# Annual Report **2009**

interhyp
Baufinanzierung

## **Key figures** (in EUR m)

| | 2009 | 2008 | +/- |
|---|---|---|---|
| Mortgage volume | 5,236 | 5,857 | (11) |
| Net revenues | 56.5 | 73.2 | (23) |
| EBIT | 2.3 | 12.5 | (82) |
| Consolidated net income | 2.1 | 8.7 | (76) |
| | | | |
| Earnings per share (undiluted) | 0.27 | 1.22 | |

## Summary

# Preface by the Management Board

**Dear Shareholders,**

For our company, the year 2009 was a year of intensive adjustments to the disturbances in the banking sector triggered by the financial crisis. As a mortgage broker, Interhyp does not hold any credit risk and therefore is not directly affected by the turmoil in capital markets. As mediator between supply and demand for mortgages, our result is determined both by the intensity of customer demand as well as the demand for mortgage volume of the banking partners on our platform. Since a number of important business partners of past years showed significantly less interest in new business in 2009 or withdrew entirely from the market due to the lack of refinancing opportunities, the spectrum of providers on our platform changed radically. The lack of interest on the part of wholesale banks was increasingly compensated for by winning many local and regional institutions, so that presently we can already draw on around 250 commercial banks, savings banks, building associations and insurance companies. However, despite greater customer demand, adjustment to the new financial conditions led to smaller volume of closed mortgages and a substantially reduced profitability. The volume of closed residential mortgages fell to EUR 5.2 billion. Revenues came to EUR 68.9 million and net revenues reached EUR 56.5 million. Earnings before interest and taxes (EBIT) amounted to EUR 2.3 million and consolidated net income to EUR 2.1 million.

At the same time, the strength of our business model is especially impressive in the current market environment. While many banks are more hesitant about residential mortgages, others, particularly local institutions, are increasingly targeting retail customers. With a significantly higher number of bank partners we can therefore offer our customers in future more alternatives and more aggressive pricing – an advantage which only a broker can offer.

Yours sincerely,

Michiel Goris
Vorstand

Robert Haselsteiner
Vorstand

Jörg Utecht
Vorstand

Marcus Wolsdorf
Vorstand

# The Share

The Interhyp share started the year 2009 at a price of EUR 63.55. In the course of the first quarter, the share was initially quoted near the EUR 64 mark due to the statutory put option of the remaining shareholders which was valid until 13 January 2009. In the second and third quarters, the share price was close to the original takeover offer. At the end of the year, the share price fell to EUR 61. By now the trading volume of Interhyp shares is very low.

**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 0.85 %. 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 99.15 % of the outstanding shares at 31 December 2009.

**Interhyp financial calendar** 2010

| Date | Activity |
|---|---|
| 17 February 2010 | Preliminary results for 2009 |
| 14 April 2010 | Press conference |
| 12 May 2010 | Results for Q1 2010 |
| 11 June 2010 | General Shareholders' Meeting 2009 |
| 11 August 2010 | Results for Q2 2010 |
| 10 November 2010 | Results for Q3 2010 |

**Information on the Interhyp share**

| Securities Identification Number (WKN) | 512 170 |
|---|---|
| ISIN | DE0005121701 |
| Stock exchange | Frankfurter Wertpapierbörse |
| Trading segment | Regulierter Markt (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 | 6,593,525 EUR, divided into 6,593,525 shares |
| Designated sponsors | Sal. Oppenheim |
| IPO | 29 September 2005 |

# Group Management Report

## General Economic Conditions

**Economic development**
After massive interventions by central banks and unprecedented government rescue packages prevented the collapse of the financial system in 2008, an initial stabilisation was achieved over the course of 2009. Stock exchange prices bottomed out in March as a result of a veritable panic worldwide. In the second quarter, however, it became increasingly clear that governments and central banks would do their utmost to achieve stabilisation, whereupon investor confidence returned. Not only did the Fed peg its key interest rate at 0 % - 0.25 % but it launched a heavy repurchase agreement for mortgage loans for hundreds of billions of dollars in order to provide the banking system with liquidity. This example was followed by the Bank of England and the ECB, resulting in a real liquidity glut for the financial sector which banks then immediately used for speculative purchases. Thereafter stock prices around the world rose significantly and the risk premiums for corporate bonds fell dramatically. This made refinancing of all debtors and obtaining equity easier once again, so a credit crunch was prevented. Since many countries launched economic stimulus packages in historic dimensions in parallel while tax receipts dwindled with the collapse of the economy, government debt increased heavily. Basically, these measures transferred private-sector debt to the public sector. After a temporary period of "recovery euphoria" on the markets, excessive government debt increasingly became an issue toward the end of 2009. The question as to the reduction and above all the economic consequences of the necessary savings measures in future for public budgets became more and more persistent and is currently depressing the mood on stock and interest markets. The question remains whether the final result will be a long period of weak economic growth with deflationary consequences such as Japan experienced or whether the enormous debts run up by governments will cause a loss of confidence in many currencies and thus generate inflation. At any rate, a flight into quality is noticeable at present, and we assume that the risk premiums for bonds at the long end of the market and for weaker loans will rise considerably in 2010.

**Sector development**
The volume of new business for residential mortgages in Germany as reported by the German Federal Bank amounting to EUR 195.2 billion constitutes an expansion of 10 % compared with EUR 176.4 billion in 2008. However, new construction remained the weakest segment in 2009 as well. Building permits in 2009, at around 150,000 units compared with the already historically weak level of 2008 of around 148,000 units practically stagnated. Demand for existing property increased noticeably in 2009. Nevertheless, in terms of prices for existing property no positive trend for the German market as a whole can be established for 2009 either. Altogether, 2009 was another disappointing year for the development of the German residential property market in Germany. In contrast, due to the historically low interest rates, there has been a substantial increase in the number of rate resets for follow-up financing, with customers already having extended expiring fixed interest rates. This has driven the volume of new business as reported in the German Federal Bank statistics.

## 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 270 mortgage consultants.

Private customers receive advice from our homepage www.interhyp.de and through 18 regional offices in key German cities.

For a sound analysis of financing options, our advisors use eHyp, our proprietary software platform. With the help of eHyp, every consultant can match customer data with the individual lending criteria for the different financing partners in real time and calculate the terms for an optimum mortgage structure.

If a mortgage is successfully closed, the lender pays Interhyp for arranging the transaction when the loan agreement is signed.

**Legal structure**
ING Direct N.V., Hoofddorp, Amsterdam has a holding of 99.15 % in Interhyp AG.

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

The subsidiary Prohyp GmbH cooperates with independent financial service providers and brokers who utilise the infrastructure, processes, terms and expertise of the Interhyp Group in order to provide customers of the financial service providers with optimum mortgage financing.

The subsidiary MLP Hyp GmbH was established 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.

The wholly-owned subsidiary Hausfinanz Beratungsgesellschaft mbH is still not conducting any business activities.

Marketing cooperation with iMakler GmbH, which was backed by a minority holding of 25.2 %, was terminated at the end of 2009.

**Sales channels**

Interhyp uses two difference sales channels for its brokerage services.

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

Our subsidiaries Prohyp GmbH and MLP Hyp GmbH are geared to independent financial advisors offering mortgages and who have access to our range of products ("Intermediary Channel"). This segment operates under the independent Prohyp and MLP Hyp brands.

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

**Regional offices**

Interhyp AG maintains a presence in 18 German cities which can be accessed by our local customers.

**Processes**

Our customer acquisition efforts in Direct Channel business are strongly geared to Interhyp's website (www.interhyp.de) and advertisements in local print media. On our website, prospective customers find a wide range of information and calculation tools dealing with building, buying, renovating and refinancing. Prospective customers with specific mortgage requirements provide us with their personal data, details of their financing requirements and information concerning their income and general financial position.

Thereafter, prospective customers contact their personal Interhyp mortgage consultant who guides them through the entire mortgage process. 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.

The eHyp software platform enables our consultants to assess the feasibility of the individual applications and to find and compare 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 is continually updated and offers the consultant workflow support. As soon as we have received all the documents required for making a decision, we can make a binding offer. The necessary interfaces have already been created with many bank partners in order to draw up the final loan agreement.

In the Intermediary Channel, Interhyp provides customised versions of eHyp software and expertise to independent financial advisors to support them in closing mortgages. 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**

Interhyp generates approximately 99 % of all net revenues by 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. In the course of the 2009 financial year, we succeeded in expanding 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 around 1 % 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**
Interhyp remains the market leader in new business in residential mortgage brokerage. We continue to see clear opportunities for 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 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 cooperating with Interhyp. 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 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**
Since Interhyp Group 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 German Federal Bank. 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 generates through other sales channels is deducted from these totals, market share per annum can be fairly well estimated for mortgage brokers in Germany.

**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.

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

Already in the course of 2008, we developed a very conservative view of the market environment. In 2009 as well, the effects of the financial crisis determined the market for residential mortgages. Formerly aggressive platform banks positioned themselves far more cautiously, while traditional and particularly small regional players increasingly pushed more aggressively into private residential mortgage business. At the same time, private customers, while still very interested in mortgages, proved highly uncertain and reluctant to make decisions, especially about undertaking such a long-term commitment as a residential mortgage. Against this background Interhyp did not issue a forecast for the course of business in 2009. Nevertheless, we remain committed to our long-term goal of expanding our market share in the private residential mortgage business.

### Non-financial goals

Interhyp has established itself as the market leader among the providers of residential mortgages. In 2009, we focused on the following non-financial goals for further expansion of our position in the market:

### Continual improvement of consulting quality

Along with the eHyp system and our extensive range of banks, our customised individual advisory service is a critical factor for success. Accordingly, training opportunities provided by our in-house training and qualification team and external trainers will be consistently pursued and expanded.

That we lived up to our own ambitious standards was proven once again in 2009 by the prestigious awards we won for the quality of our consulting and the service we offer:

- In May 2009 Interhyp was designated by a broad screening conducted by Handelsblatt, the University of St. Gallen, Steria Mummert Consulting and ServiceRating as one of Germany's three most customer-oriented service providers.
- In July 2009, for the fourth consecutive time, Interhyp was ranked "Best Mortgage Financer" by the business magazine €uro in a survey commissioned by €uro and conducted by S.W.I. Finance. The survey examined 21 service providers.

### Consistent expansion of our offers

In response to the changes in the structure and behaviour of lending institutions, Interhyp also expanded its partner base in the course of 2009: At the end of 2009, Interhyp consultants could access over 100 active bank partners for their customers. One example is the cooperation agreement we concluded with Bavarian savings banks. The goal of these activities is to be able to offer customers, particularly in the catchment area of our regional offices, the entire relevant market of mortgage providers – from nationally operating platform banks to small local institutions – from a single source.

## Segment Strategies

### Direct Channel

In business with private customers under the Interhyp brand, we concentrate on strengthening and expanding our position as market leader among providers of residential mortgages. The focus here is on showing customers the advantages of our business model beyond value for money.

Marketing communication activities were therefore substantially intensified and topped off with a new advertising presence. In addition to our consistent presence in the Internet through Google and cooperation agreements with partners like Immoscout 24, T-Online, web.de and many others, we have also been using direct mailings to attractive target groups in the catchment area of our regional offices since 2009 in order to reach other customer groups and introduce ourselves with classical advertisements not only in the real estate environment but also in key media such as DER SPIEGEL. The communicative bracket for these activities is our new slogan "Ich bin 100 Banken", which in conjunction with the consultant testimonial conveys the generic advantages of the business model in a striking manner.

At the same time, we have intensified the anchoring of our regional offices: those in charge were positioned much more distinctly as part of the local community and today also play a critical role in the development and expansion of relationships with local bank partners

### Intermediary Channel

In the Intermediary channel, we continue on our chosen path of focusing on the one hand on the core target group of individual brokers and on the other on institutional partners.

With individual brokers, we have focused on the development and expansion of intensive relationships. Through our regional presence and value-added offers such as Prohyp Academy, topic-specific seminars and also events and roadshows, we are positioning ourselves as the right partner for professional brokers as we can offer a complete solution in private residential mortgage financing – consisting of an effective system, a comprehensive product world, a broad range of banks and above all competent consultants.

In the institutional partner segment, we are also concentrating on expanding partnerships. In 2009, for example, we succeeded in winning ASI and Gothaer Versicherung for which we handle the entire processing of their private residential mortgage business.

**Strategic holdings**

In 2007, together with MLP Hyp GmbH, Interhyp founded the financial service provider MLP. The purpose of the company is to give MLPadvisors 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 which also appoints the managers.

## Research and Development

Work in software development in 2009 was geared to expanding the eHyp software platform by adding general functions available for all business segments.

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

In the Intermediary Channel, the emphasis was on developments for further improvement of links to institutional cooperation partners, an extensive broker survey and the integration of additional white label partners.

In the period under review, expenditure for research came to EUR 1.1 million. The R&D ratio thus amounted to 2 % 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 2009 (2008) the members of the Management Board received the following total remuneration (in thousands of euros):

**In EUR thousand**

| | Total | of which fixed | of which performance-based | of which retention bonus |
|---|---|---|---|---|
| Robert Haselsteiner | 1,975 (787) | 358 (787) | 117 (0) | 1,500 (0) |
| Marcus Wolsdorf | 1,979 (791) | 362 (791) | 117 (0) | 1,500 (0) |
| Michiel Goris | 530 (111) | 342 (45) | 188 (66) | - |
| Jörg Utecht | 381 (435) | 210 (105) | 171 (330) | - |

The Management Board contracts of Mr. Haselsteiner and Mr. Wolsdorf dated 28 December 2008 and 27 December 2008 provide for payment of a retention bonus in the event that Mr. Haselsteiner or Mr. Wolsdorf are still employed by the Company at the end of the year.

In 2008 remuneration for Mr. Utecht contained a one-time payment of EUR 230 thousand. This payment was effected as compensation for contractually agreed salary components which could no longer be fulfilled due to the change in the shareholder structure. Mr. Goris was appointed to the Management Board on 30 October 2008; remuneration for the year 2008 thus shows remuneration from 1 November 2008 until 31 December 2008.

The remuneration system for the Supervisory Board provides for fixed components which vary depending on the office held and from attendance at meetings.

The compensation system in the sales areas of 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.

**Stock option programme**

When Interhyp AG went public in September 2005, members of management were 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.

At the end of December 2009, the Management Board decided to grant the beneficiaries of the stock option programme in 2007 a cash settlement in the place of stocks. All beneficiaries gave their consent. Payout was effected in January 2010.

Altogether 100 options can still be converted from the 2005 stock option programme.

Information according to Section 315 (4) of the German Commercial Code (HGB)

**Holdings of over 10 %** as of 26 February 2010

| | Ordinary shares at end of December 2009 (units) | Share of common stock (%) | Ordinary shares at end of 2008 (units) | Share of common stock (%) |
|---|---|---|---|---|
| ING Direct | 6,537,779 | 99.15 % | 6,412,666 | 97.26 % |
| Other shareholders | 55,746 | 0.85 % | 180,859 | 2.74 % |
| **Total** | **6,593,525** | **100.00 %** | **6,593,525** | **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 Meeting of Shareholders of 13 September 2005. The corresponding entry was made in the Commercial Register. Conditional capital 2005/I serves to carry out a management and employee share programme.

At the end of 2009 contingent capital totalled EUR 97,462.

**Authorisation to acquire the Company's own shares**
At the General Meeting of Shareholders on 29 May 2009, it was resolved to authorise the Company to purchase its own shares. The Company is thus empowered to purchase its own shares until 26 November 2010 in an amount of up to 10 % of the common stock at the time the resolution was adopted. The 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 or 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, Commercial 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 18 (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 and its subsidiaries are 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.

## Company Development

**Development of Revenues**
Revenues in 2009 shrunk to EUR 68.9 million (a loss of 24.4 %).

The basis for this trend in revenues is, among other things, the development of the volume of closed mortgages which contracted 10.6 %, namely from EUR 5,857 billion to EUR 5,235 billion.

In 2009, 36,040 mortgages were successfully brokered (previous year: 38,908). A share of 47 % of the mortgage volume was contributed by our subsidiary Prohyp which is practically the same as last year's share.

**Development of Earnings**
Compared with 2008 (EUR 12.5 million), earnings before interest and taxes (EBIT) this year were 81.7 % below the prior-year figure. This decline reflects the weak demand and disproportionate course of the remaining costs.

Net interest income in 2009 came to EUR 1.1 million and is thus down 39 % from the figure for the comparable prior-year period. The background for this is the lower interest on current investment of cash in fixed-term deposits.

Earnings before taxes (EBT) contracted 75.6 % to EUR 3.3 million compared with EUR 13.6 million the year before.

**Consolidated net income**
Consolidated net income before minorities amounted to EUR 2.1 million in the financial year just ended. It contracted by 76 % compared with the previous year (EUR 8.7 million). This figure contains the share of MLP Hyp GmbH which is transferred to MLP Finanzdienstleistungen AG. Consolidated net income after minorities amounts to EUR 1.8 million (previous year; EUR 8 million).

### Income taxes

A tax rate of 35.8 % was applied in the 2009 reporting period. Tax expense amounted to EUR 1.2 million.

### Earnings per share

Based on the average number of 6,593,525 outstanding shares, a profit of EUR 0.27 was generated. In 2008, a per-share profit of EUR 1.22 EUR was generated, based on 6,540,496 shares.

### Proposal for profit distribution

In agreement with the Supervisory Board, the Management Board proposes to carry forward the net accumulated profit of EUR 9,952,321.77.

### 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 are relevant for their decisions.

## Development of Segments

While in terms of resources and positioning in the market, Interhyp could have handled strong growth in 2009, the demand situation in the entire market remained marked by the financial market crisis and the resulting hesitancy on the part of customers. The competitiveness and financing appetite of product suppliers on our platform remained difficult to estimate due to the banking crisis. The year 2009 was a year of adjustment and transition.

Despite these more difficult market conditions, Interhyp was able to hold its own both in the Direct Channel as well as in the Intermediary Channel thanks to its strong positioning in its core market of mortgage financing. In the financial year just ended, neither the Direct Channel under the Interhyp brand nor the Intermediary Channel under the Prohyp brand could disconnect themselves from the contracting overall market for brokers. Both segments reported a decline of their mortgage volumes by 12 % and 10 % respectively compared with the previous year.

### Direct Channel

In the financial year just ended, a mortgage volume of EUR 2.811 billion ((2008: EUR 3.106 billion) was placed under the Interhyp brand.

Net revenue in the Direct Channel in the reporting period amounted to EUR 37.5 million, representing a decline of 17.8 % compared with the EUR 45.6 million in the year before.

As a result, 54.4 % (2008: 62.3 %) of net revenue was accounted for by the Direct Channel in the past financial year.

### Intermediary Channel

In the Intermediary Channel the volume of mortgages closed, at EUR 2.42 billion, declined by 11.8 % (2008: EUR 2,750 billion).

Net revenue in the reporting period came to EUR 19.0 million, representing a decline of 31.3 % compared with EUR 27.6 million in 2008.

The Intermediary Channel's contribution to net revenue in the financial year just ended amounted to 27.6 % compared with 37.7 % the year before.

## 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 surplus 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

Our equity ratio remains very robust. At 76.1 %, it is at approximately the same level as the previous year (76.4 %).

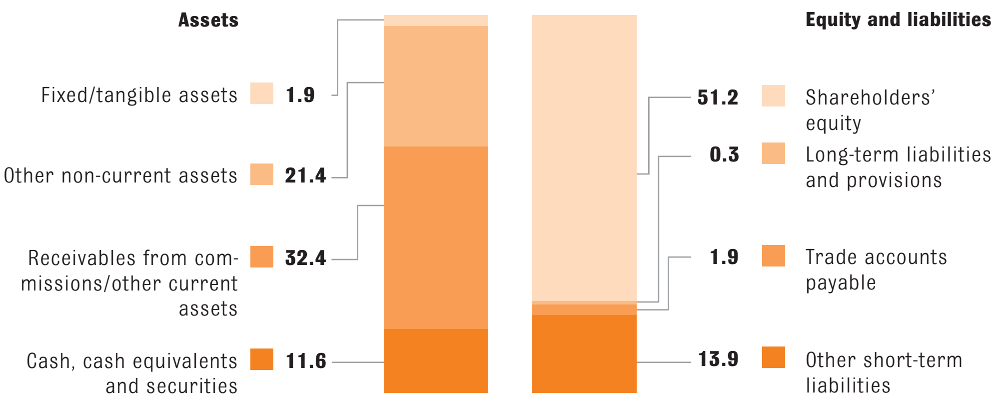
Borrowed capital continued to consist mainly of short-term liabilities (98.1 % of borrowed capital in 2009 compared with 97.3 % in the previous year).

## Balance Sheet

The total assets of Interhyp in 2009 rose slightly compared with the previous year from EUR 65.3 million to EUR 67.3 million.

Below you will find an overview of the balance sheet structure.

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




## Assets

Fixed assets contracted from EUR 2.5 million at the end of 2008 to EUR 1.7 million in the financial year just ended. As part of our regional office strategy, offices were opened in large German cities by 2008. The related write-offs on investments in operating and office equipment therefore continued to reduce fixed assets.

Short-term receivables from commissions, at EUR 10.0 million, were lower than at the end of 2008 (EUR 16.1 million) due to lower revenues and improved receivables management. Receivables include those from banks, insurance companies and building societies with high credit standing.

The biggest change in the consolidated balance sheet results from the shift of short-term to long-term fixed deposits.

## Liabilities

The common stock of Interhyp AG, at EUR 6,593,525, is unchanged from the year before. The 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.

Equity capital increased by EUR 2.1 million, mainly through net income. The reverse effect was generated by the payout to minority shareholders in the amount of EUR 0.7 million.

Other short-term liabilities consist mainly of outstanding accounts, from partners in brokerage operations and from reserves for bonus payments to employees. This item rose in the reporting period on the reporting date from EUR 10.2 million to EUR 13.2 million.

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

Due to lower net income before taxes, short-term tax liabilities contracted by EUR 1 million (2008: EUR 1.6 million) to EUR 0.6 million.

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 contracted in the period under review to EUR 13.8 million (compared with EUR 16.8 million in 2008). The decline is due primarily to lower net income for the year.

Cash flow from investments activities, at minus EUR 19.7 million in 2009 (compared with minus EUR 24.1 million in the previous year), remained strongly influenced by fixed-term deposits.

Cash flow from financing activities in the reporting period amounted to minus EUR 0.67 million, influenced mainly by the payment of a dividend for the 2008 financial year to minority shareholders of MLP Hyp GmbH. In the previous year, the cash flow was also marked by dividend payments amounting to EUR 26.66 million at that time. Cash flow from financing activities came to minus EUR 23.6 million in the previous year.

Free cash flow for 2009 totalled minus EUR 5.8 million compared with minus EUR 7.3 million the year before.

Cash and cash equivalents totalled EUR 11.6 million at 31 December 2009, while they amounted to EUR 18.1 million at the beginning of the reporting period. The main reason for this has to do with higher investment in fixed-term deposits. The sum of fixed-term deposits came to EUR 41 million in 2009 as opposed to EUR 25 million in 2008.

## Investments

Cash flow from investment activities amounting to minus EUR 19.7 million is comprised primarily of long-term investments in fixed-term deposits (previous year: minus EUR 24.1 million).

## 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 purposes 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.

Since its foundation, Interhyp AG has maintained close direct contact with its 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 through fruitful cooperation agreements is extremely important for our Company's success.

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

## Employees

In the period under review, our staff grew by 26 salaried employees to a total of 504 (2008: 478 employees). We focused on recruiting mortgage consultants.

Personnel expenses in the period under review amounted to EUR 32.9 million, similar to the figure for the previous year (EUR 32.1 million).

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

| | **2009** | **2008** |
|---|---|---|
| Sales and sales-related* | 405 | 388 |
| of which mortgage consultants | 268 | 269 |
| • Direct channel | 196 | 190 |
| • Intermediary Channel | 72 | 79 |
| Non-sales | 103 | 93 |
| **Total employees** | **508** | **481** |

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

## Innovations

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

On 15 February 2010, ING DIRECT N.V. informed Interhyp AG that it had withdrawn the application submitted on 24 October 2008 for transfer of the remaining ordinary voting shares of Interhyp shareholders against the granting of adequate cash compensation within the scope of a squeeze-out according to the German Securities Acquisition and Takeover Act.

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 in addition to an internal monitoring and controlling system. It serves to identify, analyse, asses 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 to avoid the loss of assets. In the scope of the 2009 audit, the auditor verified the early risk detection system. From the audit it ensued that the Management Board had undertaken appropriate measures as required in accordance with Section 91 (2) of the German Stock Corporation Act (AktG), in particular the establishment of a monitoring system, and that the monitoring system is suitable 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 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, fault 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 further expanding 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 the service offering, Interhyp has been exposed to strong competitive pressure and has shaped its successful expansion against this background.

**Financial risks**
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 2010 which would substantially impact 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 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 we have not needed to tap the capital market for third-party funds since the Company was founded, Interhyp AG has not been rated by a rating agency. Through the positive cash flow contributions from operative business, we do not presently see 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.

**Description of the chief features of the internal control and risk management system with regard to Group financial reporting process**
Since the parent company Interhyp is a capital-market oriented company in the meaning of Section 264 d of the German Commercial Code (HGB), the important features of the internal control and risk management system must, according to Section § 315 (2) No. 5, be described with reference to the group financial reporting process, which also includes the financial reporting processes for the companies included in the consolidated financial statements.

The internal control and risk management system with reference to the financial reporting process and the Group financial reporting process is not defined by law. Under the internal control and risk management system we understand a comprehensive system and follow the definitions of the "Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf", regarding the internal control system of the financial reporting process (IDW PS 261 Tz. 19 f.) and the risk management system (IDW PS 340, Tz. 4). Under an internal control system we understand a principles, procedures and measures introduced by the Management in the Company which are geared to the organisational implementation of the Management's decisions.

- to ensure the effectiveness and profitability of business activity (this also involves the protection of assets including the prevention and exposure of asset misappropriation),
- for the correctness and reliability of internal and external financial reporting and
- for adherence to the legal regulations governing the Company.

The risk management system includes all organisational regulations and measures for risk detection and for handling risks inherent in corporate activity.

With regard to the financing accounting procedures of the consolidated companies and the Group financing accounting procedure, the following structures and processes are implemented in the Group:

The Management Board of Interhyp AG bears overall responsibility for the internal control and risk management system with reference to the financial accounting procedures of the consolidated companies and the Group financial accounting procedures. All companies and departments included in the consolidated financial statements are integrated by means of a firmly defined management and reporting organisation.

The principles, the operational and organisational structure as well as the processes for the accounting-related internal control and risk management system are fixed in Group-wide guidelines which are adjusted to current external and internal developments at regular intervals.

With reference to the financial accounting processes of the consolidated companies and the Group financial accounting procedure, we consider those features of the internal control and risk management system essential which can have a major impact on Group financial accounting and the overall picture presented by the consolidated financial statements. These include in particular the following elements:

- Identification of major risk fields and control areas relevant for Group-wide financial accounting;
- Monitoring controls to monitor Group-wide financial accounting and its results at the level of Interhyp's Management Board and at the level of department and the companies included in consolidated financial statements;
- preventive control measures in Group accountancy and the companies included in consolidated financial statements and in ope rative, performance orientated corporate processes which generate important information for preparing the consolidated financial statements with the Group Management Report, including a separation of functions and predefined approval procedures in relevant areas;
- Measures which ensure the proper IT-supported processing of facts and data relevant for financial accounting;
- Establishment of an internal auditing system to monitor the financial accounting-related internal control and risk management system;
- Moreover, with reference to Group-wide financial accounting, the Group has implemented a risk management system which contains measures to identify and assess important risks and corresponding risk-containment measures in order to guarantee the correctness of the consolidated financial statements.

# Forecast Report

## Future Business Policy

**Direct Channel**
Direct Channel business remains geared to organic growth. Targeted marketing initiatives to strengthen the Interhyp brand and a clear positioning in the competitive environment will ensure growing demand for Interhyp's services in 2010.

We have a far-reaching network of 18 regional offices in large German cities. In 2010 we will continue to expand our market share in the local environment of our offices.

**Intermediary Channel**
In recent years, above and beyond providing support for regional mortgage brokers, 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.

In the current year, the focus in cooperation with regional mortgage brokers will be on the further development of our service in the form of a package offer which optimally supports our partners in the present market environment in leveraging business potential. An important element here is the further development of the eHyp software platform which offers the best possible process and consulting support for each customer segment. Through the consistent expansion of the number of product originators in 2009, eHyp remains the platform with the greatest range of products in the German mortgage financing market.

In terms of institutional cooperation agreements, the current year – as in years past – will be marked by intensive acquisition. At the same time, existing cooperation agreements will be expanded through solid support from the Prohyp key account management and regional sales promotion.

**Employees**
We will continue to focus on mortgage consultants in increasing our staff as a function of demand, particularly for Prohyp and Interhyp regional offices.

**Future markets**
With a current market share of some 3 % 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 of 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**
As in the past, the Management Board's proposal for appropriation of profits will be geared to market conditions and Interhyp's growth and investment opportunities.

## Future Economic Conditions

Despite the nominal basis effects, we expect a disappointing economic trend in Europe and the U.S. in the first half of 2010. China and parts of Asia, in contrast, will contribute positively once again in 2010 to the growth of the global economy. In the U.S. and Europe, high unemployment is depressing consumption and corporate investment will remain low as companies cope with excess capacity. We expect that Fed will leave key interest rates in the first half of the year at the present level of 0 % – 0.25 %, and the ECB will surely be unable to afford a raise in key interest rates until the late autumn. Long-term interest rates will rise due to high government debt ratios and the related uncertainty, and the interest rate curve will become steeper

In 2010 as well, activity in the housing market will be 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 retirement 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 the German Federal Bank statistics, which also contain follow-up mortgages and internal resets, we expect an annual volume of EUR 180 to EUR 185 billion because of renegotiating follow-up financing due to the very favourable interest rate level.

## Expected performance

For the current financial year of 2010, we will concentrate on acquiring further market share and aim at achieving a slight improvement in earnings. For the financial year of 2011 we expect that we will be able to profit from a reviving economy and better general economic conditions.

## 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 EUR 48 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.

In the scope of our regionalisation strategy in the Direct Channel, we plan to use the opportunities which arise because, as the local specialist, we are more accessible for our customers. The result is 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 toward 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.

# The Consolidated Financial Statement

**Consolidated Statement of comprehensive income** of Interhyp AG as at 31 December 2009 in EUR

| | Notes | 01.01.–31.12.2009 | 01.01.–31.12.2008 | +/- |
|---|---|---|---|---|
| Revenues | (13) | 68,882,036 | 91,156,470 | (24 %) |
| Cost of services purchased | (14) | 12,403,856 | 17,997,786 | (31 %) |
| **Net revenues** | | **56,478,180** | **73,158,684** | **(23 %)** |
| | | | | |
| Personnel expenses | (15) | 32,918,860 | 32,100,440 | 3 % |
| Other operating expenses | (16) | 19,728,231 | 26,664,300 | (26 %) |
| thereof marketing | | 10,441,740 | 10.230.866 | 2 % |
| Amortisation and depreciation | (1), (2) | 1,553,252 | 1,938,413 | (20 %) |
| | | | | |
| **Earnings before interest and taxes (EBIT)** | | **2,277,837** | **12,455,531** | **(82 %)** |
| | | | | |
| Share of results from investments in associates | (3) | (96,959) | (719,485) | 87 % |
| | | | | |
| Interest income | | 1,148,171 | 1,872,897 | (39 %) |
| Interest expense | | 11,604 | 10,520 | 10 % |
| **Net interest income** | **(17)** | **1,136,567** | **1,862,378** | **(39 %)** |
| | | | | |
| **Net income before income taxes (EBT)** | | **3,317,445** | **13,598,423** | **(76 %)** |
| | | | | |
| Income taxes | (18) | (1,189,065) | (4,853,440) | (76 %) |
| | | | | |
| **Comprehensive net income** | | **2,128,380** | **8,744,984** | **(76 %)** |
| **other net income** | | **0** | **0** | |
| **Comprehensive net income (total)** | | **2,128,380** | **8,744,984** | **(76 %)** |
| thereof: share of third-party associates | | 368,083 | 750,578 | (51 %) |
| **Comprehensive net income in regard to associates of the corporation** | | **1,760,297** | **7,994,406** | **(78 %)** |

| **Earnings per share IAS 33** | Notes | 01.01.–31.12.2009 | 01.01.–31.12.2008 |
|---|---|---|---|
| Net income in regard to associates of the corporation | | 1,760,297 | 7,994,406 |
| Weighted average of shares outstanding | | 6,593,525 | 6,540,496 |
| **Earnings per share (undiluted)** | **(19)** | **0.27** | **1.22** |
| | | | |
| Weighted average of potential shares, adjusted for dilution effects | | 6,593,559 | 6,544,044 |
| **Earnings per share (diluted)** | **(19)** | **0.27** | **1.22** |

**Consolidated balance sheet** of Interhyp AG as at 31 December 2009 in EUR

## Assets

| | Notes | as at 31.12.2009 | as at 31.12.2008 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | (1) | 209,352 | 382,800 |
| Fixed assets | (2) | 1,687,741 | 2,538,905 |
| Receivables from commissions | (4) | 638,549 | 384,635 |
| Other assets | (6) | 20,658,237 | 574,483 |
| Deferred tax assets | (19) | 90,408 | 187,034 |
| | | **23,284,287** | **4,067,858** |
| | | | |
| **Current assets** | | | |
| Receivables from commissions | (4) | 10,019,505 | 16,054,721 |
| Other assets | (6) | 22,235,822 | 26,974,194 |
| Tax receivable | (5) | 171,287 | 76,394 |
| Cash and cash equivalents | (7) | 11,570,081 | 18,086,159 |
| | | **43,996,695** | **61,191,468** |
| | | | |
| **Total assets** | | **67,280,982** | **65,259,326** |

## Equity and liabilities

| | Notes | as at 31.12.2009 | as at 31.12.2008 |
|---|---|---|---|
| **Shareholders' equity** | **(8)** | | |
| Common stock | | 6,593,525 | 6,593,525 |
| Additional paid-in capital | | 32,053,641 | 32,197,999 |
| Net accumulated profit | | 9,999,908 | 8,913,879 |
| Equity in regard to associates of the corporation | | 48,647,074 | 47,705,403 |
| Share of third-party associates | | 2,547,308 | 2,179,224 |
| | | **51,194,382** | **49,884,628** |
| | | | |
| **Long-term liabilities and provisions** | | | |
| Other provisions | (9) | 219,119 | 209,672 |
| Deferred tax liabilities | (19) | 27,346 | 49,614 |
| Other liabilities | (12) | 60,188 | 156,742 |
| | | **306,653** | **416,028** |
| | | | |
| **Short-term liabilities and provisions** | | | |
| Trade accounts payable | (11) | 1,882,970 | 2,771,483 |
| Other provisions | (9) | 91,900 | 357,000 |
| Tax liabilities | (10) | 636,556 | 1,636,984 |
| Other liabilities | (12) | 13,168,521 | 10,193,204 |
| | | **15,779,948** | **14,958,670** |
| | | | |
| **Total equity and liabilities** | | **67,280,982** | **65,259,326** |

**Shareholders' equity** of Interhyp AG in EUR

| | Notes | Common Stock | Additional paid-in capital | Net accumulated profit | Equity in regard to associates of the parent company | Share of other associates | Total |
|---|---|---|---|---|---|---|---|
| **01.01.2008** | | **6,501,250** | **28,527,043** | **27,574,600** | **62,602,893** | **1,428,646** | **64,031,539** |
| Group result | | 0 | 0 | 7,994,406 | 7,994,406 | 750,578 | 8,744,984 |
| **Total** | | **0** | **0** | **7,994,406** | **7,994,406** | **750,578** | **8,744,984** |
| | | | | | | | |
| Dividends to shareholders of Interhyp AG | | 0 | 0 | (26,655,125) | (26,655,125) | 0 | (26,655,125) |
| Expense from the issuance of convertible bonds and stock options | (8) | 0 | 726,881 | 0 | 726,881 | 0 | 726,881 |
| Conversion of convertible bonds | (8) | 20,000 | (19,600) | 0 | 400 | 0 | 400 |
| Exercise of stock options | (8) | 72,275 | 2,963,675 | 0 | 3,035,950 | 0 | 3,035,950 |
| | | | | | | | |
| **31.12.2008** | | **6,593,525** | **32,197,999** | **8,913,879** | **47,705,403** | **2,179,224** | **49,884,628** |
| | | | | | | | |
| Group result | | | | 1,760,297 | 1,760,297 | 368,083 | 2,128,380 |
| **Total** | | **0** | **0** | **1,760,297** | **1,760,297** | **368,083** | **2,128,380** |
| | | | | | | | |
| Dividends to minorities | (20) | 0 | 0 | (674,268) | (674,268) | 0 | (674,268) |
| Expense from the issuance of convertible bonds and stock options | (8) | 0 | 198,843 | 0 | 198,843 | 0 | 198,843 |
| Cash settlement for stock options | | 0 | (343,200) | 0 | (343,200) | 0 | (343,200) |
| Conversion of convertible bonds | (8) | 0 | 0 | 0 | 0 | 0 | 0 |
| Exercise of stock options | (8) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | |
| | | | | | | | |
| **31.12.2009** | | **6,593,525** | **32,053,641** | **9,999,908** | **48,647,074** | **2,547,308** | **51,194,382** |

**Consolidated cash flow statement** of Interhyp AG as at 31 December 2009 in EUR

| | Notes | 01.01.–31.12.2009 | 01.01.–31.12.2008 |
|---|---|---|---|
| Consolidated net income in regard to associates of the corporation | | 1,760,297 | 7,994,406 |
| Share of results of third-party associates | | 368,083 | 750,578 |
| Income tax | (18) | (1,189,065) | (4,853,440) |
| **Earnings before income tax** | | **3,317,445** | **13,598,424** |
| | | | |
| **Adjustments:** | | | |
| Amortisation and depreciation of non-current assets | (1), (2) | 1,553,252 | 1,938,413 |
| Net interest income | (17) | (1,136,567) | (1,862,378) |
| Share of the result of investments in associates | (3) | 96,959 | 719,485 |
| Expense from the issuance of convertible bonds and stock options | (8) | 198,843 | 726,881 |
| Increase in receivables and other assets | (4), (5), (6) | 10,721,137 | 2,255,513 |
| Increase in provisions | (9) | (255,653) | 219,646 |
| Increase in liabilities | (11), (12) | 1,550,518 | 3,158,102 |
| Income tax paid | (18) | (2,189,888) | (3,896,103) |
| Interest paid | (17) | (11,604) | (1,083) |
| Other non-cash items | | 0 | (9,437) |
| **Net cash from operating activities** | | **13,844,440** | **16,847,464** |
| | | | |
| Cash paid for investments in non-current assets | (1), (2) | (531,533) | (759,485) |
| Cash paid for investments in associates | (3) | (96,959) | (167,521) |
| Cash paid from disposal of fixed assets | (1), (2) | 2,894 | 0 |
| Interest received | | 939,349 | 1,821,964 |
| Cash paid for fixed-term deposits, short-term | (6) | 0 | (25,000,000) |
| Cash paid for fixed-term deposits, long-term | (6) | (20,000,000) | 0 |
| **Net cash from investing activities** | | **(19,686,250)** | **(24,105,042)** |
| | | | |
| Cash paid for dividends to shareholders of Interhyp AG | (20) | 0 | (26,655,125) |
| Cash paid for dividends to minorities | (20) | (674,268) | 0 |
| Cash recorded as common stock by the exercise of stock options | | 0 | 72,275 |
| Additional paid-in capital by the exercise of stock options | | 0 | 2,963,275 |
| **Net cash from financing activities** | | **(674,268)** | **(23,619,575)** |
| | | | |
| Changes in cash and cash equivalents | | (6,516,078) | (30,877,153) |
| Cash and cash equivalents at the beginning of the period | (7) | 18,086,159 | 48,963,312 |
| **Cash and cash equivalents at the end of the period** | | **11,570,081** | **18,086,159** |

# Notes to the Consolidated Financial Statements

*as of 31 December 2009 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 in 80807 Munich, Germany.

In the financial year 2009, INTERHYP AG was listed in the Prime Standard market segment of Deutsche Börse AG. The security identification number (WKN) is 512170.

The Company brokers and consults in relation to residential mortgages, building society savings plans and insurance policies on the Internet, by telephone and in its regional offices in large German cities.

On 26 February 2010, the Management Board prepared the consolidated financial statements of INTERHYP AG for the financial year ending 31 December 2009 which will be presented to the Supervisory Board on 24 March 2010 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 financial investments available for disposal 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.

**IFRS 2 Share-based payments: Conditions for exercise and annulments**
**IFRS 7 Financial instruments**
**IFRS 8 Operating segments**
**IAS 1 Presentation of Financial Statements**
**Improvements to IFRS 2008**

The fundamental effects of these amendments are as follows:

**IFRS 2 Share-based payments**
This amendment defines vesting conditions and prescribes the treatment for an award that is cancelled. The Group applied these amendments as of 1 January 2009. Their application has had no effect on the Group's asset, financial and profit position.

**IFRS 7 Financial instruments: Disclosure**
The amended standard provides for additional information about determining fair value and the liquidity risk. Moreover, the requirements for information about liquidity risks with reference to business transactions based on derivatives and assets used for the purposes of liquidity management have been made clearer. The Group has none of the financial instruments indicated so the amendment has no impact on the Group's asset, financial and profit situation.

**IFRS 8 Operating segments**
This standard requires the provision of information about the Group's operating segments and supersedes the obligation to determine primary (operating segments) and secondary (geographical segments) segment reporting formats. The Group has established that the operating segments identified in the Group according to IFRS 8 correspond to the operating segments according to IAS 14 segment reporting. Information according to IFRS 8, including adjusted comparable information, is shown in Section IV, Segment Reporting.

**IAS 1 Presentation of financial statements**

The revised standard requires separate presentations for changes in shareholders' equity which arise from transactions with shareholders in their function as shareholders, and other changes in shareholders' equity. Calculation of changes in shareholders' equity therefore comprises only details on business transactions with shareholders, while other changes in equity are shown as a total in the form of a reconciliation for each component of shareholders' equity. In addition, the standard introduces statement of comprehensive income in which all earnings and expense items in the income statement and all components recognised directly in equity are shown either in a single statement or in two statements connected with each other. In the current and the previous year, the Group had only components recognised directly in equity to be recorded in the statement of comprehensive income. The Group has therefore decided to submit only one statement.

Improvements to IFRS 2008 concerning the following standards and interpretations:

| | |
|---|---|
| **IFRS 5** | Non-current Assets held for sale and discontinued operations |
| | Selling a controlling share of a subsidiary |
| **IAS 1** | Presentation of Financial Statements |
| | Classification of derivatives as short- or long-term tangible assets |
| **IAS 16** | Recoverable amount |
| | Sale of assets held for rental |
| **IAS 19** | Employee benefits |
| | Classification of schedule changes |
| | Account for administration expenses of a plan |
| | Short-term benefits due to employees |
| | Contingent liabilities |
| **IAS 20** | Accounting and presentation of government grants |
| | Low or interest-free government loans |
| **IAS 23** | Borrowing costs |
| | Components of borrowing costs |
| **IAS 27** | Consolidated and Separate Financial Statements |
| | Assessment of a subsidiary held for sale in a separate financial statement |
| **IAS 28** | Investment in Associates |
| | Disclosure requirements for associated companies at fair value through profit or loss |
| | Depreciation of associated companies |
| **IAS 29** | Accounting in hyperinflationary countries |
| | Description of the basis of valuation |
| **IAS 31** | Interests in Joint Ventures |
| | Disclosure requirements for Interests in Joint Ventures at fair value through profit or loss |
| **IAS 36** | Impairment of Assets |
| | Disclosures of estimate used to determine the recoverable amount |
| **IAS 38** | Intangible Assets |
| | Expenses for advertising and promotional activities |
| | Performance-related depreciation of intangible assets |
| **IAS 39** | Financial Instruments: Recognition and Measurement |
| | Re-classification of financial instruments into and out of the classification of "at fair value through profit or loss" |
| | Designation and documentation of hedge accounting at the segment level |
| | Applicable effective interest rate on cessation of fair value hedge accounting |
| **IAS 40** | Investment Property |
| | Investment property under construction |
| **IAS 41** | Agricultural activity |
| | Discount rate in determining fair value of biological assets |
| | Additional biological transformations |

In addition, IASB has made a number of editorial changes. The changes from the collective standard do not, in the view of the Management, have any impact on the Group's asset, financial and profit position.

| Standard/ Interpretation | Applicable from | Planned application at Interhyp | Status of EU Endorsements |
|---|---|---|---|
| Improvements to IFRS 2009 | Various dates, January 2009 at the earliest | Financial year 2010 | No |
| IAS 27 Consolidated and separate Financial Statements | 1 July 2009 | Financial year 2010 | Yes |
| Amendment of IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items | 1 July 2009 | Financial year 2010 | Yes |
| IFRS 2 – Internal Group share-based remuneration with cash settlement | 1 January 2010 | Financial year 2010 | No |
| IFRS 3 – Business combinations | 1 July 2009 | Financial year 2010 | Yes |
| IFRIC 17 Distribution of non-cash assets to owners | 1 July 2009 | Financial year 2010 | Yes |
| IFRS 9 Financial instruments: Classification and measurement | 1 January 2013 | Financial year 2013 | Open |
| IAS 24 Disclosure of relationships to related companies and persons | 1 January 2011 | Financial year 2011 | No |
| IAS 32 Classification of subscription rights | 1 February 2010 | Financial year 2012 | Yes |
| IFRIC 14 – Prepayment – Minimum fund requirements | 1 January 2011 | Financial year 2011 | No |
| IFRIC19 – Extinguishing financial liabilities with equity instruments | 1 January 2010 | Financial year 2010 | No |

## Improvements to IFRS 2008 and 2009

The changes from the collective standard for amending various IFRS standards are primarily aimed at eliminating inconsistencies and clarifying formulations. There are special transition regulations for each standard. The Group assumes that the changes will not have any major impact on consolidated financial statements.

**IAS 27 Group and separate financial statements**
The amended standard prescribes that a change in the participation amount which results in the loss of control is to be accounted for as an equity transaction. Neither a transaction value nor profit or loss can therefore result from such a transaction. In addition, regulations for the allocation of losses to the owner of the parent company and the shares without a controlling influence and the accounting rules for transactions which lead to loss of control have been amended. The Group does not assume that these amendments will have any major impact on consolidated financial statements.

**IAS 39 Financial instruments – Appropriate underlying transactions**
The amendment specifies how the principles contained in IAS 39 on stating hedging relationships are to be applied to the designation of a unilateral risk in an underlying transaction and to the designation of inflation risks as an underlying transaction. The Group does not assume that the amendment will have any effect on the asset, financial and profit position since the Group has not entered into any such transactions.

**IFRS 2 – Internal Group share-based remuneration with cash settlement**
The amendments to IFRS 2 make the definitions of exercise conditions more precise and regulate the treatment of cancelled commitments in the financial statements. The Group does not assume that the changes will have any impact on the consolidated financial statements.

**IFRS 3 – Business combinations**
The standard introduces changes in the treatment of business combinations occurring from 2010 on. These changes refer to the amount of goodwill recognised, the results in the period that an acquisition occurs and future reported results. Subsequent amendments result for IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39. The amendments will affect future acquisitions, losses on control and transactions with minority shares.

**IFRS 9 Financial instruments: Classification and measurement**
IFRS 9 pursues a new, less complicated approach to classification and measures of financial assets. Instead of the former four measurement categories for capitalised financial instruments there are now only two. Classification is based on the one hand on the company's business model and on the other on characteristic features of the contractual payment flows of the respective financial asset. The Group estimates that the change will not have any significant effect on the consolidated financial statements.

**IAS 24 Disclosure of related-party transactions**
Due to the revision, reporting duties of companies in which the government has an interest (so-called state-controlled entities), have been simplified. Certain related-party relationships which result from the participation of the state in private companies have been exempted from some of the disclosure obligations specified in the amended standard according to IAS 24. In addition, definitions of related parties have been thoroughly revised. The Group does not expect any significant effect on the consolidated financial statements.

The Group estimates that there will be no amendments to IAS 32 and IFRIC 14, 17 and 19 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.

The holding in the associated company iMakler GmbH, Bad Soden, was sold in the financial year 2009.

PROHYP GmbH, Munich, and Hausfinanz Beratungsgesellschaft mbH, Munich made use of the exemption regulations of Section 264 (3) of the German Commercial Code in the financial year 2009.

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 operation 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**

Explanations are given below for the most important assumptions related to the future as well as other significant sources of estimating uncertainties existing on reporting 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 financial year:

**Share-based payment**

In the financial year, the Group effected cash settlement for the stock options granted. Evaluation of the fair value of a share was based on the takeover offer of ING Direct N.V., Hoofddorp, Netherlands. We refer to our remarks under Notes, III No. 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. In establishing the interest rate, the Group took into account current market estimates and the specific risks of the object to be assessed.

## 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 the 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 life of three 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. The residual value of assets, useful lives and depreciation methods are examined and adjusted at the end of each financial year.

## 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 1,139 thousand (previous year: EUR 1,101 thousand).

An intangible asset which arises from the development of an individual project is only capitalised 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 assets during its development.

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-generated 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 exception of ongoing maintenance costs – less 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 amortised over a useful economic life of three to thirteen years.

Fixed assets are disposed 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 disposal of the asset are calculated as the difference between net disposal revenue and the book value of the asset and are reported in the period in which the item is disposed of, with direct effect on the income statement.
The residual value of the assets, useful lives and depreciation methods are reviewed at the end of each financial year.

## 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 a separate depreciation test 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 holding in the associated company iMakler GmbH, Bad Soden, was sold in the financial year.

## Borrowing costs

Borrowing costs are reported as expenditure in the period in which they were incurred since the Company does not have qualifying assets for capitalisation of borrowing costs.

## 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, ort he 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 form operating leasing arrangements are reported on under other financial liabilities under Section V.

## 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 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 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:

## 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.

All customary purchases and sales of financial assets are accounted for on the trading day, in other words on 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 less**

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 designed 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 2009 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 2009 no assets were reported at fair value through profit or loss (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 area 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 loff 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 methods.

**Amortised cost**
Financial investments held to maturity and receivables are carried at amortised cost. These costs are determined by 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 assesses whether there is a case for depreciation of a financial asset or group of financial assets.

**Assets accounted for 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 the 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 an 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 less.

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 in 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 tax 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. Calculation is based on those tax rates (and tax laws) which are valid on the balance sheet date. Future changes in tax rates must be taken into account on the reporting 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 de-recognised 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 2009, no financial liabilities were designated as assessed at fair value through profit or loss (previous year: 0).

**Liabilities from financial guarantees**
Liabilities from financial guarantees issued by the Group relate to contracts containing an obligation to effect payments which compensate the guarantee holder for a loss which arises when 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 2009, 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 ceases 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 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 purchase 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 credit 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 commissions and special bonuses. Mortgage broking commissions are reported in compliance with IAS 18 "Revenue" according to the 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 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.

The Group has the possibility of offering a cash settlement. However, as a general rule, the Group's guidelines do not foresee cash settlements.

If the Group has no current obligation to effect a cash settlement, the share-based remuneration transaction is to be recorded according to the above described regulations for share-based remuneration transactions with settlement by means of equity instruments. If the Group opts for a cash settlement, the cash remuneration must be treated as a repurchase of equity shares and thus as a deduction from equity. If the Group selects a settlement at fair value determined on the day of performance, additional expense for the surplus amount must be allocated.

With reference to utilisation of the right to effect a cash settlement in the financial year, we refer to our remarks in Section III (8).

## 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 nach IAS 39** | **31.12.2009** | **31.12.2008** |
| Cash and cash equivalents | Receivables | 11.570 | 18.086 |
| Short-term receivables from commissions | Receivables | 10.020 | 16.055 |
| Long-term receivables from commissions | Receivables | 639 | 385 |
| Other short-term assets | Receivables | 21,830 | 26,380 |
| Other long-term assets | Receivables | 20,658 | 574 |
| **Summarised according to the assessment category from IAS 39** | | | |
| Receivables | | 64,717 | 61,480 |
| **Financial liabilities** | | | |
| Trade accounts payable | Financial liabilities (at amortised cost) | 1,883 | 2,771 |
| Other short-term liabilities | Financial liabilities (at amortised cost) | 4,478 | 3,939 |
| **Summarised according to the assessment category from IAS 39** | | | |
| Financial liabilities (at amortised cost) | | 6,361 | 6,710 |

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

### (1) Intangible assets

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

### (2) Fixed assets

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

## **Assets analysis** for 2009 in EUR

| | Acquisition or production costs | | | |
|---|---|---|---|---|
| | **1 Jan. 2009** | **Accruals** | **Disposals** | **31 Dec. 2009** |
| **Intangible assets** | | | | |
| Development costs | 52,500.00 | 0.00 | 52,500.00 | 0.00 |
| Software and licences | 1,467,012.63 | 118,753.96 | 5,304.75 | 1,580,461.84 |
| | **1,519,512.63** | **118,753.96** | **57,804.75** | **1,580,461.84** |
| **Fixed assets** | | | | |
| Property, plant and equipment | 6,865,840.25 | 412,317.31 | 164,335.93 | 7,113,821.63 |
| Prepayments on fixed assets | 0.00 | 462.02 | 0.00 | 462.02 |
| Tenant fixtures | 210,794.02 | 0.00 | 0.00 | 210,794.02 |
| | **7,076,634.27** | **412,779.33** | **164,335.93** | **7,325,077.67** |
| **Total** | **8,596,146.90** | **531,533.29** | **222,140.68** | **8,905,539.51** |

## **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** |

| | Depreciation | | | | Book value |
|---|---|---|---|---|---|
| 1 Jan. 2009 | Accruals | Disposals | 31 Dec. 2009 | | 31 Dec. 2009 |
| | | | | | |
| 40,468.75 | 12,031.25 | 52,500.00 | 0.00 | | 0.00 |
| 1,096,243.63 | 280,170.96 | 5,304.75 | 1,371,109.84 | | 209,352.00 |
| **1,136,712.38** | **292,202.21** | **57,804.75** | **1,371,109.84** | | **209,352.00** |
| | | | | | |
| | | | | | |
| 4,385,548.25 | 1,228,278.33 | 161,441.93 | 5,452,384.65 | | 1,661,436.98 |
| 0.00 | 0.00 | 0.00 | 0.00 | | 462.02 |
| 152,180.96 | 32,771.10 | 0.00 | 184,952.06 | | 25,841.96 |
| **4,537,729.21** | **1,261,049.43** | **161,441.93** | **5,637,336.71** | | **1,687,740.96** |
| | | | | | |
| **5,674,441.59** | **1,553,251.64** | **219,246.68** | **7,008,446.55** | | **1,897,092.96** |

| | Depreciation | | | | Book value |
|---|---|---|---|---|---|
| 1 Jan. 2008 | Accruals | Disposals | 31 Dec. 2008 | | 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** |

### (3) Investments in associates

A holding of EUR 706 thousand in iMakler GmbH was acquired when the contract was signed at 11 April 2007. The purchase price was paid in full at the end of April 2007. The company deals in attending to property sales. In 2008, iMakler GmbH received further capital injections of altogether EUR 168 thousand. In the financial year 2008, the achievable amount was determined on the basis of a use value applying cash flow forecasts. An impairment charge of EUR 547 thousand was calculated. At 31 December 2008, the book value of the holding amounted to EUR 0. Further capital injections of EUR 57 thousand were made over the course of the financial year. With the contract dated 27 October 2009, the Group sold its holding in iMakler GmbH by effecting a compensation payment of EUR 40 thousand which together with the loss on disposal of EUR 57 is reported under the result from associated companies.

### (4) Receivables from commissions

Receivables from commissions consist of the following:

| In EUR thousand | 2009 | 2008 |
|---|---|---|
| Receivables | 10,678 | 16,440 |
| Short-term component | 10,039 | 16,055 |
| Long-term component | 639 | 385 |

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 policy-holders). Regulations vary from lender to lender. For most of the lenders, the receivables from commission 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 loans. The expected maturity of the receivables is defined on the basis of the information provided by the borrower.

### (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 | 2009 | 2008 |
|---|---|---|
| Fixed term deposits | 41,000 | 25,000 |
| Pledged bank deposits | 577 | 574 |
| Prepayments | 406 | 595 |
| Accrued interest on securities | 268 | 59 |
| Settlement of professional accounts | 561 | 1,274 |
| Other | 82 | 47 |
| **Total** | **42,894** | **27,549** |
| Short-term component | 22,236 | 26,975 |
| Long-term component | 20,658 | 574 |
| | | |
| Financial assets | 42,488 | 26,954 |
| Non-financial assets | 406 | 595 |

fixed term deposits were investments for periods of between 6 and 12 months amounting to EUR 21,000 thousand (previous year: EUR 25,000 thousand) and deposits for periods of over 24 months amounting to EUR 20,000 thousand. Interest rates vary from 1.20 % to 1.99 % p.a. fixed term deposits which were invested for a period of over 24 months, are shown under long-term assets.

Pledged bank deposits amounting EUR 577 thousand (previous year EUR 574 thousand) serve as rent deposits- they carry interest ranging from 0.3 % to 1.65 % and have maturities of over 12 months. They are shown under long-term assets.

## (7) Cash and cash equivalents

Cash and cash equivalents consist of the following:

| **In EUR thousand** | **2009** | **2008** |
|---|---|---|
| Cash balances | 9 | 9 |
| Bank deposits | 11,467 | 12,982 |
| Short-term deposits | 94 | 5,095 |
| **Total** | **11,570** | **18,086** |

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.

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 2009 stood at EUR 6,593,525.00 (previous year: EUR 6,593,525.00) 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.

**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 Meeting of Shareholders on 13 September 2005 (conditional capital 2005/II). At 31 December 2009 the value of the conditional capital was as follows:

| **In EUR thousand** | **2009** | **2008** |
|---|---|---|
| Conditional capital 2005/II | 97,462 | 97,462 |
| **Total** | **97,462** | 97,462 |

**Authorisation to acquire treasury stock**
At the Extraordinary Meeting of Shareholders on 4 June 2008, it was resolved to authorise the Company to acquire treasury stock. The Company was therefore authorised to acquire treasury stock by 4 December 2009 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 Sections 71a ff. of the 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 Meeting of Shareholders on 29 May 2009, 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 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 % p.a. 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 trance 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 the meaning of the German Securities Acquisition and Takeover Act (30 % of the voting rights). On 20 June 2008, ING Direct N.V. announced a takeover offer to all shareholders of the Company. The object of the offer was the acquisition of the shares held by shareholders including the dividend calculation for the 2008 financial year at a purchase price of EUR 64 per share. Due to the takeover offer 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 period.

The following table shows the number and weighted average exercise prices of the stock options granted during the financial year.

**Overview stock options**

| | 2009 Number | 2009 AEP | 2008 Number | 2008 AEP |
|---|---|---|---|---|
| Oustanding at the beginning of the reporting period | 28,600 | 49.68 EUR | 98,025 | 44.23 EUR |
| Granted in the reporting period | 0 | 0 | 0 | 0 |
| Exercised in the reporting period | 0 | 0 | 72,275 | 42.00 EUR |
| Expired in the reporting period | 4,500 | 0 | 2,850 | 42.00 EUR |
| Cash settlement in the reporting period | 24,000 | 49.70 EUR | 0 | 0 |
| Outstanding at the end of the reporting period | 100 | 42.00 EUR | 28,600 | 49–68 EUR |
| **Exercisable at the end of the reporting period** | **100** | **–** | **100** | **–** |

The Management Board and the Supervisory Board resolved at the end of December 2009 to grant a cash settlement instead of the shares from the conditional capital created for this purpose. Employees received a corresponding offer in a letter dated 21 December 2009. All beneficiaries from the stock option program of 2007 gave their approval. The cash settlement (per option) amounts to EUR 14.30 and was calculated as the difference between the takeover offer (EUR 64.00) and the issue price of the option (EUR 49.70). Payment in the amount of EUR 343 thousand was effected in January 2010.

The exercise price for the options outstanding at the end of the reporting period comes to EUR 42.00 (previous year: ranging from EUR 42.00 and EUR 49.70). The fair value of the stock options granted is determined at the time of granting the options by applying a generally accepted option price model. Calculation was 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 | 49.70 EUR |
| Market price at time of issue | 12.27–15.26 EUR |
| 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 | 42.00 EUR |
| Market price at time of issue | 8.76 – 13.21 EUR |
| 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 199 thousand, previous year: EUR 504 thousand). As a result of the change in the estimate (abbreviation of the vesting period), personnel expenses from the employee share programme were EUR 98 thousand higher (previous year: EUR 267 thousand).

**Capital reserve**
The capital reserve consists of the following:

| **In EUR thousand** | **2009** | **2008** |
|---|---|---|
| Issue of convertible bonds and stock options | 2,888 | 2,689 |
| Cash settlement for stock options issued | (343) | 0 |
| Other additional contributions of shareholders over par value § 272 (2) No. 1, German Commercial Code (HGB) | 25,905 | 25,905 |
| Deposits for convertible bonds and stock options § 272 (2) No. 2 | 3,095 | 3,095 |
| Other additional contributions to equity § 272 (2) No. 4 | 509 | 509 |
| **Capital reserve at 31 December** | **32,054** | **32,198** |

The Company reduced equity in the amount of the cash settlement for the stock options.

## (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 spaces. 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. Due to the reduction of prepayments, tax liabilities have risen compared with the previous year.

**Analysis of provisions** in EUR

| 2009 | 01.01.2009 | Claim | Allocation | 31.12.2009 |
|---|---|---|---|---|
| Cancellation risk | 357,000.00 | 357,000.00 | 91,900.00 | 91,900.00 |
| Restoration liabilities | 209,671.87 | 0.00 | 9,447.04 | 219,118.90 |
| **Total** | **566,671.87** | **357,000.00** | **101,347.03** | **311,018.90** |

| 2008 | 01.01.2008 | Claim | Allocation | 31.12.2008 |
|---|---|---|---|---|
| Cancellation risk | 149,600.00 | 149,600.00 | 357,000.00 | 357,000.00 |
| Restoration liabilities | 197,425.85 | 0.00 | 12,246.02 | 209,671.87 |
| **Summe** | **347,025.85** | **149,600.00** | **369,246.02** | **566,671.87** |

## (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 | 2009 | 2008 |
|---|---|---|
| Salary bonuses | 7,232 | 4,681 |
| Sales commissions | 190 | 368 |
| Social contributions | 203 | 182 |
| Wage/church tax | 370 | 503 |
| Outstanding invoices*) | 2.577 | 2.016 |
| Audit costs*) | 150 | 283 |
| Bonus commissions for sub-brokers*) | 1,751 | 1,640 |
| Rent-free periods | 157 | 318 |
| Outstanding holiday leave | 153 | 245 |
| Cash settlement for stock options | 343 | 0 |
| Value-added tax | 89 | 0 |
| Other | 14 | 114 |
| **Total** | **13,229** | **10,350** |
| **Short-term component** | **13,169** | **10,193** |
| **Long-term component** | **60** | **157** |
| of which due for payment over one to five years | 60 | 157 |
| **Financial liabilities*** | **4,478** | **3,939** |
| **Non-financial liabilities** | **8,751** | **6,411** |

*financial liabilities.

One-time remunerations to managers of the Group are reported in the salary bonuses for 2009.

**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 schedule 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.

## IV. Notes to the consolidated income statement

## (13) 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.

## (14) Costs of services purchased

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

## (15) Personnel expenses

Personnel expenses consist of the following:

| In EUR thousand | 2009 | 2008 |
|---|---|---|
| Wages and salaries | 28,542 | 27,497 |
| Social contributions and expenditure for pension schemes and support | 4,377 | 4,603 |
| (of which for pension schemes) | (222) | (196) |
| **Total** | **32,919** | **32,100** |

Of personnel expenses, EUR 199 thousand are attributable to the issue of stock options (previous year EUR 504 thousand). In the previous year, EUR 223 thousand was recorded under personnel expenses for expenses from granting convertible bonds (current year: EUR 0 thousand).

Expenditure for pension schemes includes expenditure on contribution-based pension schemes in the amount of EUR 222 thousand (previous year: EUR 196 thousand). In addition, the Group pays contributions to the German pension insurance scheme in the amount of EUR 1,510 thousand (previous year: EUR 1,999 thousand) which is also contribution-based. Since there are no obligations beyond payment of contributions, there is no need to form a reserve.

## (16) Other operating expenses

Other operating expenses are made up of the following:

| In EUR thousand | 2009 | 2008 |
|---|---|---|
| **Marketing** | **10,442** | **10,231** |
| **Office and administration expenditure** | | |
| Rental and ancillary costs | 3,193 | 3,111 |
| Telecommunications expenditure | 1,353 | 1,451 |
| Leasing | 9 | 57 |
| Office materials | 194 | 238 |
| Postage | 411 | 559 |
| | **5,160** | **5,416** |
| **External programming services** | **823** | **647** |
| **Hiring costs** | **274** | **511** |
| **Legal and professional fees** | **358** | **6,418** |
| **Other** | | |
| Hardware and software maintenance | 945 | 1,445 |
| Travel expenses | 480 | 384 |
| Insurances | 124 | 132 |
| Staff benefits | 175 | 181 |
| Vehicle expenses | 194 | 185 |
| Subscriptions and fees | 203 | 119 |
| Compensation and accommodation payments | 98 | 83 |
| Investor Relations | 131 | 382 |
| Other | 321 | 530 |
| | **2,671** | **3,441** |
| **Total** | **19,728** | **26,664** |

## (17) Net interest income

There were no profits or losses from assets as defined by IAS. Interest expense contains EUR 9 thousand (previous year: EUR 11 thousand) from compounding provisions.

## (18) Income tax

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

| In EUR thousand | 2009 | 2008 |
|---|---|---|
| **Consolidated income statement** | | |
| Actual tax expense | | |
| Actual current tax result | (1,018) | (4,779) |
| Adjustments for actual taxation on profits accrued in previous years | (98) | (3) |
| Deferred tax result | | |
| From accrual and reversal of temporary differences | (73) | (8) |
| From tax loss carry-forwards | 0 | (63) |
| **Tax expenditure shown in the consolidated income statement** | **(1,189)** | **(4,853)** |

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 2009 and 2008 are made up as follows:

| In EUR thousand | 2009 | 2008 |
|---|---|---|
| **Earnings before income tax** | **3,317** | **13,598** |
| | | |
| Income tax expense at a rate of 32.5 % (previous year 32.5 %) | 1,078 | 4,419 |
| Adjustments to actual income tax accrued in previous years | 98 | 3 |
| Non-deductible capital loss | 32 | 0 |
| Non-deductible expenses | 107 | 84 |
| Expense from stock and convertible bonds | (47) | 236 |
| Result of associated companies/write-downs | 0 | 234 |
| Other | (79) | (123) |
| Income tax expense at effective income tax rate of 37.5 % (previous year: 37.15 %) | 1,189 | 4,853 |
| **Income tax expense shown in the Group income statement** | **1,189** | **4,853** |

Deferred tax liabilities at 31 December were as follows:

| In EUR thousand | Consolidated balance sheet | | Consolidated income statement | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| **Deferred tax liabilities** | | | | |
| Development expenditure | 0 | 4 | 4 | 8 |
| General provision for receivables from commissions | 9 | 31 | 22 | (4) |
| Capitalised restoration costs | 8 | 0 | (8) | 0 |
| Internal costs for preparation of the annual accounts | 10 | 10 | 0 | 0 |
| Discounting for long-term reserves | 0 | 5 | 5 | 3 |
| **Deferred tax liabilities, total** | **27** | 50 | 23 | 7 |
| | | | | |
| **Total deferred tax assets** | | | | |
| Tax loss carry-forwards | 0 | 0 | 0 | (63) |
| Non-deductible liabilities | 90 | 187 | (97) | (15) |
| **Deferred tax assets, total** | **90** | **187** | **(97)** | **(78)** |
| | | | | |
| Deferred tax expense from temporary differences | | | (74) | (8) |
| Deferred tax expense from loss carry-forwards | | | 0 | (63) |
| **Deferred tax expense, total** | | | **(74)** | **(71)** |
| | | | | |
| Shown in the balance sheet as follows: | | | | |
| Deferred tax assets | 90 | 187 | | |
| Deferred tax liabilities | 27 | 50 | | |

Deferred tax assets and deferred tax liabilities from recognition of restoration costs were offset.

## (19) 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 | 2009 | 2008 |
|---|---|---|
| Consolidated net income in relation to shareholders' equity, in EUR | 1,760,297 | 7,994,406 |
| Weighted average of outstanding shares | 6,593,525 | 6,540,496 |
| **Earnings per share in EUR** | **0.27** | **1.22** |

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 | | |
|---|---|---|
| | **2009** | **2008** |
| Weighted average of outstanding shares for calculating undiluted earnings per share | 6,593,525 | 6,540,496 |
| Dilution effects: | | |
| Stock options | 34 | 3,549 |
| **Weighted average of outstanding shares, adjusted for dilution** | **6,593,559** | **6,544,044** |

| Diluted earnings per share | | |
|---|---|---|
| | **2009** | **2008** |
| Consolidated net income in relation to shareholders of parent company, in EUR | 1,760,297 | 7,944,406 |
| Weighted average of outstanding shares, adjusted for dilution | 6,593,559 | 6,544,044 |
| **Earnings per share in EUR** | **0.27** | **1.22** |

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

### (20) Paid and proposed dividends

| **Approved and paid dividends during the financial year** in EUR thousand | | |
|---|---|---|
| | **2009** | **2008** |
| Dividend for 2008: EUR 0.00 per share (previous year: EUR 4.10) | 0 | 26,655 |

Profit distribution to minorities amounting to EUR 674 thousand (previous year: EUR 0 thousand) was effected in the financial year.

## 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 2009 or 31 December 2008.

### 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 410 thousand (previous year: EUR 430 thousand) in interest income. An increase in interest rates by 1 % would result in higher interest income of approximately EUR 410 thousand (previous year: EUR 430 thousand).

All the Group's financial instruments that are subject to an interest risk have a residual term of a maximum of two years.

Classical default risks may basically be viewed as low since the receivables of the Company are due exclusively 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.

## 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. Liquidity is purposely managed through short-term and long-term investments in order to achieve better interests for the funds available. The maturities of the Group's financial liabilities are as shown below. The figures are based on contractual undiscounted payments.

**Financial year** at 31 December 2009 in EUR thousand

| | up to one month | up to three months | Three to five months | One to five years | Total |
|---|---|---|---|---|---|
| Trade accounts payable | 1,774 | - | - | - | 1,774 |
| Liabilities to associated companies | 109 | - | - | - | 109 |
| Other financial liabilities | 2,577 | 1,901 | - | - | 4,478 |
| **Total** | **4,460** | **1,901** | **-** | **-** | **6,361** |

**Financial year** at 31 December 2008 in EUR thousand

| | up to one month | up to three months | Three to five months | One to five years | Total |
|---|---|---|---|---|---|
| Trade accounts payable | 2,771 | - | - | - | 2,771 |
| Other financial liabilities | 2,016 | 1,923 | - | - | 3,939 |
| **Total** | **4,787** | **1,923** | **-** | **-** | **6,710** |

## Segment reporting

Reporting is made to the Management Board on the basis of various services of the Group, since the risks and interest on the Group's equity capital is influenced by the differences in these 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.

**Financial year** 2009 in EUR thousand

| | **Direct Channel business** | **Intermediary Channel business** | **Consolidation** | **Group** |
|---|---|---|---|---|
| Revenues | 37,463 | 31,418 | 0 | 68,881 |
| Interest income | 1,132 | 16 | 0 | 1,148 |
| Interest expense | (12) | 0 | 0 | (12) |
| Depreciation | (1,370) | (183) | 0 | 1,553 |
| Expense from issuing stock options | (150) | (49) | 0 | (199) |
| Share of result of associated companies | (96) | 0 | 0 | (96) |
| Segment result (1) | 37,464 | 19,014 | 0 | 56,478 |
| | | | | |
| **Assets** | | | | |
| Investments | 522 | 6 | 0 | 528 |
| Segment assets (2) | 55,257 | 11,501 | 0 | 67,019 |
| Segment liabilities (3) | 10,442 | 4,317 | 0 | 15,423 |

1) The segment result corresponds to the gross profit margin.
2) Segment assets do not contain any deferred taxes (EUR 90 thousand) or other tax refund claims (EUR 171 thousand) since these assets are managed at the Group level.
3) Segment liabilities do not contain deferred taxes (EUR 27 thousand or actual taxes (EUR 637 thousand) since these liabilities are managed at the Group level.

## Additional information

**Information relating to key customers**
In the financial year 2009, the Group achieved revenues of more than 10 % with two customers. The revenues were generated by both the Direct Channel and the Intermediary Channel and come to EUR 27.6 million and EUR 131.1 million respectively.

**Financial year** 2008 in EUR thousand

| | Direct Channel business | Intermediary Channel business | Consolidation | Group |
|---|---|---|---|---|
| Revenues | 45,561 | 45,595 | 0 | 91,156 |
| Interest income | 1,760 | 113 | 0 | 1,873 |
| Interest expense | (11) | 0 | 0 | (11) |
| Depreciation | (1,742) | (196) | 0 | (1,938) |
| Expense from issuing stock options | (545) | (182) | 0 | (727) |
| Share of loss of associated company | (719) | 0 | 0 | (719) |
| Segment result (1) | 45,561 | 27,598 | 0 | 73,159 |
| | | | | |
| **Assets** | | | | |
| Investments | 660 | 99 | 0 | 759 |
| Assets by segment (2) | 46,625 | 18,108 | 0 | 64,996 |
| Liabilities by segment (3) | 6,561 | 5,483 | 0 | 13,688 |

1) The segment result corresponds to the gross profit margin.
2) Segment assets do not contain any deferred taxes (EUR 187 thousand) or other tax refund claims (EUR 76 thousand) since these assets are managed at the Group level.
3) Segment liabilities do not contain deferred taxes (EUR 50 thousand or actual taxes (EUR 1,639 thousand) since these liabilities are managed at the Group level.

## Additional information

**Information relating to key customers**
In the financial year 2008 the Group achieved revenues of more than 10 % with two customers. The revenues were generated by both the Direct Channel and the Intermediary Channel and come to EUR 25.5 million and EUR 22.9 million respectively.

## Litigation

Neither Interhyp AG nor its consolidated companies are involved in court or arbitration proceedings which could have a substantial influence on the Group’s financial position.

## Relationships to related parties

According to IAS 24 “Disclosure of Related Party Transactions”, transactions with parties and persons 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., 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 | 2009 | 2008 |
|---|---|---|
| Services for related companies and persons of the parent company: | 27,638 | 18,243 |
| Services from related companies and persons of the parent company | 338 | 0 |
| Interest income from related parties and persons of the parent company: | 818 | 178 |
| Receivables from related parties and persons of the parent company | 1,944 | 4,780 |

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 2009 financial year (EUR 0 thousand).

**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 sorts 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 | 2009 | 2008 |
|---|---|---|
| Within one year | 2,209 | 2,442 |
| Within two to five years | 1,121 | 3,188 |
| After five years | 0 | 0 |
| **Total** | **3,330** | **5,629** |

In the financial year, payments from leasing contracts of EUR 60 thousand (previous year: EUR 53 thousand) and from rental contracts amounting to EUR 2,382 thousand (previous year: EUR 2,824 thousand) were reported in the income statement.

## Composition of the boards

| Management Board | Responsibilities |
|---|---|
| **Robert Haselsteiner** | Direct Channel, Human Resources |
| **Marcus Wolsdorf** | Products & Services, Business Development, Information Technology, Office Management |
| **Jörg Utecht** | Products & Services,Intermediary Channel |
| **Michiel Goris** | Customer Service, Marketing, Finance, Legal Department, Corporate Communications |

By resolution of the Supervisory Board on 15 December 2009, Mirjam Mohr and Benjamin Papo were appointed deputy members of the Management Board with effect from 1 January 2010 for the period until 31 December 2010 and as regular members of the Management Board of Interhyp AG with effect from 1 January 2011 until 31 December 2012.

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

In 2009 (2008), members of the Management Board received the following total remuneration (in EUR thousand):

**In EUR thousand**

| | Total | of which fixed | of which performance-based | Of which retention bonus |
|---|---|---|---|---|
| Robert Haselsteiner | 1,975 (787) | 358 (787) | 117 (0) | 1,500 (0) |
| Marcus Wolsdorf | 1,979 (791) | 362 (791) | 117 (0) | 1,500 (0) |
| Michiel Goris | 530 (111) | 342 (45) | 188 (66) | - |
| Jörg Utecht | 381 (435) | 210 (105) | 171 (330) | - |

The Management Board contracts of Mr. Haselsteiner and Mr. Wolsdorf dated 28 December 2008 and 27 December 2008 provide for payment of a retention bonus in the event that Mr. Haselsteiner and Mr. Wolsdorf are still employed by the Company at the end of the year.

In 2008 remuneration for Mr. Utecht contained a one-time payment of EUR 230 thousand. This payment was effected as compensation for contractually agreed salary components which could no longer be paid due to the change in the shareholder structure. Mr. Goris was appointed to the Management Board on 30 October 2008; remuneration for the year 2008 thus shows remuneration from 1 November 2008 until 31 December 2008.

## Supervisory Board

In the financial year, the Supervisory Board consisted of the following members:

**Lars Kramer:** Chairman, CFO ING Direct NV, Hoofddorp, Niederland
**Carina Szpilka:** Deputy Chairman, CEO ING Direct, Paris, France
**Gunther Strothe:** Economist

Following a decision of the Local Court of Munich on 23 October 2008, Lars Kramer and Carina Szpilka were appointed members of the Supervisory Board as successors to Peter Mark Droste and Dr. Roland Folz who resigned early. At the General Meeting of Shareholders on 29 May 2009, Lars Kramer and. Carina Spzilka were elected to the Supervisory Board for the rest of the original period of office of Peter Mark Droste and Dr. Roland Folz, in other words until the end of the General Meeting of Shareholders which approves the appointment of the members of Supervisory Board for the financial year 2009.

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

**Lars Kramer:** Member in the Board of Directors, ING Bank, fsb, USA
Member of Advisory Board ING Direct UK
Member of Advisory Board ING Direct Italy

**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 26 thousand were granted for fixed salaries and attendance fees (previous year: EUR 129 thousand).

## Employees

In the past financial year, the Company employed an average of 504 employees (previous year: 478).

This included on average 15 (previous year: 19) temporarily employed and 3 (previous year: 4) trainees.

## V. Additional information

## Audit and professional fees

The auditor's fees recorded as expenditure in the financial year amount to EUR 150 thousand (previous year: EUR 248 thousand), for tax consulting services EUR 22 thousand (previous year: EUR 46 thousand) and for other services EUR 3 thousand (previous year: EUR 0 thousand).

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

INTERHYP AG has issued the prescribed statement for 2009 in accordance with Section 161 of the German Stock Corporation Act. It can be seen on the Company's homepage at www.interhyp.de.

## Results after the reporting period

No events of special significance occurred after the end of the financial year which had any effect on the Group's profit, financial and assets position

## Proposal for appropriation of net income of INTERHYP AG

Payouts are determined on the basis of the financial statements under commercial law. In agreement with the Supervisory Board, the Management Board proposes to carry forward the net accumulated profit of EUR 9,952,321.77.

Munich, 26 February 2010

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
Vorstand

Robert Haselsteiner
Vorstand

Jörg Utecht
Vorstand

Marcus Wolsdorf
Vorstand

# 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 theconsolidated 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 2009. 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 Germancommercial 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 Germangenerally 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 auditprocedures. 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, 26 February 2010

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 2010. 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 opening of 3 Interhyp-offices and the new distribution model for smaller cities by Interhyp-agents, granting cash-settlement to the beneficiaries exercising their stock options, the Supervisory Board was involved at an early stage in an advisory capacity in close consultation with the Management Board.

In the past fiscal year, the Supervisory Board held two presence meetings and two 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 2008, setting the agenda for the Annual General Meeting of Shareholders for 2009, on the Corporate Governance Code, on performance related remuneration for the Members of the Management Board, granting the commercial power of attorney (Gesamtprokura) and appointing Managing Directors of subsidiaries.

**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 29th May 2009 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 2009.

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 24th March 2010. 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 24th March 2010. 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 the Supervisory Board and in the Management Board there were no personell changes during the reporting period.

The Supervisory Board thanks the Management Board and all employees of Interhyp AG for their successful commitment and the work performed in 2009.

Lars Kramer

Lars Kramer
Chairman of the Supervisory Board
March 2010

# Corporate Governance Report

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

**Declaration of Compliance**

The Management Board and the Supervisory Board of Interhyp AG declare that the Company has met and 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 6 June 2008, for the period from 9 March 2009 to 5 August 2009 and in the version of 18 June 2009 for the period from 6 August 2009, with the following exceptions:

- Contrary to Item 3.8 of the Code, there is and will be no provision for a deductible for the Supervisory Board in the D&O insurance.
- Contrary to Item 4.2.1 of the Code, the Management Board of Interhyp AG does not have a Board chairman or spokesman.
- Contrary to Item 4.2.3 of the Code, the recommendations regarding the Management Board remuneration structure are only partially followed.
- Contrary to Item 5.3.1 of the Code, the formation of qualified committees is not planned.
- Contrary to Item 5.3.2 of the Code, the Supervisory Board does not establish an Audit Committee.
- Contrary to Item 5.3.3 of the Code, the Supervisory Board does not establish a Nomination Committee.
- Contrary to Item 5.4.6 of the Code, the members of the Supervisory Board of Interhyp AG do not receive performance-based compensation.

Munich, 24 March 2010
Interhyp AG

Management Board    Supervisory Board

**Notes on the Declaration of Compliance**

1. For the Management Board, the deductible will be compulsory pursuant to the statutory provisions of section 93(2) of the Stock Corporation Act as from 1 July 2010. For the financial year 2009, contrary to Item 3.8 of the Code, the Management Board and the Supervisory Board took out a D&O insurance policy without a deductible. When the D&O insurance policy was extended on 1 January 2010, a deductible for the Management Board was agreed in accordance with the statutory provisions. There is and will be no provision for a deductible for the Supervisory Board in the D&O insurance. A deductible is not common in international practice, which is why, given the composition of the Supervisory Board, one is not included.

2. Contrary to Item 4.2.1 of the Code, the Management Board of Interhyp AG does not have a Board chairman or spokesman. A management structure is thus created, in which the members of the Management Board all have equal status. This is in keeping with the collegiate principle of German stock corporation law with the Management Board bearing full responsibility. The competencies of the individual members of the Management Board result from the allocation of duties.

3. Within the framework of its remuneration structure, the recommendations pursuant to Item 4.2.3 (such as reference to parameters of comparison, subsequent revision of success targets and parameters, the ability to set limits in the event of unforeseen developments, a severance pay cap, calculation of severance pay cap) are only partially followed. The success of Interhyp AG depends to a great extent on having outstanding management personalities with sound sector-specific experience. A general formulation of remuneration parameters, in particular through reference to parameters of comparison and the 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 attract the best candidates to the Company management. The chosen compensation structure also helps to retain the founders' expertise for 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 of the Code, the Supervisory Board does not establish an Audit Committee. Contrary to Item 5.3.3 of the Code, the Supervisory Board does not establish a Nomination Committee. As the Supervisory Board of Interhyp AG comprises three members, the formation of special committees is not necessary.

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

**Remarks on the recommendations of the Government Commission**

1. Contrary to Item 2.3.4 of the Code, it will not be possible to follow the Annual General Meeting of Shareholders of Interhyp AG 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, for cost-benefit reasons and owing to legal insecurity (protection of the shareholders' private sphere), the General Meeting will not be transmitted simultaneously online.

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 their 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 2009 (2008) the following total remuneration (in EUR k) was paid:

**In EUR thousand**

| | Total | Fixed component | Performance-related component | Loyalty bonus |
|---|---|---|---|---|
| Robert Haselsteiner | 1,975 (787) | 358 (787) | 117 (0) | 1,500 (0) |
| Marcus Wolsdorf | 1,979 (791) | 362 (791) | 117 (0) | 1,500 (0) |
| Michiel Goris | 530 (111) | 342 45) | 188 (66) | - |
| Jörg Utecht | 381 (435) | 210 (105) | 171 (330) | - |

The Management Board contracts of Mr Haselsteiner and Mr Wolsdorf dating from 28 December 2008 and 27 December 2008 respectively provide for the payment of a loyalty bonus if, at the end of the year, Mr Haselsteiner or Mr Wolsdorf have not given notice to end their employment relationship with the Company.

In 2008 Mr Utecht's remuneration included a non-recurrent payment of EUR 230,000. This was made in lieu of contractually agreed salary components which could no longer be paid owing to the change in the shareholder structure. Mr Goris was appointed to the Management Board on 30 October 2008 and the remuneration figures for 2008 therefore show remuneration for the period from 1 November 2008 to 31 December 2008.

In the period under review, the members of the Management Board did not hold any stock options or comparable remuneration components with a long-term incentive effect or risk character. No special commitments were made in the event of one of the members of the Management Board retiring from office. 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 financial year 2009.

**Remuneration of the members of the Supervisory Board**

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

In the year under review, altogether EUR 26,000 was paid in fixed salaries and remuneration for attendance at meetings. No payments were made 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 financial year 2009.

## Explanation of Company management

### Corporate management practices

The responsible, transparent business management structure aimed at value creation is based on current legislation, the Articles of Association and the internationally recognised standards summarised in the German Corporate Governance Code. In the Interhyp Group there are no written policies, practices or codes that go beyond the statutory requirements. This situation has to do primarily with the size of our Group and the ensuing rationale.

A key concern of the Interhyp Group management is that our employees should be valued irrespective of their nationality, culture, religion, sex or age. Our social responsibility includes many preventive measures regarding job security and organisation; these afford our employees the best possible protection and ensure a positive working environment.

We expect our employees to be fair, open and tolerant in their dealings with employees and business partners as well as to think and act in a business-like manner.

A further aspect concerns responsibility towards our parent company and to the other shareholders. The opportunities for growth, the achievement of returns and the strengthening of our market position are our key corporate management issues.

High priority is also given to ensuring consistent, comprehensive and prompt information about the Company's business position. This involves the use of ad hoc messages, press and telephone conferences, and annual reports.

### Working method of the Management Board and the Supervisory Board

The Management Board determines the business goals for the entire Interhyp Group and is in charge of corporate management. The risk management system makes it easier for the Management Board to detect business and financial risks at an early stage. The Management Board reports regularly to the Supervisory Board. A Directors & Officers (D&O) insurance policy has been taken out to cover cases involving the liability of the Management Board and the Supervisory Board.

The Supervisory Board is the Interhyp Group's supervisory and advisory body. It keeps up to date with current developments within the Group at regular meetings and plays a decisive role in strategic decision-making procedures.

# Imprint

## Imprint

**Management Board**
Michiel Goris
Robert Haselsteiner
Jörg Utecht
Marcus Wolsdorf

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

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