating unit less disposal costs and the utility value. The realisable amount must be determined for each individual asset unless an asset produces no cash flows that are largely independent of those of other assets or other groups of assets.

On each balance sheet date, an assessment is made of all assets, with the exception of goodwill, concerning whether there are indicators that a previously reported depreciation cost no longer exists or has decreased. If such an indicator exists, the Group estimates the amount realisable. A previously reported depreciation cost is only cancelled if, since the reporting of the last depreciation cost, there has been a change in the estimates used to determine the realisable amount since the last depreciation cost was reported. If so, the book value of the asset is increased to its realisable amount. However, this amount must not exceed the book value that would result after taking account of depreciation if no depreciation cost had been reported for the asset in the previous year. Such a reversal of impairment losses is immediately reported in the period in which it occurred.

The following criteria must also be taken into account for certain assets:

Associated companies
After application of the equity method, the Group establishes whether it is necessary to report an additional depreciation expense for the shares of the Group in associated companies. The Group establishes on every balance sheet date whether objective indications exist for assuming that the share of an associated company could be impaired. If so, the difference between the fair value of the share of the associated company and acquisition costs for this share are reported in the income statement as depreciation.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. In the case of other financial investments such as those which are not assessed directly at fair value, transaction costs to be assigned directly to the acquisition of the final asset are also included.

Financial assets are assigned to assessment categories after they are first reported in the income statement. Reassignments, if permissible and appear necessary, are made at the end of each financial year.

All customary purchases and sales of financial assets are accounted for on the trading day, i.e. the date on which the Company entered into an obligation to purchase the asset. Customary purchases or sales are purchases or sales of financial assets which specify the delivery of the assets within a period of time defined by market regulations or conventions.

Assets assessed at fair value through profit or loss
The group of assets assessed at fair value through profit or loss contains all financial assets held for trading purposes and financial assets which are categorised as financial assets to be assessed when first reported at fair value. Financial assets are classified as held for trading purposes if they were acquired for the purpose of sale in the near future. Derivatives, including separately recorded embedded derivatives, are also classified as held for trading purposes, except those derivatives serving as a financial guarantee or designated as security instruments, and are effective as such. Gains or losses from financial assets held for trading purposes are reported in the income statement.

At 31 December 2008 no assets were reported at fair value through profit or loss (previous year: 0).

At the time the Group first becomes a contractual entity, it determines whether derivatives are to be carried in the balance sheet separately from the underlying contract. A reassessment is made only if contractual conditions change substantially, resulting in a significant change in payment flows from those which would otherwise have arisen from the contract.

Held-to-maturity financial investments
Held-to-maturity financial investments include non-derivative assets with fixed, or at least determinable, payments and fixed maturities which the Group intends, and is able to, hold until maturity. After initial recognition, held-to-maturity financial investments are assessed at book value applying the effective interest rate method. Profits and losses are recorded in the corresponding period if the financial investments are derecognised or depreciated, and if amortised. At 31 December 2008 there were no financial investments held to maturity (previous year: 0).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. After initial recognition, loans and receivables are assessed at their book value applying the effective interest method, less adjustments for impairment. Profits and losses are reflected in the period in which the loans and receivables are derecognised or depreciated or amortised.

Available-for-sale financial assets (AfS)
Available-for-sale financial assets are non-derivative financial assets which are classified as available for sale and not allocated to one of the three above categories. After initial recognition, available-for-sale financial assets are assessed at fair value, whereby the profits or losses not directly realised in equity are reported in the reserve for unrealised profits. Upon derecognition of financial investments, the cumulative profit or loss recorded in equity is re-booked to the income statement at fair value.

Fair value through profit or loss
Fair value through profit or loss of financial investments traded on organised markets is determined by the market price (bid price) quoted on the reporting date. The fair value of financial investments for which there is no active market is determined by applying valuation methods. Valuation methods include the use of the most recent business transactions between competent, willing and independent business partners, the comparison with current fair value through profit or loss of another basically identical financial instrument, the analysis of discounted cash flows, and the use of other valuation models.

Amortised cost
Financial investments held to maturity and receivables are carried at amortised cost. These costs are determined applying the effective interest rate method less any value adjustments, and taking into account discounts and premiums at the time of acquisition, and contain transaction costs and fees which form an integral part of the effective interest rate.

Depreciation of financial assets

On each balance sheet date, the Group assessed whether there is a case for depreciation of a financial asset or group of financial assets.

Assets accounted for on the basis of their amortised costs
If there is objective evidence of depreciation on loans and receivables accounted for on the basis of amortised cost, the amount of the loss results from the difference between the book value of the asset and the cash value of expected future cash flows (with the exception of expected loan losses in the future), discounted by the original effective interest rate of the financial asset (i.e. the effective interest rate calculated when first reported). The impairment loss is shown in the income statement.

If the amount of the value adjustment is reduced in one of the subsequent reporting periods, and if this reduction can be traced objectively to a situation which occurred after reporting the depreciation, the value adjustment stated earlier is annulled. The amount of the reversal of impairment loss is limited to the amortised costs at the time of value clarification. Reversal of impairment loss is reflected in profit and loss.

If for trade accounts receivable there are objective indications (such as probability of insolvency or significant financial difficulties of the debtor) that not all amounts due will be received in accordance with the originally agreed invoice conditions, a value adjustment account will be used for reversal of impairment loss. These amounts will be derecognised if they are classified as unrecoverable.

Financial investments available for sale
If the value of a asset available for sale is impaired, an amount recorded in equity is re-booked to the income statement in the amounts of the difference between acquisition cost (less any redemptions and amortisations) and the current fair value less any value adjustments for this financial investment already recognised in profit or loss.

Reversals of impairment losses for debt instruments classified as available for sale are reported in the income statement if the rise of the fair value of the instrument results objectively from an event which occurred after the impairment to be recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents and short-term investments on the balance sheet include cash balances, bank deposits and short-term investments whose realisation is expected within the next three months.

Cash and cash equivalents are recognised in the consolidated cash flow statement according to the above definition.

Taxation

Effective tax assets and tax liabilities

Effective tax assets and tax liabilities for the current period and earlier periods are valued at the amount at which a claim from, or payment to, the tax authorities is expected. The calculation is based on the tax rates and tax regulations applicable on the balance sheet date.

Actual taxes relating to items which are recorded directly in shareholders' equity are entered in shareholders' equity and not in the income statement.

Deferred taxation

Deferred taxation is generated by applying the asset and liability method to all temporary differences between the valuation of an asset or liability in the balance sheet and the tax valuation existing at the balance sheet date. Deferred tax liabilities are reported for all temporary differences, with the exception of deferred tax liabilities from temporary differences arising in connection with holdings in subsidiaries and associated companies, if the length of time of the reversal of the temporary differences is manageable and it is likely that the temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deferred tax assets, unused tax losses carried forward and unused tax credits are reported to the extent it is likely that taxable income will be available against which the deductible temporary differences and the unused tax losses carried forward and tax credits can be used, with the exception of deferred tax assets from deductible temporary differences in connection with holdings in the subsidiaries and associated companies, if it is likely that they will not be reversed in the foreseeable future and no sufficient taxable income will be available against which the temporary differences can be applied.

The book value of deferred tax assets is verified on every reporting date and reduced to the extent to which it is unlikely that sufficient taxable income will be available against which at least part of the deferred tax assets can be applied. Unstated deferred assets are verified and applied to the extent to which it has become likely that future taxable income will permit realisation of deferred tax assets.

Deferred tax assets and liabilities are calculated on the basis of tax rates whose validity for the period in which an asset is realised or a liability is settled is expected. Those tax rates (and tax laws) are applied which are valid on the balance sheet date. Future changes in tax rates must be taken into account on the balance sheet date if substantial requirements for their effectiveness are met within the scope of a legislative procedure.

Deferred taxes which refer to items reported directly in shareholders' equity are not stated in the income statement but in shareholders' equity.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has an enforceable claim to offsetting actual tax refund claims against actual tax liabilities, and these refer to income taxes on the same taxable object collected by the same tax authority.

Other provisions

Present legal or constructive obligations as a result of past events involving a probable outflow of resources and whose amount can be reliably estimated are recognised as provisions. If the Group expects at least a partial refund for a reserve carried as a liability (such as from an insurance contract), the refund is reported as a special asset provided that the inflow of the refund is as good as certain. The expense for forming the reserve is shown in the income statement less the refund. If the interest effect from discounting is substantial, reserves are discounted at a pre-tax interest rate which reflects the specific risks for the liability. If discounted, the increase in reserves affected by expiry Is reported as financial expenditure.

Financial liabilities

Financial debts

Debt or financial debts are assessed at initial recognition at fair value less the transaction costs involved in borrowing. On initial recognition, debt or financial debts are assessed at amortised cost using the effective interest rate method. They are not designated at fair value through profit or loss. Profits and losses are reported in the result for the period in which the debts were derecognised and within the scope of amortisation.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial assets held for trading purposes and other financial liabilities which are classified on initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading purposes if they are acquired with the intention of sale in the near future. Derivatives, including separately embedded derivatives, are also classified as held for trading purposes, with the exception of derivatives which have been designated as hedging instruments and are effective as such. Profits or losses from financial liabilities held for trading purposes are recognised in profit and loss.

At 31 December 2008, no financial liabilities were designated as assessed at fair value through profit or loss (previous year: 0).

Liabilities form financial guarantees

Liabilities from financial guarantees issued by the Group relate to contracts which contain an obligation to effect payments which compensate the guarantee holder for a loss which arises because a given debtor fails to meet its payment obligations punctually in compliance with the regulations of a debt instrument. On initial recognition, financial guarantees are stated as liabilities at fair value, less the transaction costs directly related to issuing the guarantee.

The liability is assessed at the amount of the best estimate of the expenses required to meet the current obligation at the reporting date or with the higher originally stated amount. At 31 December 2008, no financial liabilities were designated as financial guarantees (previous year: 0).

Derivative financial instruments and hedging transactions

The Company holds no derivative financial instruments.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised if one of the three following prerequisites is fulfilled: (i) the contractual rights to receive cash flows from a financial asset cease to exist, (ii) the Group retains its rights to receive cash flows from financial assets but assumes a contractual obligation to effect immediate payment of the cash flow to a third party within the scope of an agreement which meets the requirements of IAS 39.19 (pass-through arrangement) or (iii) the Group has transferred its contractual rights to receive the cash flow from a financial asset and in so doing either (a) transfers practically all risks and rewards linked to ownership of the financial asset or (b) has neither transferred nor retained for the most part all risks and rewards linked to the ownership of the financial assets, but transfers the power of control over the asset.

If the Group neither transfers nor retains its contractual rights to receive the cash flow from an asset, and neither transfers nor retains practically all risks and rewards linked to ownership of this asset, but retains the power of control over the transferred asset, the Group will continue to report the transferred asset to the extent of its continuing involvement. If the continuing involvement in terms of form guarantees the transferred asset, the extent of the continuing involvement corresponds to the lower amount from the original book value of the asset and the highest amount of the consideration received which the Group might have to repay.

If the continuing involvement is a written and/or acquired option (including an option which is fulfilled by cash, a cash settlement or similar), on the transferred asset, the extent of the Group's continuing involvement corresponds to the amount of the transferred asset which the company can repurchase. In the event of a written sales option (including an option which is fulfilled by cash, a cash settlement or similar) on an asset assessed at fair value, the extent of the continuing involvement of the Group is limited to the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised if the obligation underlying this liability has been fulfilled, terminated or has expired. If an existing financial liability is exchanged for a financial liability from the same creditor with essentially different contractual terms, or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and the statement of a new liability. The difference between the two book values is entered in the income statement.

Revenue recognition

Revenue is recognised if it is likely that the economic benefit will flow to the Group and the amount of revenue can be reliably determined. Revenues are measured at the fair value of the consideration received. Discounts and rebates are not taken into account. Moreover, revenue recognition presupposes compliance with the following recognition criteria:

Performance of services
Revenue is generated in the Direct and Intermediary Channel. Revenue consists primarily of mortgage broking and special bonuses. Mortgage broking commissions are reported in compliance with IAS 18 "Revenue" according to performance of the service, in other words, when a loan agreement becomes legally binding. In addition, Interhyp receives special bonuses from some major lenders upon reaching predefined mortgage volumes which are deemed to have been realised if the relevant milestone has been achieved. The amount of proceeds can be reliably measured when the revenue is realised and inflow of the economic benefit from the transaction is sufficiently probable. Account is taken here of the probability of recourse to the right of revocation, the probability of calling the underlying loan and the realisability of the underlying revenue.

Interest income
Interest income is reported when interest accrues (using the effective interest rate method).

Dividends
Revenues are reported when a legal claim to payment arises.

Share-based payments

Some employees and former members of the Group's Supervisory Board received share-based payments, with employees receiving equity instruments in compensation for their services ("Transactions with compensation by equity instruments").

Expenditure arising from awarding equity instruments is assessed at fair value on the date the equity instruments were awarded. Their fair value was determined using an appropriate option price model.

Expense resulting from awarding equity instruments and the accompanying increase in equity are reported over the period in which the exercise or performance conditions must be fulfilled (vesting period). This period ends on the day of the first exercise option, in other words, the date on which the employee becomes irrevocably entitled ("date of the first exercise option"). Cumulative expenditure from awarding equity instruments up to the time of the first exercise option is shown on the balance sheet date and reflects the already lapsed part of the vesting period and the number of equity instruments which, in the Group's best estimate, will actually become exercisable on expiry of the vesting period. The amount credited or debited to the income statement reflects the development of the cumulative expenditure reported at the beginning and the end of the reporting period.

No expense is reported for payment rights which do not become exercisable. Payment rights whose exercise requires fulfilment of certain market conditions are an exception. These are considered exercisable irrespective of whether the market conditions are fulfilled, provided that all other performance conditions are met.

If the contractual conditions of an equity-based payment arrangement are changed, expenditure is stated at least in the amount which would have accrued if the contractual conditions had not been changed. In addition, the Company is required to report the effects of changes which increase the overall present value of the share-based payment arrangement or are associated with a different benefit for the employee as measured at the time of the change.

If a share-based payment arrangement is cancelled, this is treated as though it had been exercised on the date of cancellation. Expenditure previously not reported is reported immediately. However, if the cancelled share-based payment arrangement is replaced by a new payment arrangement, and the new payment arrangement is declared a replacement of the cancelled payment arrangement on the date it is awarded, the cancelled and the new payment arrangements are accounted for as a change to the original payment arrangement.

The dilution effect of outstanding share options is considered as additional dilution for calculating earnings per share.

III. Notes to the Consolidated Balance Sheet

The consolidated balance sheet contains the following financial instruments:

Financial instruments classified according to IFRS 7 *in EUR thousand*

		Book values at	
Financial assets	**Category acc. to IAS 39**	**31 Dec. 2008**	**31 Dec. 2007**
Cash and cash equivalents	Receivables	18,086	48,963
Short-term receivables from commissions	Receivables	16,055	1,844
Long-term receivables from commissions	Receivables	385	463
Other short-term assets	Receivables	26,380	549
Other long-term assets	Receivables	574	567
Summarised according to the assessment category from IAS 39			
Receivables		61,480	69,386
Financial liabilities			
Trade accounts payable	Financial liabilities (at amortised cost)	2,771	2,554
Long-term financial debts	Financial liabilities (at amortised cost)	0	1
Other short-term liabilities	Financial liabilities (at amortised cost)	3,939	2,596
Summarised according to the assessment category from IAS 39			
Financial liabilities (at amortised cost)		6,710	5,151

The book values of financial instruments correspond, by and large, to their fair value.

(1) Intangible assets

The evolution of the individual intangible assets is shown in the assets analysis.

(2) Fixed assets

The evolution of the individual fixed assets is shown in the assets analysis.

Assets analysis *for 2008 in EUR*

	Acquisition or production costs			
	1 Jan. 2008	**Accruals**	**Disposals**	**31 Dec. 2008**
Intangible assets				
Development costs	52,500.00	0.00	0.00	52,500.00
Software and licences	1,388,535.66	89,583.97	11,107.00	1,467,012.63
	1,441,035.66	**89,583.97**	**11,107.00**	**1,519,512.63**
Fixed assets				
Property, plant and equipment	6,381,670.19	667,092.11	182,922.05	6,865,840.25
Prepayments on fixed assets	0.00	0,00	0.00	0.00
Tenant fixtures	207,985.44	2,808.58	0.00	210,794.02
	6,589,655.63	**669,900.69**	**182,922.05**	**7,076,634.27**
Total	**8,030,691.29**	**759,484.66**	**194,029.05**	**8,596,146.90**

Assets analysis *for 2007 in EUR*

	Acquisition or production costs				
	1 Jan. 2007	**Accruals**	**Disposals**	**Transfers**	**31 Dec. 2007**
Intangible assets					
Development costs	196,155.65	0.00	143,655.65	0.00	52,500.00
Software and licences	991,763.91	402,408.34	5,636.59	0.00	1,388,535.66
Customer profiles	172,117.03	0.00	172,117.03	0.00	0.00
	1,360,036.59	**402,408.34**	**321,409.27**	**0.00**	**1,441,035.66**
Fixed assets					
Property, plant and equipment	4,168,931.88	2,410,130.04	205,023.19	7,631.46	6,381,670.19
Prepayments on fixed assets	62,615.46	0.00	54,984.00	(7,631.46)	0.00
Tenant fixtures	181,839.18	26,146.26	0.00	0.00	207,985.44
	4,413,386.52	**2,436,276.30**	**260,007.19**	**0.00**	**6,589,655.63**
Total	**5,773,423.11**	**2,838,684.64**	**581,416.46**	**0.00**	**8,030,691.29**

1 Jan. 2008	Depreciation Accruals	Disposals	31 Dec. 2008	Book value 31 Dec. 2008
6,660.88	33,807.87	0.00	40,468.75	12,031.25
760,015.66	347,334.97	11,107.00	1,096,243.63	370,769.00
766,676.54	**381,142.84**	**11,107.00**	**1,136,712.38**	**382,800.25**
3,045,333.19	1,523,137.11	182,922.05	4,385,548.25	2,480,292.00
0.00	0.00	0.00	0.00	0.00
118,048.01	34,132.95	0.00	152,180.96	58,613.06
3,163,381.20	**1,557,270.06**	**182,922.05**	**4,537,729.21**	**2,538,905.06**
3,930,057.74	**1,938,412.90**	**194,029.05**	**5,674,441.59**	**2,921,705.31**

1 Jan. 2007	Depreciation Accruals	Disposals	31 Dec. 2007	Book value 31 Dec. 2007
91,532.20	58,784.33	143,655.65	6,660.88	45,839.12
503,816.91	261,474.09	5,275.34	760,015.66	628,520.00
100,371.82	21,523.23	121,895.05	0.00	0.00
695,720.93	**341,781.65**	**270,826.04**	**766,676.54**	**674,359.12**
1,829,285.38	1,456,167.00	240,119.19	3,045,333.19	3,336,337.00
0.00	0.00	0.00	0.00	0.00
89,916.76	28,131.25	0.00	118,048.01	89,937.43
1,919,202.14	**1,484,298.25**	**240,119.19**	**3,163,381.20**	**3,426,274.43**
2,614,923.07	**1,826,079.90**	**510,945.23**	**3,930,057.74**	**4,100,633.55**

(3) Investments in associates

A holding of EUR 706 thousand in iMakler GmbH was acquired when a contract was signed on 11 April 2007. The purchase price was paid in full at the end of April 2007. In 2008, further capital injections of altogether EUR 168 thousand were made into iMakler GmbH. The Group has a holding of 25.2% in iMakler GmbH which is assessed according to the equity method. The company deals in property sales. Since in 2008 not all shareholders effected payments in accordance with their participation ratios, although these ratios remained unchanged, the pro rata net assets increased by only EUR 98 thousand. There is no obligation to absorb losses.

Summary of financial information of the associated company *in EUR thousand*

	2008	2007	At the time of initial consolidation
Assets	178	786	1,247
Liabilities	54	217	68
Pure assets	124	569	1,179
Pro rata pure assets	31	143	297
Pro rata goodwill	409	409	409
Proceeds	405	284	
Expense	(833)	(610)	
Pro rata expense	(210)	(154)	
Depreciation expense	(547)*	0	
Pro rata result not reported	(107)	0	
Book value of the holding	**0**	**552**	**706**

*Depreciation expense was reported in the income statement in the third quarter of 2008.

The following expenses reported in the income statement were calculated as follows:

In EUR thousand

	EUR thousand	2008	2007
Depreciation		547	0
Plus balance from			
pro rata result	210		154
pro rata result not reported	(107)	103	
Plus balance from			
additional payments	168		
pro rata net assets	(98)		
		70	0
Total		**720**	**154**

The achievable amount is determined on the basis of the calculation of a use value applying cash flow forecasts. The discount rate used for the cash flow forecasts before tax is 24.3%. This reflects the corporate risk of iMakler. The estimate of sustainable depreciation is based on the assessment of market conditions, the financial position of the associated company and other factors.

(4) Receivables from commissions

Receivables from commissions consist of the following:

In EUR thousand	2008	2007
Receivables	16,440	19,307
Short-term component	16,055	18,844
Long-term component	385	463

Receivables from commissions do not carry interest and are stated at their nominal value less write-downs. Maturity of receivables from commissions is not fully defined when the claim arises, since they depend in some cases on acts of third parties (borrowers and/or policyholders). Regulations vary from lender to lender. For most of the lenders, the receivables from commissions are paid 14 days after expiry of the revocation deadline. All other receivables from commissions are settled after the borrower has drawn the first instalment from his loan. This depends on construction progress, the assumed date of purchase or the date for renegotiation of the loan. The expected maturity of the receivables is defined on the basis of the information provided by the borrower. There were no impairment losses in the year under review, nor were they any receivables past due or depreciated.

(5) Tax refund claims

Tax refund claims contain refund claims from current taxes on profits.

(6) Other assets

Other assets consist of the following:

In EUR thousand	2008	2007
Fixed-term deposits	25,000	0
Pledged bank deposits	574	567
Prepayments	595	428
Accrued interest on securities	59	186
Settlement of professional accounts	1,274	345
Other	47	18
Total	**27,549**	**1,544**
Short-term component	26,975	977
Long-term component	574	567
Financial assets	26,954	1,116
Non-financial assets	595	428

Short-term deposits were investments for periods of between 6 and 12 months carrying interests rates of between 3.63% and 3.7%.

The pledged bank deposits amounting to EUR 574 thousand (previous year: EUR 567 thousand) serve as rent deposits. They carry interest ranging from 4.10% to 4.5% and have maturities of twelve months. In accordance with IAS 1.57d “Presentation of financial statements” they are shown under long-term assets. There were no overdue or depreciated financial assets.

(7) Cash and cash equivalents

Cash and cash equivalents consist of the following:

In EUR thousand	2008	2007
Cash balances	9	11
Bank deposits	12,982	48,861
Short-term deposits	5,095	91
Total	**18,086**	**48,963**

Bank deposits carry floating interest rates for demand deposits. Short-term deposits are highly liquid investments with original maturities of less than three months from the balance sheet date. Short-term deposits of EUR 5,000 are made for a period of three months and carry interest of 3.48%.

For purposes of the consolidated cash flow statement, the cash funds are made up exclusively of cash and cash equivalents.

(8) Shareholders' equity

The evolution of shareholders' equity is presented in the statement of changes in shareholders' equity.

Common stock

The common stock of INTERHYP AG at 31 December 2008 stood at EUR 6,593,525.00 (previous year: EUR 6,501,250.00) and is divided into 6,593,525 registered no-par shares with a computed share of EUR 1.00 in the common stock. All issued shares are fully paid in. In the financial year, the common stock was increased by EUR 72,275 by the exercise of 72,275 share options and by EUR 20,000 by the conversion of 20,000 convertible bonds.

Authorised capital

By resolution of the General Meeting of Shareholders of 13 September 2005, the Management Board, with the approval of the Supervisory Board, was authorised to increase the common stock of the Company in the period until 13 September 2010 by up to a total of EUR 2,877,275 by means of a single or multiple issue of new registered no-par shares against cash and/or investment in kind (authorised capital 2005/I).

Conditional capital

The common stock of the Company was conditionally increased by resolutions of the General Meetings of Shareholders on 29 June 2005 and 13 September 2005. As at 31 December 2008, the value of the conditional capital under consideration of the capital increase which took place in 2005 from the Company's own resources (factor 50) is as follows:

In EUR	2008	2007
Conditional capital 2005/I	0	20,000
Conditional capital 2005/II	97,462	169,737
Total	**97,462**	**189,737**

Conditional capital 2005/I serves to grant conversion rights to the holders of convertible bonds which were fully converted in the financial year.

Conditional capital 2005/II serves the implementation of a management and employee participation programme, of which 72,275 shares were converted in the financial year.

Authorisation to acquire treasury stock

At the Extraordinary Meeting of Shareholders on 13 September 2005, it was resolved to authorise the Company to acquire treasury stock. The Company is therefore authorised to acquire treasury stock by 13 March 2007 of altogether up to 10% of the registered capital at the time of the resolution. The shares acquired following this authorisation, together with other treasury stock owned by the Company or according to §§ 71a ff., German Stock Corporation Act attributable to the Company, may at no time exceed 10% of the registered capital. Treasury stock may not be traded.

By means of resolutions at the General Meetings of Shareholders on 30 May 2006, 1 June 2007 and 4 June 2008 , the authorisation granted in the previous year was annulled and the Management Board was again authorised to acquire treasury stock for a period of 18 months from the date of the resolution.

Management and employee participation programme (stock option programme)

Under the Company's stock option programme, employees were granted the right to acquire shares of Interhyp AG from conditional capital 2005/II created for this purpose against payment of a contractually stipulated price. Originally, the maximum number of stock options which could be issued under the stock option programme was 172,637. In 2005, 85,000 stock options were issued to employees and 28,500 in 2007. The Supervisory Board decides on the issue of stock options to members of the Management Board and on further issuing details; the Management Board makes these decisions for employees. Stock options are foreseen for those persons whose decisions are closely linked to the Company's development and success. A maximum of half of all stock options of the programme are foreseen for Management Board members. The shares required for the stock option programme are derived from the conditional capital (2005/II) created by the Extraordinary Meeting of Shareholders on 13 September 2005.

The exercise price of the options corresponds to the mean value of the closing price of the Interhyp share in Xetra trading during the last 20 trading days before the date of issue. For stock options issued one month after acceptance of quotation of the shares of Interhyp AG on the Frankfurt stock exchange, the exercise price corresponds to the placement price of the shares. Options can be exercised when the Interhyp share posts a rise of at least 5% above the exercise price. Each option granted runs for ten years. In addition, the stock option plan has a waiting period of ten years for exercising the options. The waiting period begins on the day of issue and ends for one quarter of the stock options issued to beneficiaries within one tranche after expiry of two years (starting from the day of issue). The remaining 75% of the options in the tranche can be exercised in the coming three years at 25% annually. Cash settlement is also possible. The decision as to whether a cash settlement will be granted is made by the Management Board in agreement with the Supervisory Board (for employees of Interhyp AG) and by the Supervisory Board (for members of the Management Board of Interhyp AG). Guidelines of the Group do not foresee a cash settlement.

According to the terms, the vesting periods are shorter if there is a change of control in meaning of the German Securities Acquisition and Takeover Act (30% of the voting rights). Due to the takeover offer announced on 20 June 2008, and the resulting re-estimate of the vesting periods, the fair values originally attributed at the acceptance date are now reported in the balance sheet over the respective shortened expected vesting periods.

The following table shows the number and weighted average exercise price (AEP) of the stock options granted during the financial year.

Overview stock options

	2008 Number	2008 AEP	2007 Number	2007 AEP
Outstanding at the beginning of the reporting period	98,025	EUR 44.23	82,500	EUR 42.00
Granted in the reporting period	0	0	28,500	EUR 49.70
Exercised in the reporting period	72,275	EUR 42.00	2,900	EUR 42.00
Expired in the reporting period *)	(2,850)	EUR 42.00	10,075	EUR 42.00
Outstanding at the end of the reporting period	28,600	EUR 49.68	98,025	EUR 44.23
Exercisable at the end of the reporting period	**100**	**–**	**17,250**	

*) In 2007, the expected expiry of 3,750 rights due a termination agreement was shown which, due to a shorter vestment period in 2008, did not occur after all.

The weighted average contractual residual term for stock options at 31 December 2008 is 6.75 years (previous year: 7.75 years).

The exercise prices for options outstanding at the end of the reporting period range from EUR 42.00 to EUR 49.70 (previous year: ranged from EUR 42.00 to EUR 49.70). The fair value of the stock options granted is determined at the time of granting by applying a generally recognised option price model. Calculation is based on the following parameters:

Issued in 2007	
Expected volatility	35%
Fluctuation p.a.	5%
Risk-free interest rate depending on expected term	3.99–4.12%
Dividend yield	3.17%
Issue price	EUR 49.70
Market price at time of issue	EUR 12.27–15.26
Model applied	Binomial

Issued in 2005	
Expected volatility	25%
Fluctuation p.a.	5%
Risk-free interest rate depending on expected term	2.9–3.14%
Dividend yield	0%
Issue price	EUR 42.00
Market price at time of issue	EUR 8.76–13.21
Model applied	Black-Scholes

The expected term of the stock options is based on the assumption of the Management Board that the options will be exercised one year after expiry of the respective waiting period. This may not be in accordance with the way in which beneficiaries actually exercise their options. The expected volatility is based on the assumption that future trends can be deducted from historical volatilities of comparable businesses quoted on the stock exchange, whereby actual volatilities may also differ from the assumptions made.

The fair value of the equity instruments on the date of acceptance is reported in the income statement on a straight-line basis throughout the retention or waiting period.

Expenditure for issuing stock options to employees with compensation through equity instruments is reported as personnel expenses (EUR 504 thousand, previous year: EUR 181 thousand). As a result of the change in the estimate (abbreviation of the vesting period), personnel expenses from the employee share programme were EUR 267 thousand higher.

Convertible bonds

In 2005, convertible bonds were issued to employees and a former member of the Supervisory Board. The employees and the former member of the Supervisory Board paid the nominal amount of EUR 2.00 for the convertible bonds in 2005. The convertible bonds carried interest of 1% p.a. At maturity, the nominal amount is due for repayment if the bond has not been converted.

Holders of convertible bonds are entitled to exchange their convertible bonds for no-par shares of Interhyp AG. In this case, a no-par convertible bond with a nominal value of EUR 2.00 qualified for conversion into 50 no-par shares of Interhyp AG, each with an allocation share in the common stock of the Company of a computed nominal amount of EUR 1.00. Following the increase in capital from the Company's own reserves in August 2005, the number of no-par shares was increased from 1 to 50.

Due to the corresponding approval of the early exercise by the Supervisory Board on 25 July 2008, and the resulting re-estimate of the fair values attributed originally at the acceptance date, are now stated in the income statement over the expected shortened vesting periods.

At 31 December 2008 the following convertible bonds were issued:

	Total
At 1 January 2008	400
exercised	400
At 31 December 2008	**0**
Exercisable at end of reporting period	0

At 31 December 2007 the following convertible bonds were issued:

	Total
At 1 January 2007	400
At 31 December 2007	**400**
Exercisable at end of reporting period	0

No new convertible bonds were issued in 2007 and 2008. The convertible bonds issued in 2005 to employees can be converted into shares of the Company in stages over a period of between two and five years following their issue date.

The term of the convertible bonds issued to employees in 2005 ends on 30 June 2015.

The fair value of the equity instruments on the date of acceptance is reported in the income statement on a straight-line basis throughout the retention or waiting period; the counter-entry is made in additional paid-in capital.

To calculate the fair value of the convertible bonds, the Black-Scholes method was used, based on the following parameters:

Calculation basis for convertible bonds

	2007
Expected volatility	25%
Risk-free interest rate depending on expected term	2.9%–3.14%
Dividend yield	0%
Issue price	EUR 2.00
Market price on date of issue	EUR 1,715.00

The expected term of the convertible bonds is based on the assumption of the Management Board that the options will be expected on expiry of the respective waiting period. This may not be in accordance with the way in which beneficiaries actually exercise their options. The expected volatility is based on the assumption that future trends can be deduced from historical volatilities of comparable businesses quoted on the stock exchange, whereby actual volatilities may also differ from the assumptions made.

Expenditure for issuing convertible bonds to employees with compensation by equity instruments is reported as personnel expenses (EUR 223 thousand, previous year: EUR 192 thousand). As a result of the changed estimate (shortening of the vested period) personnel expenses from convertible bonds resulted in an increase of EUR 102 thousand.

Capital reserve

The capital reserve consists of the following:

In EUR thousand

	2008	**2007**
Issue of convertible bonds and share options	2,689	1,962
Additional contributions of shareholders over par value § 272 (2) No. 1 German Commercial Code (HGB)	25,905	25,905
Deposits for convertible bonds and share options § 272 (2) No. 2	3,095	131
Other additional contributions to equity § 272 (2) No. 4	509	509
Special reserve formed for convertible bonds	0	20
Capital reserve at 31 December	**32,198**	**28,527**

(9) Other provisions

Changes in provisions are presented in the analysis of provisions below.

Restoration liabilities for rented premises
Contractual restoration liabilities exist in respect of rented office space. In assessing this liability, expected restoration costs at the end of the respective rental agreement were discounted at a rate of 4.5% p.a. (previous year: 4.5% p.a.) on the balance sheet date. The longest rental contracts run until 2013.

(10) Tax liabilities

Tax liabilities consist of liabilities from current taxes on profits.

Analysis of provisions *in EUR*

2008	1 Jan. 2008	Claim	Liquidation	Allocation	31 Dec. 2008
Cancellation risk	149,600. 00	149,600.00	0.00	357,000.00	357,000.00
Restoration liabilities	197,425.85	0.00	0.00	12,246.02	209,671.87
Total	**347,025.85**	**149,600.00**	**0.00**	**369,246.02**	**566,671.87**

2007	1 Jan. 2007	Claim	Liquidation	Allocation	31 Dec. 2007
Cancellation risk	126,800.00	126,800.00	0.00	149,600.00	149,600.00
Restoration liabilities	160,967.27	0.00	0.00	36,458.58	197,425.85
Total	**287,767.27**	**126,800.00**	**0.00**	**186,058.58**	**347,025.85**

(11) Trade accounts payable

Trade accounts payable concern liabilities to sub-brokers. They are non-interest bearing and usually due for payment within 30 to 90 days. The Company has no long-term liabilities of this kind on its books.

(12) Other liabilities

Other liabilities consist of the following:

In EUR thousand	2008	2007
Salary bonuses	4,681	2,349
Sales commissions	368	708
Social contributions	182	199
Wage/church tax	503	463
Outstanding invoices*	2,016	758
Audit costs*	283	218
Bonus commissions for sub-brokers*	1,640	1,060
Rent-free periods	318	471
Outstanding holiday leave	245	262
Severance payments	0	12
Outstanding repayments to bank partners*	0	560
Value-added tax	0	213
Other	114	137
Total	**10,350**	**7,410**
Short-term component	**10,193**	**7,092**
Long-term component	**157**	**318**
of which dule for payment over one to five years	157	301
of which due for payment over five years	0	17
Financial liabilities	**3,939**	**2,596**
Non-financial liabilities	**6,411**	**4,814**

*These are financial liabilities.

Liabilities in respect of contracts with rent-free periods

Some of the rental contracts concluded grant Interhyp AG rent-free periods at the beginning of the rental period. To limit rental expense over the entire rental period, the Company forms a liability at the beginning of the rental period according to SIC 15 "Operating Leases – Incentives" and uses this applying the linear method over the expected rental period. Through scheduled use, the liability was reduced compared with the previous year.

Other liabilities carry no interest. With the exception of liabilities from contracts with rent-free periods, all other liabilities are due within approximately 30 days.

(13) Financial liabilities

In EUR thousand		
Long-term	**2008**	**2007**
Convertible bonds	0	1
Total	**0**	**1**

For more details on convertible bonds, please refer to the explanations given under shareholders' equity.

IV. Notes to the consolidated income statement

(14) Revenues

The calculated commissions for services rendered by contract partners in the context of normal business activity are shown in the revenues, reduced by revenue deductions and cancellation costs.

(15) Costs of services purchased

Expenditure on commissions to sub-brokers is reported under this item.

(16) Personnel expenses

Personnel expenses consist of the following:

In EUR thousand	2008	2007
Wages and salaries	27,497	23,686
Social contributions and expenditure for	4,603	4,816
pension schemes and support (of which for pension schemes)	(196)	(66)
Total	**32,100**	**28,502**

Of personnel expenses, EUR 223 thousand (previous year EUR 192 thousand) are attributable to the issue of convertible bonds and EUR 504 thousand to the issue of share options (previous year: EUR 181 thousand).

Expenditure for pension schemes includes expenditure on contribution-based pension schemes in the amount of EUR 196 thousand (previous year: EUR 66 thousand). In addition, the Group pays contributions to the German pension insurance scheme in the amount of EUR 1,999 thousand (previous year: EUR 1,902 thousand) which is also contribution-based. Since there are no obligations beyond payment of contributions, there is no need to form a reserve.

(17) Other operating expenses

Other operating expenses are made up of the following:

In EUR thousand	2008	2007
Marketing	**10,231**	**8,061**
Office and administration expenditure		
Rental and ancillary costs	3,111	2,666
Telecommunications expenditure	1,451	1,237
Leasing	57	262
Office materials	238	244
Postage	559	530
	5,416	**4,939**
External programming services	**647**	**526**
Hiring costs	**511**	**689**
Legal and professional fees	**6,418**	**1,129**
Other		
Hardware and software maintenance	1,445	900
Travel expenses	384	464
Insurances	132	109
Staff benefits	181	174
Vehicle expenses	185	109
Subscriptions and fees	119	159
Compensation and accommodation payments	83	107
Investor Relations	382	539
Other	530	(406)
	3,441	**2,155**
Total	**26,664**	**17,499**

(18) Net interest income

Earnings from “Financial assets available for sale (AfS securities)” came to EUR 0 thousand (previous year: EUR 23 thousand). This figure contains withdrawals from the revaluation reserve of EUR 3 thousand).

Interest expense contains EUR 11 thousand (previous year: EUR 10 thousand) from compounding provisions.

Interest income results exclusively from the category of liabilities. In the financial year, this referred to invested fixed-term deposits. Interest income was collected in accordance with the agreed conditions.

(19) Income tax

Depending on their origins, expense for taxes on income is broken down as follows:

In EUR thousand	2008	2007
Consolidated income statement		
Actual tax expense		
Actual current tax result	(4,779)	(12,162)
Adjustments for actual taxation on profits accrued in previous years	(3)	(10)
Deferred tax result		
from accrual and reversal of temporary differences	(8)	(66)
from tax loss carry-forwards	(63)	63
Tax expenditure shown in the consolidated income statement	**(4,853)**	**(12,175)**
Consolidated shareholders' equity		
Unrealised losses from financial assets available for sale	0	(2)
Tax expenditure recorded in shareholders' equity	**0**	**(2)**

The reconciliation between income tax expenditure and the product of the balance sheet result for the period and the tax rate to be applied to the Group in Germany for the financial years at 31 December 2008 and 2007 are made up as follows:

In EUR thousand	2008	2007
Earnings before income tax	**13,598**	**30,183**
Income tax expense at a rate of 32.5% (previous year: 40.5%)	4,419	12,224
Adjustments to actual income tax accrued in previous years	3	10
Tax-free gains on disposals	0	(186)
Non-deductible expenses	84	28
Expense from share options and convertible bonds	236	150
Result of associated companies/write-downs	234	62
Effect from change in tax rate	0	46
Other	(123)	(159)
Income tax expense at effective income tax rate of 37.15% (previous year: 40.3%)	4,853	12,175
Income tax expense shown in the Group income statement	**4,853**	12,175

As a result of the corporate tax reform, the tax rate to be applied by the Group starting on 1 January 2008 has been reduced to 32.5%. This new tax rate was used to assess temporary differences which are reversed with effect from 1 January 2008.

Deferred tax liabilities at 31 December were as follows:

In EUR thousand

	Consolidated balance sheet		Consolidated income statement	
	2008	**2007**	**2008**	**2007**
Deferred tax liabilities				
Development expenditure	4	12	+ 8	29
General provision for receivables from commissions	31	27	(4)	4
Financial investments classified as AfS at fair value through profit or loss	0	0	0	19
Costs for preparation of the annual accounts	10	10	0	(10)
Discounting of long-term reserves	5	8	+3	(8)
Total deferred tax liabilities	**50**	57	+7	34
Deferred tax assets				
Tax loss carry-forwards	0	63	(63)	63
Discounting of long-term reserves	0	0	0	(8)
Non-deductible obligations for tax purposes	187	202	(15)	(92)
Total deferred tax assets	**187**	**265**	**(78)**	**(37)**
Deferred tax expense from temporary differences			(8)	(66)
Deferred tax expense from loss carry-forwards			(63)	63
Total deferred tax expense			**(71)**	**(3)**
Shown in the balance sheet as follows:				
Deferred tax assets	187	265		
Deferred tax liabilities	50	57		

Deferred tax assets and deferred tax liabilities from recognition of restoration costs were offset. The payout of dividends by Interhyp AG to shareholders had no impact on income tax either in 2008 or in 2007.

(20) Earnings per share

Undiluted earnings per share were calculated from consolidated net income and the average number of outstanding shares during the year.

Undiluted earnings per share

	2008	2007
Consolidated net income in relations to shareholders' equity, in EUR	7,994,406	18,073,184
Weighted average of outstanding shares	6,540,496	6,499,097
Earnings per share in EUR	**1.22**	**2.78**

In order to calculate diluted earnings per share, the average number of outstanding shares during the year is increased by the weighted average number of all potential shares with dilution effect. For further details concerning the convertible bonds and share options issued, we refer to the explanations given under shareholders' equity.

Weighted average of outstanding shares

	2008	2007
Weighted average of outstanding shares for calculating undiluted earnings per share	6,540,496	6,499,097
Dilution effects:		
Convertible bonds	0	20,000
Stock options	3,549	32,472
Weighted average of outstanding shares, adjusted for dilution	**6,544,044**	**6,551,569**

Diluted earnings per share

	2008	2007
Consolidated net income in relation to shareholders of parent company, in EUR	7,994,406	18,073,184
Weighted average of outstanding shares, adjusted for dilution	6,544,044	6,551,569
Earnings per share in EUR	**1.22**	**2.76**

No transactions occurred with shares or potential shares in the period between the balance sheet date and the compilation of the consolidated financial statements.

(21) Paid and proposed dividends

Approved and paid dividends during the financial year	**2008**	**2007**
Dividend for 2007: EUR 4.10 per share (previous year: EUR 1.60 EUR per share)	26,655	10,397

Proposed for approval at the General Meeting of Shareholders	**2008**	**2007**
Dividend for 2008: EUR 0.00 per share (previous year: EUR 4.10)	0	26,655

V. Miscellaneous

Capital management

The aim of capital management for the Group is to ensure that the Group has sufficient financial flexibility to achieve its growth targets. The Group manages its capital structure and makes adjustments, taking into account changes in current economic conditions. To adjust the capital structure, the Group establishes annually the amounts to be paid for dividends and repayment of capital. Capital is understood as shareholders' equity. The Group is not subject to any external minimum capital requirements. No changes were made in the targets and procedures at 31 December 2008 or 31 December 2007.

Financial risks

The basic financial instruments used by the Group include trade accounts payable. The Group has various financial assets such as receivables from provisions, securities, short-term investments and cash and cash equivalents which result directly from its business activity.

In accordance with the Group's internal guidelines, the Company does not trade in derivatives.

The risks to the Group arising from financial instruments are primarily interest risks. Interest risks result from changes in interest rates which might have negative effects on the Group's asset, financial and profit situation. Interest rate fluctuations lead to changes in income from interest and expenditure on interest and changes in the balance sheet figures for interest-bearing assets and liabilities. A reduction of interest rates for short-term investments by 1% would result in a reduction of approximately EUR 430 thousand (previous year EUR 490 thousand) in interest income. An increase in interest rate by 1% would result in higher interest income of approximately EUR 430 thousand (previous year: EUR 490 thousand).

All the Group's financial instruments that are subject to an interest risk have a residual term of up to one year. Classical default risks may basically be viewed as low since the receivables of the Company are exclusively due from highly creditworthy banks and insurance companies, and liabilities are constantly monitored. So far, the financial market crisis has had no significant impact on Interhyp's risk estimate. Liabilities from commissions show no concrete indications of default. The maximum default risk corresponds to the book value of the financial assets shown in the balance sheet. However, a different type of default risk exists in the form of the potential cancellation of a loan agreement by the borrower. In order to allow for this risk, the Company has created a provision for default risks of this kind (cancellations).

The risk that could arise from the termination of a business relationship with one large lender is reduced by the fact that the Company cooperates with more than 100 banks and insurance companies. The Company can respond quickly to changed conditions in relation to individual banks. Enquiries for financing can be negotiated with competing lenders in a short period of time.

For this reason, the loss or curtailment of a business relationship with one of the lenders would not give rise to any noticeable reduction in revenues.

The Interhyp Group does not perform business transactions in foreign currency. Thus there is no risk as a result of fluctuations in foreign exchange rates.

With regard to the credit risk, the Interhyp Group has no collateral received on record.

Liquidity management

The Group constantly monitors the risk of a liquidity shortage. The main factors considered here are the maturities of financial investments and financial assets as well as expected cash flows from business activity.

Segment reporting

Business segments are the primary format for Group segment reporting since the risks and the return on the Group's return on equity are influenced by differences in services. The business segments are organised and managed independently from each other according to the type of service provided. Each segment represents a strategic business segment, whereby the product range and markets differ from those of other segments. Geographical segmentation is irrelevant, since the Group operates exclusively in the German market.

The two principle business segments of Interhyp AG are the Direct Channel and the Intermediary Channel. In the Direct Channel segment, broking services are offered directly to the prospective customer, and in the Intermediary Channel segment, the service offering is made available through local residential mortgage brokers and independent financial advisors.

Sales by segment *in EUR thousand*

	2008	2007
Direct Channel	45,561	54,876
Intermediary Channel	45,595	33,705
Group	**91,156**	**88,581**

Depreciation by segment *in EUR thousand*

	2008	2007
Direct Channel	1,742	1,740
Intermediary Channel	196	86
Group	**1,938**	**1,826**

Major non-cash expenditure by segment *in EUR thousand*

	2008	2007
Direct Channel	545	273
Intermediary Channel	182	91
Group	**727**	**364**

Earnings before interest and taxes by segment *in EUR thousand*

	2008	**2007**
Direct Channel	6,365	18,599
Intermediary Channel	11,235	9,876
Not allocable	(5,144)	0
Group – earnings before interest and taxes	**12,456**	**28,475**
Group – net interest	1,862	1,862
Direct Channel – income from investments	(719)	(154)
Group – tax result	(4,853)	(12,175)
Intermediary Channel – shares of other associates	(751)	65
Group – net income	**7,994**	**18,073**

Assets by segment *in EUR thousand*

	2008	**2007**
Direct Channel – shares of associated companies	0	552
Direct Channel	46,888	59,091
Intermediary Channel	18,107	15,376
Non-assignable assets	263	472
Group assets	**65,259**	**74,939**

Liabilities by segment *in EUR thousand*

	2008	**2007**
Direct Channel	8,250	5,893
Intermediary Channel	5,438	4,417
Non-assignable liabilities	1,687	597
Group liabilities	**15,375**	**10,907**

Investments by segment *in EUR thousand*

	2008	**2007**
Direct Channel	661	2,244
Intermediary Channel	99	595
Group	**759**	**2,839**

Tax claims and liabilities in the financial year were shown as non-assignable assets or liabilities.

Litigation

Neither Interhyp AG nor its consolidated companies are involved in court or arbitration proceedings which could have a significant influence on the economic position of the Group.

Relationships to related parties

According to IAS 24 "Disclosure of Related Party Transactions", transactions with parties which may be influenced by the reporting company or could influence the Company, must be disclosed unless they have already been included as a consolidated company in the Group financial statements.

Since the acceptance deadline for the takeover offer ended on 24 July 2008 with an acceptance ratio of 89.55%, with the requirement of release by the Dutch central bank being met on 11 July 2008, ING DIRECT is the parent company of Interhyp AG. The controlling parent company is ING Groep N.V. dar, in whose consolidated financial statements Interhyp AG is included.

The following table shows the total amount of transactions with related parties in the respective financial year:

In EUR thousand

	2008	2007
Services for related companies and persons of the parent company:	18,243	-
Associated company: iMakler GmbH	0	0
Interest income from related parties and persons of the parent company:	178	-
Associated company: iMakler GmbH	0	0
Receivables from related parties and persons of the parent company:	4,780	-
Associated company: iMakler GmbH	0	0

Services for related parties are performed at conditions in line with the market. The existing opening balances are unsecured, interest-free and are settled by cash payments. There are no guarantees for receivables or liabilities in connection with related parties. Receivables from related parties were not written down in the 2008 financial year (previous year: EUR thousand 0).

Remuneration of boards

We refer to the details presented under the organisational structure of the boards.

Other financial liabilities

Leasing arrangements

Liabilities from rental and leasing contracts essentially include rental contracts for office space and leasing arrangements for various forts of hardware, software and vehicles. Neither the rental contracts nor the leasing arrangements contain an extension option beyond the originally agreed contract period. The leasing contracts have a term of between one month and five years.

In the following financial years, the following payments from non-terminable rental and leasing arrangements were due:

In EUR thousand	2008	2007
Within one year	2,442	2,400
Within two to five years	3,188	5,360
After five years	0	51
Total	**5,629**	**7,811**

In the financial year, payments from leasing contracts of EUR 53 thousand (previous year: EUR 344 thousand) and from rental contracts amounting to EUR 2,824 thousand (previous year: EUR 1,942 thousand) were reported in the income statement.

Information concerning notifications in accordance with §§ 21 (1), 22 of the German Securities Trading Act (WpHG)

With reference to disclosure obligations, we refer to the Notes to the individual financial statements of Interhyp AG, Munich.

Composition of the boards

Management Board	Responsibility
Robert Haselsteiner	Direct Channel, Corporate Communications, Human Resources.
Marcus Wolsdorf	Business Development, Information Technology, eHyp Systems Development
Jörg Utecht (from 1 July 2008)	Products & Services, Intermediary Channel
Michiel Goris (from 30 October 2008)	Customer Service, Marketing, Finance, Legal Department

Remuneration of boards

Members of the Management Board received the following remuneration in 2008 (in EUR thousand):

In EUR thousand

	Total remuneration
Robert Haselsteiner	787
(Previous year)	(506)
Marcus Wolsdorf	791
(Previous year)	(510)
Jörg Utecht	435
Michiel Goris	111

For 2008, Messrs. Utecht and Goris were granted variable payments amounting to EUR 100 thousand and EUR 66 thousand, respectively, which are contained in the above amounts. Moreover, the remuneration for Mr Utecht contains a one-time payment of EUR 230 thousand. This was paid as compensation for the contractually agreed salary components which could no longer be fulfilled due to the change in the shareholder structure. In the previous year, the amount of the variable remuneration for Messrs. Haselsteiner and Wolsdorf was EUR 219 thousand each.

The variable payments are calculated as a function of previously defined corporate goals such as broker commissions, EBIT, etc. In the calculation, appropriate ceilings are observed.

Supervisory Board

The Supervisory Board consisted of the following members:

Lars Kramer Chairman (from 23 October 2008), CFO ING Direct NV

Carina Szpilka Deputy Chairman (from 23 October 2008), CEO ING Direct, France

Gunther Strothe Economist

Peter Mark Droste Chairman until 20 October 2008, Managing Director of Cordys Deutschland AG

Dr. Roland Folz Deputy Chairman until 20 October 2008, T-Home Board of Management member responsible for Technical Customer Service, Deutsche Telekom AG and Managing Director of Deutsche Telekom Technischer Service GmbH

At the meeting of the Supervisory Board on 6 October, Messrs. Droste and Folz announced that they would resign from the Supervisory Board with effect from 20 October. At the request of the Management Board, Lars Kramer and Carina Szpilka were appointed to the Supervisory Board by resolution of the Local Court of Munich (Amtsgericht).

In addition, members of the Supervisory Boards hold mandates for the following companies:

Lars Kramer	Member of the Supervisory Board of ING Direct N.V., Amsterdam Chairman of the Supervisory Board of ING Direct Spain
Peter Mark Droste	Chairman of the Supervisory Board of Ferrari electronic AG, Berlin
Dr Roland Folz	Deputy Chairman of the Supervisory Board of GCI Management AG, Munich (bis 08/2008) Deputy Chairman of the Supervisory Board of V-Bank AG, Munich Member of the Supervisory Board of Vivento Customer Services GmbH, Bonn Deputy Chairman of the Supervisory Board of Studio Babelsberg AG, Babelsberg Chairman of the Advisory Board of the economic committee of the faculty for mathematics and economic science at the University Ulm, Ulm.
Gunther Strothe	Member of the Advisory Board of Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg Member of the Supervisory Board of CareerConcept AG, Munich

For the year under review, EUR 129 thousand were granted for fixed salaries and attendance fees (previous year: EUR 94 thousand).

Employees

In the past financial year, the Company employed an average of 478 people (previous year: 438). This included on average 19 (previous year: 20) temporarily employed and 4 (previous year: 3) trainees.

VI. Additional information

Audit and professional fees

The auditor's fees recorded as expenditure in the financial year amount to EUR 248 thousand (previous year: EUR 207 thousand), for other validation and valuation services EUR 0 thousand (previous year: EUR 19 thousand) and EUR 46 thousand for tax consulting services (previous year: EUR 84 thousand).

Statement in accordance with § 161 of the German Stock Corporation Act (AktG) concerning the Corporate Governance Code

INTERHYP AG has issued the prescribed statement for 2008 in accordance with Section 161 of the German Stock Corporation Act (AktG) and has made this available to the shareholders.

Proposal for appropriation of net income INTERHYP AG

In agreement with the Supervisory Board, the Management Board proposes to carry forward the net accumulated profit of EUR 7,869,320.

Munich, 20 February 2009

Michiel Goris	Robert Haselsteiner
Jörg Utecht	Marcus Wolsdorf

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial statements, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position, and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the Group's business and the position, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Michiel Goris

Robert Haselsteiner

Jörg Utecht

Marcus Wolsdorf

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the Group Management Report:

"We have audited the consolidated financial statements prepared by Interhyp AG, Munich, comprising the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, shareholders equity and the Notes to the consolidated financial statements, together with the Group Management Report for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (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 Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the 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 IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (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."

Mannheim, 23 February 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Broschulat	Schmitt
Auditor	Auditor

Report by the Supervisory Board

Report on activities

In the year under review, the Supervisory Board performed its duties required by law and the Articles of Association. We regularly advised the Company's Management Board in managing the Company and monitored its activities on a regular basis. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. During the reporting period, the Management Board kept us informed by means of written and oral reports about the development of the mortgage market, competition in the market for brokering residential mortgages, the Company's business position and development, its profitability and corporate planning for 2009. Deviations in the course of business from plans were discussed in detail with us. The Management Board coordinated the strategic orientation and further development of the Company with us.

With regard to important decision-making such as the issue of the expansion of the Management Board, the projected internationalisation, new shares, the take-over bid of ING Direct N.V. and the opening of regional offices (Augsburg), the Supervisory Board was involved at an early stage in an advisory capacity in close consultation with the Management Board. Regarding the take-over bid of ING Direct N.V., the bidding documents as well as the Fairness Opinion of Deutsche Bank AG were submitted to the Supervisory Board on request before the issue of its statement according to § 27 WpÜG (German Securities Acquisition and Takeover Act). The Supervisory Board scrutinized these documents with regard to intentions, reasons, conditions of ING Direct N.V. as well as mode and amount of the bid price, financing of the bed, presumably consequences of the acceptance or rejection of the take-over bid for the company, employees and shareholders. The result of this intensive scrutiny was to recommend the acceptance according to the aforementioned statement.

In the past fiscal year, the Supervisory Board held six presence meetings and three telephone conferences. All members of the Supervisory Board attended the presence meetings and participated in the telephone conferences. At the meetings of the Supervisory Board, the reports of the Management Board were discussed in detail and the Company's prospects for development as well as opportunities and risks of the Direct Channel and the Intermediary Channel were intensely debated.

The Supervisory Board adopted resolutions whenever decisions of the Supervisory Board were required by law or the Articles of Association in respect of individual transactions and arrangements made by the Management Board, in particular approval of the financial statements for the fiscal year 2007, setting the agenda for the Annual General Meeting of Shareholders for 2008, on the Corporate Governance Code, on a new assignment of business due to the appointment of new Management Board Members, on amendments to the articles of association, on the opening of regional offices and on important cooperation and investment agreements.

Annual financial statements and consolidated financial statements

Ernst & Young AG Wirtschaftsprüfungsgesellschaft was appointed auditor for the fiscal year 2008 by resolution of the General Meeting of Shareholders of 4 June 2008 and subsequently authorised by the Supervisory Board. Ernst & Young AG Wirtschaftsprüfungsgesellschaft had confirmed in writing prior to the General Meeting of Shareholders its independence as an auditor under the terms of Item 7.2.1. of the German Corporate Governance Code. The subjects of the audit were the annual financial statements and consolidated financial statements of Interhyp AG as well as the Management Report and the Group Management report for the fiscal year 2008.

In addition, the audit extended to the monitoring system to be established by the Management Board in accordance with Section 91 (2) of the German Stock Corporation Act. The auditor has checked the annual financial statements and consolidated financial statements of Interhyp AG, including the bookkeeping and the Management Report and the Group Management Report and given its unqualified approval in each case.

Furthermore, the auditor determined that the Management Board has undertaken all compulsory actions required by Section 91 (2) of the German Stock Corporation Act in a suitable manner. In particular, the Management Board has introduced an appropriate risk management system which appears suitable in its conception and actual use to identify early on developments that would threaten the continuation of the company.

The documents for verification and the auditor's report were sent to each member of the Supervisory Board in good time. The members of the Supervisory Board have verified the annual financial statements and consolidated financial statements as well as the Management Report and the Group Management Report and discussed them with the Management Board at the Supervisory Board meeting on 12 March 2009. The auditors attended this meeting of the Supervisory Board and reported on the major results of their audit.

The Supervisory Board has approved the auditors' report. The results of its own audit are in complete agreement with the results of the audit report. The Supervisory Board sees no cause to raise objections to the management and the consolidated financial statements presented. The consolidated financial statements and the financial statements of Interhyp AG compiled by the Management Board were approved at the meeting of the Supervisory Board on 12 March 2009. The financial statements of Interhyp AG are thereby established. The Supervisory Board agrees to the Management Board's proposal on the allocation of unappropriated profits of Interhyp AG.

Composition of the Supervisory Board and the Management Board
In October 2008, Lars Kramer and Carina Szpilka were legally appointed members of the Supervisory Board in lieu of Peter Mark Droste and Dr. Roland Folz, who resigned from office.

The Management Board was expanded by Mr Jörg Utecht and Mr Michiel Goris.

The Supervisory Board thanks the Management Board and all employees of Interhyp AG for their successful commitment and the work performed in 2008.

Lars Kramer
Chairman of the Supervisory Board
March 2009

Corporate Governance Report

The Management Board and Supervisory Board of Interhyp AG identify with the goals of the German Corporate Governance Code to promote responsible business management and control aimed at sustained growth of the Company's value.

In accordance with these goals, Interhyp AG publishes on its website not only Declarations of Compliance in relation to the Code but also explanations of the individual points and explanations about compliance with the suggestions of the Government Commission which are also listed in the Code and a remuneration report.

Explanation of Declaration of Compliance

In their declaration of compliance dated 12 March 2009, pursuant to Section 161 of the German Stock Corporation Act (AktG), the Management Board and the Supervisory Board of Interhyp AG declare that the Company meets the recommendations for the Government Commission for the German Corporate Governance Code published in the official part of the electronic Federal Gazette by the Federal Ministry of Justice in the version of 14 July 2007, for the period from 10 March 2008 to 8 August 2008 and in the version of 6 June 2008 for the period beginning 9 August 2008, with the following exceptions:

1. Contrary to Item 3.8 of the Code, Interhyp AG has taken out D&O insurance (Directors and Officers liability insurance) without a deductible for the Management Board and the Supervisory Board. The existing insurance will be continued without a deductible. A deductible could, particularly in the event of ordinary negligence, seriously complicate the recruiting of experienced managers both in Germany and abroad. This applies all the more since a deductible is by and large not customary abroad.

2. Contrary to Item 4.2.1 of the Code, the Management Board of Interhyp AG does not have a chairman of the Board or a spokesman. A management structure with members of the Management Board with equal rights has thus been created. This corresponds to the colleagueship principle of German stock corporation law with the Management Board bearing full responsibility. The competencies of the individual Management Board members result from the allocation of duties.

3. In the scope of the remuneration structure, recommendations pursuant to Item 4.2.3 (incl. reference to parameters of comparison, subsequent revision of success targets and parameters, ability to set limits in the event of unforeseen developments, severance pay cap, calculation of severance pay cap) are only partially met. The success of Interhyp AG depends to a great extent on having outstanding executives with solid sector-specific experience. A general formulation of remuneration parameters, in particular through reference to parameters of comparison, ability to set limits in the event of unforeseen developments or severance pay caps, disregarding special aspects in individual cases, limits the ability and opportunities of Interhyp AG to win the best candidates to manage the Company.

4. Contrary to Item 5.3.1 of the Code, the formation of qualified committees is not planned. Contrary to Item 5.3.2, the Supervisory Board does not have an Audit Committee. Contrary to Item 5.3.3, the Supervisory Board does not have a Nomination Committee. Since the Supervisory Board of Interhyp AG consists of three members, the formation of special committees is not necessary.

5. Contrary to Item 5.4.6 of the Code, members of the Supervisory Board of Interhyp AG do not receive performance-based compensation. At present, remuneration consists of a fixed amount and a variable amount linked to participation in meetings of the Supervisory Board. Performance-based compensation is not planned since the Supervisory Board should perform its supervisory duties without financial incentives and performance-based remuneration of the Supervisory Board could have the wrong incentive effects.

Remarks on the recommendation of the Government Commission

1. Contrary to Item 2.3.4 of the Code, the Annual General Meeting of Shareholders of Interhyp AG will not be available for viewing via modern communication media such as the Internet. Comprehensive information about the Annual General Meeting of Shareholders will be made available to shareholders of Interhyp AG on the Internet. However, the General Meeting will not be transmitted simultaneously online for cost-benefit reasons and on account of existing legal insecurity (protection of the shareholders' private sphere).

2. Contrary to Item 5.1.2 of the Code, the Supervisory Board does not transfer the appointment of members of the Management Board or formulation of employment contracts to a committee. Contrary to Item 5.3.4 of the Code, the Supervisory Board does not refer specialist subject areas to committees since the statutory number of three Supervisory Board members makes the formation of committees superfluous.

Remuneration Report

Remuneration of the members of the Management Board

Remuneration paid to the members of the Management Board consists of fixed and variable components. In 2008 the following total remuneration (in EUR thousand) was paid:

In EUR thousand	Total remuneration
Robert Haselsteiner	787
(Previous year)	(506)
Marcus Wolsdorf	791
(Previous year)	(510)
Jörg Utecht	435
Michiel Goris	111

Mr Utecht and Mr Goris received variable remunerations of EUR 100 thousand and EUR 66 thousand, respectively, for 2008 contained in the above amounts. Furthermore, the remuneration for Mr Utecht contains a one-time payment of EUR 230 thousand. This remuneration was effected for the payment in lieu of contractually agreed salary components which could no longer be fulfilled due to the change in the shareholder structure. In the previous year, the amount of the variable remuneration of Mr Haselsteiner and Mr Wolsdorf came to EUR 219 thousand each.

The members of the Management Board, Messrs. Haselsteiner and Wolsdorf have given up all shares in their possession within the framework of the takeover offer of ING Direct N.V. In the period under review, the members of the Supervisory Board did not hold any shares of Interhyp AG or financial instruments or related financial instruments.

In the reporting period members of the Management Board did not hold any stock options or comparable remuneration components with long-term incentive effect or risk character.

No special commitments were made in the event that one of the members of the Management Board should relinquish his office as a member of the Management Board. No ancillary payments were effected in the period under review. No allocations were made to pension reserves or pension funds.

No loans were made by the Company to members of the Management Board in the 2008 financial year.

Remuneration for members of the Supervisory Board

The remuneration system for the Supervisory Board foresees fixed components which vary according to the office and are linked to participation in meetings of the Supervisory Board.

In the year under review, altogether EUR 129 thousand was paid as fixed salaries and remuneration for attendance at meetings.

No payments were effected to members of the Supervisory Board for personally performed services, particularly consulting and brokerage services.

No loans were made by the Company to members of the Supervisory Board in the 2008 financial year.

Five-Year Review *in EUR thousand*

	2008	2007	2006	2005	2004
Revenues	91,156	88,581	70,630	46,703	18,523
Cost of services purchased	17,998	13,230	10,547	7,347	1,946
Net revenues	73,159	75,351	60,084	39,356	16,577
Other operating income	-	951	-	-	-
Personnel expenses	32,100	28,502	22,922	16,691	9,351
Other operating expenses	26,664	17,499	13,522	8,776	4,339
thereof marketing	10,231	8,061	6,086	2,695	1,297
Depreciation	1,938	1,826	1,226	954	986
EBIT	12,456	28,475	22,413	12,934	1,902
Share of results from investments in other associates	(719)	(154)	-	-	-
Net interest income	1,862	1,862	1,041	71	(225)
Income taxes	(4,853)	(12,175)	(9,759)	(2,156)	(1,196)
Net income	8,745	18,008	13,695	10,850	480
Share of third-party associates	751	(65)	-	-	-
Net income in regard to associates of the corporation	7,994	18,073	13,695	10,850	480
Non-current assets	4,068	5,948	4,430	4,116	1,483
Current assets	61,191	68,991	66,358	46,828	8,790
thereof cash and cash equivalents	18,086	48,963	37,594	33,945	2,933
Total assets	65,259	74,939	70,789	50,944	10,273
Shareholders' equity	49,885	64,032	54,430	40,258	2,479
Long-term liabilities and provisions	416	573	836	779	3,762
Short-term liabilities and provisions	14,959	10,334	15,523	9,907	4,033
Net cash from operating activities	16,847	10,149	15,464	11,186	2,451
Net cash from investing activities	(24,105)	10,002	(11,459)	(1,612)	(1,831)
Net cash from financing activities	(23,620)	(8,782)	(357)	21,438	0
Cash and cash equivalents (end of year)	18,086	48,963	37,594	33,945	2,933
Number of closed mortgages	38,908	38,645	28,072	18,273	8,118
New residential mortgage volume (EUR m)	5,857	5,658	4,403	3,022	1,332

Imprint and Calendar

Imprint

Management Board
Michiel Goris
Robert Haselsteiner
Jörg Utecht
Marcus Wolsdorf

Supervisory Board
Lars Kramer (Chairman)
Carina Szpilka (Deputy Chairman)
Gunther Strothe

Postal Address
Interhyp AG
Parkstadt Schwabing
Marcel-Breuer-Str. 18
80807 Munich
Germany

Design
PrasserSander Markengestaltung
Hamburg

Company Calendar

Event	Date
Quarterly report Q1 2009	13 May 2009
Annual General Meeting of Shareholders 2009 (Munich)	29 May 2009
Half-year report 2009	12 August 2009
Quarterly report Q3 2009	11 November 2009

For further up-to-date information on Interhyp shares, please visit: www.interhyp.ag

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