

Annual Report **2010**

Key figures (in EUR m)

	2010	2009	+/-
Mortgage volume	6,871	5,236	+31 %
Net revenue	76.2	56.5	+35 %
EBIT	8.4	2.3	+269 %
Consolidated net income	6.1	2.1	+186 %
Earnings per share (undiluted)	0.73	0.27	

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Preface by the Management Board

Dear Shareholders,

Last year convincingly confirmed the strength of our business model and the correctness of the improvements initiated in 2009: With almost 300 banks in our platform at present, we offer our customers the most comprehensive overview of products in the German mortgage market and thus facilitate customized financing solutions for a wide range of requirements. On the back of an economic environment which makes investments in property very interesting, we set a new corporate record in 2010 with a successfully brokered financing volume of EUR 6.9 billion. The other indicators developed extremely positively as well. Net revenues rose to EUR 76.2 million, while the result before interest and taxes climbed to EUR 8.4 million and the surplus stood at EUR 4.8 million.

This proves: A growing number of consumers are seeking an independent broker for residential mortgages. In 2011 we will continue to leverage this trend to achieve greater growth.

Best regards,

The Management Board



Michiel Goris
Board Member



Robert Haselsteiner
Co-CEO



Mirjam Mohr
Board Member



Benjamin Papo
Board Member



Jörg Utecht
Board Member



Marcus Wolsdorf
Co-CEO

The Share

The Interhyp share began the year at EUR 60.90. In the course of the year, the share rose until June to some EUR 80 and fell by the end of the financial year to EUR 62.75. The trading volume throughout the financial year was barely perceptible.

Shareholder structure

The free float of Interhyp shares contracted from 0.85% to 0.38% in the past financial year. As a result the non-free float holdings of ING Direct rose from 99.15% to 99.62% at 31 December 2010.

Interhyp financial calendar 2011

Date	Activity
24 May 2011	General Shareholders' Meeting 2010

Information on the Interhyp share

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

Group Management Report

General Economic Conditions

Economic development

In 2010 huge support measures taken by governments and central banks in response to the financial crisis have on the one hand resulted in a strong recovery of the global economy but on the other the first negative consequences of the crisis in the form of drastic rise in debt ratios in certain countries have emerged. While the US is still suffering from the collapse of the real estate market and the resulting sharp decline in private consumption, the BRIC countries as well as Germany have developed into growth engines. Basically, it was apparent that countries with a competitive economic structure and low debt ratios are coming out of the crisis stronger. In contrast, the plight of countries with structural weaknesses and high debt ratios is worsening. Japan, Greece, Ireland as well as Portugal and Spain are examples of this trend. But the US, seemingly overwhelmed by its debt problems, is also a candidate for this category. This development has led to massive movements of capital to the BRIC countries, bringing the currencies of these countries under upward pressure. The value of the dollar, in contrast, has slipped since in particular the loose monetary policy and the Fed's strategy of financing the budget deficit by purchasing US Treasuries is viewed with great concern. So far the ECB has been able to resist pressure from policy-makers, but the question is for how long. In the US, investor scepticism beginning in September led to higher capital market interest rates, and the downward trend observed over the last 30 years for long-term interest rates seem to have come to a halt. Fear of inflation generated by the central bank is driving yields up. In the euro zone as well, the interest trend has reversed since it has been becoming increasingly clear that the unity of the euro zone can only be guaranteed by some form of a transfer union in which a few countries pay, namely Germany, Netherlands, Austria and Luxembourg, while the number of deficit artists grows. France would like to be counted as one of the stable countries, but basically prefers to flirt with the lax discipline of the Spanish and Italians. While in the first half of 2010, German Bunds were in demand as a refuge for Eurosceptics, the tide has turned here, too. As debtor of last resort, Germany must stand up for the other countries in the euro zone and this means that financing costs are rising at home. This is the price for the unconditional support of the common currency to which Ms. Merkel sees no alternative at present. We assume that against this background the risk premiums for long-term bonds and for weaker securities will rise in 2011.

Sector development

The volume of new business for residential mortgages in Germany for 2010 reported by the German Bundesbank amounting to EUR 185.0 billion represents a decline of 5% compared with the EUR 195.2 billion in 2009. However, new construction remained the weakest segment in 2010 as well. While building permits in 2010 grew compared with 2009, the absolute number remains at an historically weak level. The demand for existing property increased noticeably in 2010. No positive trend was detected for prices for existing property across the entire German market in 2010 either. On the whole, the development of the German residential property market in 2010 was disappointing. Follow-up financing played a lesser role in 2010 than in 2009, a fact which was reflected in the decline in the volume of new business in Bundesbank 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 250 commercial banks, savings banks and insurance companies. We focus on competent, personal and objective consulting by our approximately 316 mortgage consultants.

Private customers receive advice from our homepage www.interhyp.de and through 23 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.

The claim to commission for arranging the loan arises when the mortgage is successfully closed.

Legal structure

ING Direct N.V., Hoofddorp, Amsterdam has a holding of 99.62 % 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 MPL 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.

Distribution 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 with the help of the Interhyp Group 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 distribution 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.

Sub-offices

In addition, Interhyp maintains sub-offices in five additional cities which are operated by independent sales agents providing service for local customers. Interhyp plans to continue increasing the number of sub-offices.

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 partners 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 strong 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 2010 financial year, we succeeded in expanding our offers to include the products of over 250 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 as Dr. Klein & Co. AG (part of Hypoport AG) and Planethome (wholly-owned subsidiary of HypoVereinsbank) as well as independent financial service providers.

However, a number of competitors from the banking sector have recognised the value-added of complementing their existing traditional sales channels with independent broker distribution and are exploiting their growth opportunities as a producer by 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

Quantitative and qualitative earnings indicators for management purposes can be derived based on the above factors. 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 Bundesbank. 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.

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

In 2010 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 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. Despite this background, Interhyp expects an improvement in its earnings position for 2011. Nevertheless, we remain committed to our long-term goal of expanding our market share in the residential mortgage business.

Non-financial goals

Interhyp has established itself as the market leader among the providers of residential mortgages. In 2010, 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 2010 by the prestigious awards we won for the quality of our consulting and the service we offer:

- In March 2010 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 2010, for the fifth consecutive time, Interhyp was ranked "Best Mortgage Financer" by the business magazine *€uro* in a survey commissioned by *€uro* and conducted by the research institute 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 2010: At the end of 2010, Interhyp consultants could access over 250 active bank partners for their customers. 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. 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 "I am 100 banks". 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 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 2010, for example, we succeeded in winning HUK COBURG and CHECK 24 for which we handle the entire processing of their residential mortgage business.

Strategic holdings

Our subsidiary MLP Hyp GmbH which was established together with the financial service provider MLP has been in operation since 2007. The purpose of the company is to give MLP advisors access to the eHyp product and system platform for residential mortgages and provide selective support in matters relating to mortgages. The company is headquartered in Schwetzingen. Interhyp holds 50.2% of the shares in MLP Hyp GmbH, while MLP holds the remaining 49.8%. Operative management lies with Interhyp AG which also appoints the managers.

Research and Development

Work in software development in 2010 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 968 thousand. The R&D ratio thus amounted to 1.3% of net revenues.

Organisation

Interhyp has a central management structure with six 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 2010 (2009) the members of the Management Board received the following total remuneration (in thousands of euros):

In EUR thousand					
	Total	Of which fixed	Of which other components	Of which performance based	Of which retention bonus
Michiel Goris	718 (530)	250 (250)	143 (92)	325 (188)	– (–)
Robert Haselsteiner	2,065 (1,975)	300 (350)	15 (8)	250 (117)	1,500 (1,500)
Mirjam Mohr	450 (–)	207 (–)	10 (–)	233 (–)	– (–)
Benjamin Papo	374 (–)	173 (–)	6 (–)	195 (–)	– (–)
Jörg Utecht	541 (381)	220 (200)	11 (10)	310 (171)	– (–)
Marcus Wolsdorf	2,069 (1,979)	300 (350)	19 (12)	250 (117)	1,500 (1,500)

The remuneration system for the Supervisory Board provides for fixed components which vary depending on the office held and 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 2007 stock option programme a cash settlement in 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)

	Ordinary shares at end of December 2010 (units)	Share of common stock (%)	Ordinary shares at end of 2009 (units)	Share of common stock (%)
ING Direct	6,568,656	99.62	6,537,779	99.15
Other shareholders	24,869	0.38	55,746	0.85
Total	6,593,525	100.00	6,593,525	100.00

Appointment and dismissal of members of the Management Board, amendments 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 Shareholders' Meeting of 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 Shareholders' Meeting 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. No capital increase was effected.

Conditional capital

The registered capital of the Company was conditionally increased by up to altogether EUR 97,462 through the issue of up to 97,462 new no-par registered shares with an arithmetical share of the registered capital of EUR 1.00 by resolution of the General Shareholders' Meeting of 13 September 2005 (contingent capital 2005/IV). A conditional capital increase is only granted provided that the holders of subscription rights issued by the Company in the scope of the Company's stock option programme exercise their subscription rights and provided that the Company does not issue treasury stock in exercising its own subscription rights. The new stocks participate in the profits of the Company from the beginning of the financial year in which they arise through exercising subscription rights. The Management Board is authorised with the approval of the Supervisory Board to stipulate further details of the conditional capital increase. Conditional capital 2005/IV serves exclusively to ensure subscription rights from stock options which have been issued on the basis of the authorisation of the Shareholders' Meeting of 13 September 2005. The corresponding entry has been made in the Commercial Register. As of 31 December 2010, contingent capital totalled EUR 97,462 (previous year: 97,462).

Authorisation to acquire the Company's own shares

At the General Shareholders' Meeting on 29 May 2009, it was resolved to authorise the Company up to 28 November 2010 to purchase its own shares 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. The Management Board has not made use of the authorisation to acquire treasury stock.

Squeeze-out request

On 15 February 2010, ING Direct N.V. informed Interhyp AG that ING Direct N.V. on the same day had retracted the application of 24 October 2008 to transfer the remaining ordinary voting shares of Interhyp shareholders in return for an adequate cash compensation within the scope of a squeeze-out in accordance with the Securities Acquisition and Takeover Act.

In a letter dated 24 November 2010 to the Management Board of Interhyp AG, ING Direct N.V., as majority shareholder, requested to have the Shareholders' Meeting of Interhyp AG transfer the no-par registered shares of the remaining shareholders of Interhyp AG (minority shares) to ING Direct N.V. (majority shareholder) in return for an adequate cash compensation in accordance with the squeeze-out of minority shareholders pursuant to Sections 327a ff. of the German Stock Corporation Act and to take all necessary measures and steps to this end. Interhyp AG received this letter on 25 November 2010. The resolution on the squeeze-out of the remaining shareholders (minority shareholders) is to be adopted at the next Shareholders' Meeting of Interhyp AG on 24 May 2011.

General Legal Conditions

The core activity of residential mortgage brokerage in Germany is regulated in principle by the Trade, Commercial and Industry Regulation Ordinance 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 required to undergo an annual audit according to Section 16 (1) of the above ordinance. The most important legal regulations refer to the disclosure of certain information to the authorities and to proper record retention.

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

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

Interhyp AG 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 2010 rose to EUR 102.1 million (+48%).

The basis for this trend in revenues is, among other things, the development of the volume of closed mortgages which expanded 31.23%, namely from EUR 5.24 billion to EUR 6.87 billion.

In 2010, 43,766 mortgages were successfully brokered (previous year: 36,040).

The share of the mortgage volume from our brokerage business contracted slightly to 43% (previous year: 46.3%).

Development of Earnings

Earnings before interest and taxes (EBIT) came to EUR 8.4 million or around 3.7 times the comparable figure for the previous year (EUR 2.3 million). This increase reflects the situation in terms of demand while distribution costs were disproportionately low.

Net interest income in 2010 came to EUR 0.66 million and is thus down 42% 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) rose 173% compared with the previous year from EUR 3.3 million to EUR 9.1 million.

Consolidated net income

Consolidated net income before minorities amounted to EUR 6.1 million in the financial year just ended. It rose by 186% compared with the previous year (EUR 2.1 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 4.8 million (previous year: EUR 1.8 million).

Income taxes

A tax rate of 32.9% was applied in the 2010 reporting period. Tax expense amounted to around EUR 3 million.

Earnings per share

Based on the average number of 6,593,525 outstanding shares, a profit of EUR 0.73 was generated. In 2009, the per-share profit stood at EUR 0.27.

Proposal for profit distribution

In agreement with the Supervisory Board, the Management Board proposes to carry forward the net accumulated profit of EUR 13,214,062.66.

Accounting policy

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

Development of Segments

In 2010 Interhyp posted strong growth due to its resources and excellent positioning in the market. This was also due to a better situation in terms of demand on the overall market which was decidedly better than in 2009. The competitiveness and financing appetite of product suppliers on our platform also increased on the back of newly acquired partners. Initiatives undertaken in the 2009 which was a year of adjustment already showed their effectiveness in the year just ended.

Interhyp was able to further expand business both in the Direct Channel as well as in the Intermediary Channel thanks to its strong positioning in its core market of mortgage financing. Compared with the mortgage volume of the previous year, both segments posted growth of 34% and 28% respectively.

Direct Channel

In the financial year just ended, a mortgage volume of EUR 3,762 billion ((2009: EUR 2,811 billion) was placed under the Interhyp brand.

Net revenue in the Direct Channel in the reporting period amounted to EUR 52.2 million, representing an increase of 39.3% compared with the EUR 37.5 million in the year before.

As a result, 51.1% (2009: 54.4%) 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 3.11 billion, rose 28.5% (2009: EUR 2.42 billion). Net revenue in the reporting period came to EUR 24 million, representing an increase of 26.4% compared with EUR 19 million in 2009.

The Intermediary Channel's contribution to net revenue in the financial year just ended amounted to 23.5% compared with 27.6% 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

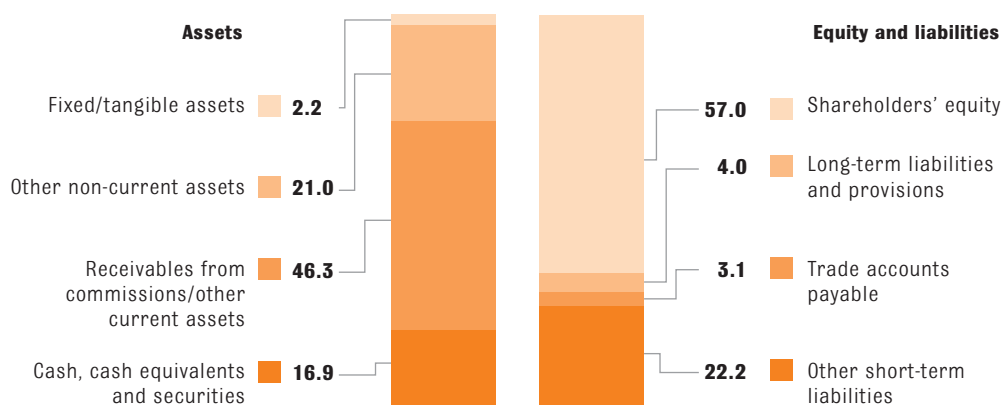
Our equity ratio remains very robust. Nevertheless, at 66%, it contracted compared with the previous year's level (76.1%). This development is due to the rise of liabilities at yearend.

Borrowed capital continued to consist mainly of short-term liabilities (86.5% of borrowed capital in 2010 compared with 98.1% in the previous year).

Balance Sheet

The total assets of Interhyp in 2010 rose compared with the previous year from EUR 67.3 million to EUR 86.4 million. Below you will find an overview of the balance sheet structure.

Balance sheet structure (in EUR m)



Assets

Fixed assets rose from EUR 1.7 million at the end of 2009 to EUR 2.1 million in the financial year just ended.

Short-term receivables from commissions, at EUR 15.1 million, were higher than at the end of 2009 (EUR 10.0 million) due to larger revenues. Receivables include those from banks, insurance companies and building societies with high credit standing.

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 5.85 million, mainly through net income.

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 on the reporting date in the period under review from EUR 13.2 million to EUR 18.9 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 rose by EUR 2.6 million to EUR 3.2 million.

Cash Flow

Cash flow from ongoing business activity is unchanged from the year before (EUR 13.8 million).

Cash flow from investment activities, at minus EUR 8.1 million in 2010 (compared with minus EUR 19.7 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 0.37 million. It consisted of the payment of a dividend for the financial year 2009 to minorities of MLP Hyp GmbH (previous year: minus EUR 0.67 million).

Cash and cash equivalents totalled EUR 16.9 million at 31 December 2010, while they amounted to EUR 11.6 million at the beginning of the reporting period.

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 possesses sound expertise and broad experience when it comes to organisation and procedures for top-notch 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 73 salaried employees to a total of 577 (2009: 504 employees). We focused on recruiting mortgage consultants.

Personnel expenses in the period under review increased 26% to EUR 41.5 million, (previous year: EUR 32.9 million).

Employees by function and segment (year-end)		
	2010	2009
Sales and sales-related*	470	405
of which mortgage consultants	316	268
• Direct Channel	239	196
• Intermediary Channel	77	72
Non-sales	125	103
Total employees	595	508

* 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 close contact with lending partners. However, the products are implemented and priced by the mortgage lenders. In the innovation process, Interhyp concentrates on supplying ideas and introducing them into the sales channels. Developments which expand Interhyp's product range and which have appropriate sales potential are evaluated and integrated into the software platform. Our own sales force and Prohyp partners are trained and the product is marketed with ongoing support for the sales force.

Supplementary Report

No events of particular significance 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, assess and manage risk.

The subsidiaries in the Interhyp Group are also 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 2010 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 also 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 2011 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 the 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 departments and the companies included in consolidated financial statements;

- Preventive control measures in finance and accounting in the Group and the companies included in the consolidated financial statements as well as in operative, performance-related corporate processes which generate important information for preparing the consolidated financial statements including the Group Management Report with a functional separation of pre-defined approval processes in relevant areas;
- Measures which ensure the proper computerised processing of facts and data related to the consolidated financial statements;
- Establishment of an internal audit system to monitor internal control and risk management systems related to the consolidated financial statements;
- Additionally, the Group has implemented a risk management system on the Group-wide financial reporting process containing measures to identify and assess major risks and corresponding risk-containment measures to ensure 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 2011.

We have a far-reaching network of 18 regional offices in large German cities. In 2011 we will continue to expand our market share in the local environment through independent representatives.

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 2010, 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 between 3% and 4% 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

We expect continued strong growth in the BRIC countries and in Germany in 2011. Countries rich in resources such as Canada, Australia and Russia should perform well. The recovery in the US will remain weak and a number of European countries will remain more or less stagnant in 2011, so the budgets and degrees of debt will stay under pressure in these countries. This split in growth creates an ever-growing problem for the central banks since in a world of economies moving at such diverse speeds it is very difficult to establish the right key interest rates and the right monetary policy without simultaneously laying the path for the next bubbles. We do not foresee any increase in the key interest rates in the US or the euro zone in 2011. However, since increases are expected in 2012, yield curves will become steeper.

We believe that the housing market will develop very favorably. Mortgage rates which are still very acceptable coupled with strong economic growth, rising employment and higher wages offer a perfect environment for the housing market. We expect both more business in the market for new housing construction and price rises in the secondary market. Measured in terms of the volume of new business according to Bundesbank statistics, which also contain follow-up mortgages and internal resets, we expect an annual volume of EUR 180 to EUR 190 billion.

Expected performance

For the current financial year of 2011, we will concentrate on acquiring further market share and aim at achieving a slight improvement in earnings. For the financial year of 2012 we expect that we will be able to profit from the positive course of the 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 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, insurance companies 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 2010 in EUR

	Notes	01.01.–31.12.2010	01.01.–31.12.2009	+/-
Revenues	(13)	102,105,914	68,882,036	48 %
Cost of services purchased	(14)	25,893,186	12,403,856	109 %
Net revenues		76,212,728	56,478,180	35 %
Personnel expenses	(14)	41,531,454	32,918,860	26 %
Other operating expenses	(15)	25,012,504	19,728,231	27 %
thereof marketing		14,705,247	10,441,740	41 %
Amortisation and depreciation	(1), (2)	1,270,989	1,553,252	(18 %)
Earnings before interest and taxes (EBIT)		8,397,780	2,277,837	269 %
Share of results from investments in associates		0	(96,959)	
Interest income		685,372	1,148,171	(40 %)
Interest expense		24,960	11,604	115 %
Net interest income	(17)	660,412	1,136,567	(42 %)
Net income before income taxes (EBT)		9,058,192	3,317,445	173 %
Income taxes	(16)	(2,977,881)	(1,189,065)	150 %
Comprehensive net income		6,080,311	2,128,380	186 %
thereof: share of third-party associates		1,254,455	368,083	241 %
Comprehensive net income in regard to associates of the corporation		4,825,856	1,760,297	174 %
Earnings per share IAS 33	Notes	01.01.–31.12.2010	01.01.–31.12.2009	
Net income in regard to associates of the corporation		4,825,856	1,760,297	
Weighted average of shares outstanding		6,593,525	6,593,525	
Earnings per share (undiluted)	(19)	0.73	0.27	
Weighted average of potential shares, adjusted for dilution effects		6,593,559	6,593,559	
Earnings per share (diluted)	(19)	0.73	0.27	

Consolidated balance sheet of Interhyp AG as at 31 December 2010 in EUR

Assets	Notes	as at 31.12.2010	as at 31.12.2009
Non-current assets			
Intangible assets	(1)	104,318	209,352
Fixed assets	(2)	2,117,902	1,687,741
Receivables from commissions	(3)	750,310	638,549
Financial assets	(4)	18,000,000	20,000,000
Other assets	(5)	818,464	658,237
Deferred tax assets	(18)	1,440,831	90,408
		23,231,826	23,284,287
Current assets			
Receivables from commissions	(3)	15,143,100	10,019,505
Other financial assets	(4)	30,000,000	21,000,000
Other assets	(5)	1,085,865	1,235,822
Tax receivable		0	171,287
Cash and cash equivalents	(6)	16,890,172	11,570,081
		63,119,136	43,996,695
Total assets		86,350,962	67,280,982
Equity and liabilities			
	Notes	as at 31.12.2010	as at 31.12.2009
Shareholders equity			
	(7)		
Common stock		6,593,525	6,593,525
Additional paid-in capital		32,191,153	32,053,641
Net accumulated profit		15,500,032	10,674,176
Equity in regard to associates of the corporation		54,284,711	49,321,343
Share of third-party associates		2,759,411	1,873,039
		57,044,122	51,194,382
Long-term liabilities and provisions			
Other provisions	(8)	223,657	219,119
Deferred tax liabilities	(17)	35,797	27,346
Other liabilities	(12)	3,690,585	60,188
		3,950,039	306,653
Short-term liabilities and provisions			
Trade accounts payable	(10)	3,125,075	1,882,970
Other provisions	(8)	153,200	91,900
Tax liabilities	(9)	3,208,133	636,556
Other liabilities	(12)	11,475,561	8,689,798
Other financial liabilities	(11)	7,394,831	4,478,723
		25,356,801	15,779,948
Total equity and liabilities		86,350,962	67,280,982

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
01.01.2009		6,593,525	32,197,999	8,913,879	47,705,403	2,179,224	49,884,628
Group result		0	0	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 shareholders of Interhyp AG		0	0	(674,268)	(674,268)		(674,268)
Expense from the issuance of convertible bonds and stock options	(6)	0	198,843	0	198,843	0	198,843
Cash settlement for stock options	(6)	0	(343,200)	0	(343,200)	0	(343,200)
31.12.2009		6,593,525	32,053,641	9,999,908	48,647,074	2,547,307	51,194,382
Group result				4,825,856	4,825,856	1,254,455	6,080,311
Total		0	0	4,825,856	4,825,856	1,254,455	6,080,311
Classification to "dividends to minorities"		0	0	674,268	674,268	(674,268)	0
Dividends to minorities	(18)	0	0	0	0	(368,083)	(368,083)
Expense from the issuance of convertible bonds and stock options	(6)	0	137,512	0	137,512	0	137,512
31.12.2010		6,593,525	32,191,153	15,500,032	54,284,711	2,759,411	57,044,122

Consolidated cash flow statement of Interhyp AG as at 31 December 2010 in EUR

	Notes	01.01.–31.12.2010	01.01.–31.12.2009
Consolidated net income in regard to associates of the corporation		4,825,856	1,760,297
Share of results of third-party associates		1,254,455	368,083
Income tax	(18)	(2,977,881)	(1,189,065)
Earnings before income tax		9,058,192	3,317,445
Adjustments:			
Amortisation and depreciation of non-current assets	(1), (2)	1,270,989	1,553,252
Net interest income	(17)	(660,412)	(1,136,567)
Share of the result of investments in associates		0	96,959
Expense from the issuance of convertible bonds and stock options	(7)	137,512	198,843
Increase in receivables and other assets	(3), (4)	(5,031,186)	10,721,137
Increase in provisions	(8)	65,838	(255,653)
Increase in liabilities	(10), (12)	10,555,174	1,550,518
Income tax paid	(18)	(1,576,989)	(2,189,888)
Interest paid	(17)	(5,760)	(11,604)
Net cash from operating activities		13,813,358	13,844,440
Cash paid for investments in non-current assets	(1), (2)	(1,596,117)	(531,533)
Cash paid for investments in associates		0	(96,959)
Cash paid from disposal of fixed assets	(1), (2)	0	2,894
Interest received		470,933	939,349
Cash paid and received for fixed-term deposits, long-term	(4)	2,000,000	(20,000,000)
Cash paid for fixed-term deposits, short-term	(4)	(9,000,000)	0
Net cash from investing activities		(8,125,183)	(19,686,250)
Cash paid for dividends to shareholders of Interhyp AG	(20)	(368,083)	(674,268)
Net cash from financing activities		(368,083)	(674,268)
Changes in cash and cash equivalents		5,320,091	(6,516,079)
Cash and cash equivalents at the beginning of the period		11,570,081	18,086,159
Cash and cash equivalents at the end of the period	(6)	16,890,172	11,570,081

Notes to the Consolidated Financial Statements

as of 31 December 2010 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 2010, 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 25 February 2011, the Management Board prepared the consolidated financial statements of Interhyp AG for the financial year ending 31 December 2010 which will be presented to the Supervisory Board 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.

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. As last year, the consolidated financial statements did not contain any components which affect income since there are no such components in the Group.

The IASB has announced the standards and interpretations listed below which have already been adopted in EU law within the scope of the comitology procedure, but whose application was not yet obligatory in the 2010 financial year. The Group does not apply these standards ahead of schedule. However, the Group does not expect that application of these amendments will have any significant impact on the net assets, financial position and operating results of the Group.

Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

Standard/ Interpretation	Planned Applicable effective from	Status of EU application at Interhyp	Endorsements
Amendment of IFRS 1	1 Jan. 2011	Financial year 2011	Yes
IAS 24	1 Jan. 2011	Financial year 2011	Yes
Amendment of IAS 32	1 Feb. 2010	Financial year 2011	Yes
Amendment of FRIC 14	1 Jan. 2011	Financial year 2011	Yes
Amendment of IFRS 1	1 July 2011	Financial year 2012	No
Amendment of IFRS 9	1 Jan. 2013	Financial year 2013	No
Development of IFRS 9	1 Jan. 2013	Financial year 2013	No
Amendment of IAS 12	1 Jan. 2012	Financial year 2012	No
Improvements in IFRS 2010	Various information, earliest 1 July 2010	Financial year 2011	No

The amendment to IFRS 1 was issued in January 2010 and is effective for annual periods beginning on or after July 1, 2011. The amendment allows first-time adopters of IFRSs to make use of the transition provisions applicable for the amendment to IFRS 7 – Improving Disclosures about Financial Instruments issued in March 2009. These rules relieve entities from providing the additional disclosures in the notes to the financial statements in the first year of application.

IAS 24 – Related Party Disclosures

The revised IAS 24 was issued in November 2009 and is effective for annual periods beginning on or after January 1, 2011. The revision serves two main purposes. First, the definition of related parties has been simplified to make it easier to identify transactions with related parties. Second, it provides a partial exemption for government-related entities from the obligation to disclose transactions with parties related to this government-related entity and other parties related to this government-related entity. The standard is subject to retrospective application.

Amendment to IAS 32 – Classification of Rights Issues

The amendment to IAS 32 was issued in October 2009 and is effective for annual periods beginning on or after February 1, 2010. The definition of a financial liability has been amended to allow certain right issues (rights, options and warrants) to be classified as equity if the entity offers these rights to all existing shareholders of the same class of non-derivative equity instruments in order to acquire a fixed number of equity instruments issued by the entity for a fixed amount in any currency. The standard is subject to retrospective application.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement

The amendment to IFRIC 14 was issued in November 2009 and is effective for annual periods beginning on or after January 1, 2011. The application of IFRIC 14 issued in July 2007, which was intended to limit an asset arising from a defined benefit plan to its recoverable amount, had a number of unintended consequences for entities in some countries. The amendment permits entities to recognize an asset for prepayments of a minimum funding requirement. The amendment is subject to retrospective application.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was issued in November 2009 and is effective for annual periods beginning on or after July 1, 2010. This interpretation clarifies that an entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability compliant with IAS 39.41. The equity instruments issued are measured at their fair value. If this cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the liability extinguished. Any ensuing gains or losses are recognized directly in profit or loss for the period. The amendment is subject to retrospective application.

Amendment to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendment to IFRS 1 was issued in December 2010 and is effective for annual periods beginning on or after July 1, 2011. The amendment removes fixed dates for derecognition and the rules regarding the disclosure of a profit or loss at the transition date compliant with IFRS 1 and replaces these with the date of transition to IFRSs. The amendment also clarifies how an entity should resume presenting financial statements in accordance with IFRSs after a period of severe hyperinflation during which it had been unable to comply with IFRSs due to the functional currency being subject to severe hyperinflation.

Amendment to IFRS 7 – Disclosures – Transfers of Financial Assets

The amendment to IFRS 7 was issued in October and is effective for annual periods beginning on or after July 1, 2011. The amendment demands wide-ranging new qualitative and quantitative disclosures regarding transferred financial assets that are not derecognized, and regarding any continuing involvement of the transferring entity in the transferred financial assets at the reporting date.

Financial Instruments: Classification and Measurement

The first part of the first phase of completing IFRS 9 Financial Instruments was issued in November 2009 and is effective for annual periods beginning on or after January 1, 2013. The standard contains new provisions regarding the classification and measurement of financial assets, under which debt instruments are to be recognized at either amortized cost or fair value through profit or loss depending on their respective characteristics and taking into account the reporting entity's business model. Equity instruments are always recognized at fair value. Changes in the value of equity instruments may, however, be recognized in other comprehensive income on account of the instrument-specific option granted that may be exercised when the financial instrument is first recognized. In this case, only certain dividend income would be recognized in profit or loss for equity instruments. Financial assets that are held for trading and that must be measured at fair value through profit or loss form an exception. The IASB completed the second part of the first phase of the project in October 2010, when the provisions regarding financial liabilities were added to the standard. The existing classification and measurement provisions for financial liabilities are to be retained with the following exceptions: the effects of changes in the own credit amounts in financial liabilities measured at fair value through profit or loss must be recognized in other comprehensive income; and derivative liabilities on unlisted equity instruments may no longer be recognized at cost. The date of obligatory application remains unchanged (January 1, 2013). Entities are, however, permitted to apply the provisions in the 2009 version early and separately from the rules regarding financial liabilities. Early application of the rules regarding financial liabilities is also permitted, but only in conjunction with the 2009 version. The standard is subject to retrospective application.

Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets

The amendment to IAS 12 was issued in December 2010 and is effective for annual periods beginning on or after January 1, 2012. The amendment allows for deferred tax assets and liabilities to be recognized for certain assets on the basis of the presumption that the carrying amount of such assets will be recovered in full through sale.

Improvements to IFRS 2010

The IASB has issued improvements to IFRSs, an omnibus of amendments to its standards. The improvements have not been applied as they are applicable for fiscal years that begin on or after July 1, 2010 or January 1, 2011. Sound commercial judgment suggests that the amendments listed below could have a potential impact on the financial statements.

IFRS 3	Corporate mergers
IFRS 7	Financial instruments: Information
IAS 1	Presentation of financial statements
IAS 27	Consolidated and separate financial statements
IFRIC 13	Customer loyalty programmes

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:

- 100 % of Prohyp GmbH, Munich,
- 100 % of Hausfinanz Beratungsgesellschaft mbH, Munich, plus
- 50.2 % of MLP Hyp GmbH, Schwetzingen.

Prohyp GmbH, Munich, and Hausfinanz Beratungsgesellschaft mbH, Munich, made use of the exemption regulation of Section 264 (3) of the German Commercial Code in the financial year 2010.

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 shareholders (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 operating leasing arrangements

The Group has determined that all substantial risks and rewards related to property and articles leased within the context of operating 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 payments

The costs from granting equity capital instruments to Group employees are assessed at the fair value of these instruments when granted. A suitable valuation procedure must be fixed to establish the fair value. This depends on the conditions for granting the instruments. Furthermore, suitable data must be selected for this valuation process, including in particular the presumed life of the option, volatility, dividend yields and corresponding assumptions. The assumptions and procedures applied for estimating the fair value of share-based payments are presented in No. 6 Equity

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 the current market estimates and specific risks of the property being 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 is equivalent to its actual cash value at the time of acquisition.

Intangible assets are stated in the following periods at the acquisition or production cost 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 and software licences, 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 968 thousand (previous year: EUR 1,139 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 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 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. The estimated costs for demolition and clearing away of assets were included in acquisition and production costs. All other maintenance costs are immediately reported in the income statement. 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 retired 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 retirement 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 and adjusted if necessary.

Leasing

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

The Group as lessee

Financial leasing arrangements in which all the basic risks and rewards related to ownership of the transferred asset are transferred to the Group are capitalised at the beginning of the leasing arrangement at the actual cash value of the leased object, or the cash value of the minimum leasing payments if this value is lower. Leasing payments are thus divided into their components of financing expenditure and repayment of the leasing liability in such a way that the remaining residual book value of the leasing liability is accounted for against a constant interest rate. Financing expenditure is recorded immediately in the income statement. If transfer of ownership to the Group at the end of the term of the leasing arrangement is not sufficiently certain, the capitalised leased objects are completely written off over the shorter of the two periods of expected useful life and the term of the leasing arrangement.

The Group does not have any financial leasing arrangements.

Expenditure on operating leasing arrangements is reported directly as expenditure in the income statement on a straight-line basis over the term of the leasing arrangement. Corresponding future liabilities from operating leasing arrangements are reported on under other financial liabilities under 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 previous years. Such a reversal of impairment losses is immediately reported in the period in which it occurred.

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 loss

At 31 December 2010 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

At 31 December 2010 no assets were reported at "held-to-maturity" (previous year: 0).

Loans and receivables

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

Available-for-Sale financial assets (AFS)

At 31 December 2010 no assets were reported at „available-for-sale“ (previous year: 0).

Fair value through profit or loss

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

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 the income statement.

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 the income statement.

Cash and cash equivalents

Cash and cash equivalents and short-term investments on the balance sheet include cash balances, bank deposits and short-term investments whose realisation is expected within the next three months. Cash and cash equivalents are recognised in the consolidated cash flow statement according to the above definition.

Taxation

Effective tax assets and tax liabilities

Effective tax assets and tax liabilities for the current period and earlier periods are valued at the amount at which a claim from, or payment to, the tax authorities is expected. The calculation is based on the tax rates and tax regulations applicable on the balance sheet date. Actual taxes relating to items which are recorded directly in shareholders' equity are entered in shareholders' equity and not in the income statement.

Deferred taxation

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

For deductible temporary differences, deferred tax assets, unused tax losses carried forward and unused tax credits are reported to the extent it is likely that taxable income will be available against which the deductible temporary differences and the unused tax losses carried forward and tax credits can be used, with the exception of deferred tax assets from deductible temporary differences in connection with holdings in the subsidiaries and associated companies, if it is likely that they will not be reversed in the foreseeable future and no sufficient taxable income will be available against which the temporary differences can be applied. The book value of deferred tax assets is verified on every reporting date and reduced to the extent to which it is unlikely that sufficient taxable income will be available against which at least part of the deferred tax assets can be applied. Unstated deferred 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 derecognised and within the scope of amortisation.

Financial liabilities at fair value through profit or loss

At 31 December 2010, no financial liabilities were designated as assessed at fair value through profit or loss (previous year: 0).

Liabilities from financial guarantees

At 31 December 2010, no financial liabilities were designated as financial guarantees (previous year: 0).

Derivative financial instruments and hedging transactions

The Company holds no derivative financial instruments.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised if one of the three following prerequisites is fulfilled: (i) the contractual rights to receive cash flows from a financial asset cease to exist, (ii) the Group retains its rights to receive cash flows from financial assets but assumes a contractual obligation to effect immediate payment of the cash flow to a third party within the scope of 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 creditor with essentially different contractual terms, or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and the statement of a new liability. The difference between the two book values is entered in the income statement.

Revenue recognition

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

Performance of services

Revenue is generated in the Direct and Intermediary Channel. Revenue consists primarily of mortgage broking 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.

Reporting changes

In the financial year the financial assets, other assets, other financial liabilities and other liabilities were reported separately to increase the transparency of the financial statements. The same procedure was applied to the figures for the previous year in the interest of comparability.

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

Financial assets	Category according to IAS 39	Book values at	
		31.12.2010	31.12.2009
Cash and cash equivalents	Loans and Receivables	16,890	11,570
Short-term receivables from commissions	Loans and Receivables	15,143	10,020
Long-term receivables from commissions	Loans and Receivables	750	639
Other short-term assets	Loans and Receivables	30,583	21,829
Other long-term assets	Loans and Receivables	18,818	20,658
Summarised according to the assessment category from IAS 39			
Receivables		82,184	64,717
Financial liabilities			
Trade accounts payable	Financial liabilities (at amortised cost)	3,125	1,883
Other financial short-term liabilities	Financial liabilities (at amortised cost)	7,394	4,479
Summarised according to the assessment category from IAS 39			
Financial liabilities (at amortised cost)		10,519	6,361

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. The disposals refer to the retirement of operating and office equipment.

Assets analysis for 2010 in EUR

	1 Jan. 2010	Accruals	Acquisition or production costs	Disposals	31 Dec. 2010
Intangible assets					
Software and licences	1,580,461.84	54,036.75		445,240.26	1,189,258.33
	1,580,461.84	54,036.75		445,240.26	1,189,258.33
Fixed assets					
Property, plant and equipment	7,113,821.63	1,536,389.57		2,671,108.99	5,979,102.21
Prepayments on fixed assets	462.02	5,690.40		0.00	6,152.42
Tenant fixtures	210,794.02	0.00		0.00	210,794.02
	7,325,077.67	1,542,079.97		2,671,108.99	6,196,048.65
Total	8,905,539.51	1,596,116.72		3,116,349.25	7,385,306.98

Assets analysis for 2009 in EUR

	1 Jan. 2009	Accruals	Acquisition or production costs	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

1 Jan. 2010	Depreciation		31 Dec. 2010	Book value 31 Dec. 2010
	Accruals	Disposals		
1,371,109.84	159,070.75	445,240.26	1,084,940.33	104,318.00
1,371,109.84	159,070.75	445,240.26	1,084,940.33	104,318.00
5,452,384.65	1,098,821.55	2,671,108.99	3,880,097.21	2,099,005.00
0.00	0.00	0.00	0.00	6,152.42
184,952.06	13,096.90	0.00	198,048.96	12,745.06
5,637,336.71	1,111,918.45	2,671,108.99	4,078,146.17	2,117,902.48
7,008,446.55	1,270,989.20	3,116,349.25	5,163,086.50	2,222,220.48

1 Jan. 2009	Depreciation		31 Dec. 2009	Book value 31 Dec. 2009
	Accruals	Disposals		
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

(3) Receivables from commissions

Receivables from commissions consist of the following:

In EUR thousand		
	2010	2009
Receivables	15,893	10,658
Short-term component	15,143	10,020
Long-term component	750	639

Receivables from commissions do not carry interest and are stated at their nominal value less write-downs. Maturity of receivables from commissions is not fully defined when the claim arises, since they depend in some cases on acts of third parties (borrowers and/or policyholders). Regulations vary from lender to lender. For most of the lenders, the receivables from 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.

(4) Other financial assets

The other financial assets are time deposits for periods between 12 and 24 months amounting to EUR 48,000 thousand (previous year: EUR 41,000 thousand). They carry interest ranging from 1.20 % and 2.03 % p. a. The short-time part is EUR 30,000 thousand (previous year: EUR 21,000 thousand) and the long-term part is EUR 18,000 thousand (previous year EUR 20,000 thousand).

(5) Other assets

Other assets consist of the following:

In EUR thousand		
	2010	2009
Pledged bank deposits	726	577
Prepayments	502	406
Accrued interest on securities	482	268
Settlement of professional accounts	171	561
Other	23	82
Total	1,904	1,894
Short-term component	1,085	1,236
Long-term component	819	658

Pledged bank deposits amounting to EUR 726 thousand (previous year: EUR 577 thousand) serve as rent deposits. They carry interest ranging from 0.4 % to 0.7 % and have maturities of over 12 months.

(6) Cash and cash equivalents

Cash and cash equivalents consist of the following:

In EUR thousand		
	2010	2009
Cash balances	5	9
Bank deposits	16,791	11,467
Short-term deposits	94	94
Total	16,890	11,570

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.

(7) 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 2010 stood, as last year, at 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). Authorised capital 2005/I was valid until 13 September 2010. Capital was not increased.

Conditional capital

The common stock of the Company was conditionally increased by resolutions of the General Meeting of Shareholders. At 31 December 2010 the value of the conditional capital was as follows:

In EUR thousand		
	2010	2009
Conditional capital 2005/II	97,462	97,462
Total	97,462	97,462

Authorisation to acquire treasury stock

At the General Meeting of Shareholders on 29 May 2009, it was resolved to authorise the Company to acquire treasury stock. The Company was therefore authorised to acquire treasury stock by 28 November 2010 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 71d and 71e 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.

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 tranche after expiry of two years (starting from the day of issue). The remaining 75% of the options in the tranche can be exercised in the coming three years at 25% annually. Cash settlement is also possible. The decision as to whether a cash settlement will be granted is made by the Management Board in agreement with the Supervisory Board (for employees of Interhyp AG) and by the Supervisory Board (for members of the Management Board of Interhyp AG). Guidelines of the Group do not foresee a cash settlement.

According to the terms, the vesting periods are shorter if there is a change of control in 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. No stock options were granted in the financial year under review.

Overview stock options				
	2010 Number	2010 weighted average prices	2009 Number	2009 weighted average prices
Outstanding at the beginning of the reporting period	100	49.68 EUR	28,600	49.68 EUR
Granted in the reporting period	0	0.00 EUR	0	0.00 EUR
Exercised in the reporting period	0	0.00 EUR	0	0.00 EUR
Expired in the reporting period	0	0.00 EUR	4,500	0.00 EUR
Cash settlement in the reporting period	0	49.70 EUR	24,000	49.70 EUR
Outstanding at the end of the reporting period	100	42.00 EUR	100	42.00 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 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.

The expense from the issue of stock options with compensation to employees through equity instruments was reported in the previous year as personnel expenses totalling EUR 199 thousand. The change in the estimate (shortening of the vesting period) resulted in an increase in personnel expenses by EUR 98 thousand from the employee participation programme (stock option programme) in the previous year.

ING Group Management participation programme

ING Groep N.V. grants managers share-based payments to honour their contribution to increasing the value of the company and its long-term success. Exercise of this right is dependent, among other things, on length of service in the Company. The share-based payments are granted in the form of stock options and bonus shares. By and large, the option programmes take the form of equity-settled share-based payments of which a small percentage is accounted for by those which are cash-settled share-based payments. Members of the Management Board thus receive preferential treatment through this programme. Since it is a direct commitment by ING Groep NV to managers of Interhyp, all components are equity-settled at Group level in accordance with IFRS 2 (Amendment 2010).

The fair value of share-based payments is determined uniformly throughout the ING Group. The procedure utilised is the Monte Carlo simulation method. The method involved the following parameters in the financial year under review: a risk-free interest rate in a range of 2.02% to 4.62%, expected vesting period of the option of 5 to 9 years, the current listed price of the share between EUR 2.90 and EUR 26.05 EUR, the expected volatility of the shares of ING Groep N.V., Amsterdam between 25% and 84% and the expected dividends at between EUR 0.94 and EUR 8.99 of the share's market value. Assumptions about volatility are derived from ING trading systems and are based not on historic but on current market data. In the financial year members of the Management Board of Interhyp were granted 45,726 stock options. They were assessed at EUR 3.27 according to the above method. The average strike price amounts to EUR 7.25 and the expected term is 9.2 years. Under the bonus share programme the beneficiaries receive the opportunity to acquire bonus shares within fixed periods of time and to transfer them to their personal portfolio. The fair value of the bonus shares is established on the basis of the Monte Carlo simulation, taking into account a risk-free interest rate, the current market price at the time the shares are granted, the expected volatility of the shares of ING Groep N.V., Amsterdam and the expected dividends. In the financial year 17,937 bonus shares were granted with a fair value of EUR 9.40.

Expenditure for the management participation programme of ING Group came to EUR 137 thousand in the financial year and is stated under personnel expense.

Capital reserve

The capital reserve consists of the following:

in EUR thousand		
	2010	2009
Issue of convertible bonds and stock options	3,025	2,888
Cash settlement for stock options issued	(343)	(343)
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	32,191	32,054

In 2009 the Company reduced equity in the amount of the cash settlement for the stock options.

(8) Other provisions

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

Restoration liabilities for rented premises

Contractual restoration liabilities exist in respect of rented office space. In assessing this liability, expected restoration costs at the end of the respective rental agreement were discounted on the balance sheet date.

(9) Tax liabilities

Tax liabilities consist of liabilities from current taxes on profits.

Analysis of provisions in EUR

2010	01.01.2010	Claim	Allocation	31.12.2010
Cancellation risk	91,900.00	91,900.00	153,200.00	153,200.00
Restoration liabilities	219,118.90	0.00	4,538.32	223,657.22
Total	311,018.90	91,900.00	157,738.32	376,857.22
2009	01.01.2010	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

(10) Trade accounts payable

Trade accounts payable mainly 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.

(11) Other financial liabilities

Other financial liabilities consist of the following:

In EUR thousand		
	2010	2009
Outstanding invoices	3,739	2,577
Audit costs	146	150
Bonus commissions for sub-brokers	3,510	1,751
Total	7,395	4,478
Short-term component	7,395	4,478
Long-term component	0	0
of which due for payment over one to five years	0	0

(12) Other liabilities

Other liabilities consist of the following:

In EUR thousand		
	2010	2009
Salary bonuses	8,928	7,232
Salary component	3,337	0
Sales commission	1,211	190
Social contributions	200	203
Wage/church tax	509	370
Rent-free periods	809	157
Outstanding holiday leave	141	153
Cash settlement for stock options	0	343
Value-added tax	19	89
Other	12	13
Total	15,166	8,750
Short-term component	11,475	8,690
Long-term component	3,691	60
of which due for payment over one to five years	2,842	60

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

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.

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		
	2010	2009
Wages and salaries	36,255	28,542
Social contributions and expenditure for pension schemes and support	5,276	4,377
(of which for pension schemes)	(162)	(222)
Total	41,531	32,919

Expenditure for pension schemes includes expenditure on contribution-based pension schemes in the amount of EUR 162 thousand (previous year: EUR 222 thousand). In addition, the Group pays contributions to the German pension insurance scheme in the amount of EUR 2,239 thousand (previous year: EUR 2,012 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		
	2010	2009
Marketing	14,705	10,442
Office and administrative expenditure		
Rental and ancillary costs	3,424	3,193
Telecommunications expenditure	1,349	1,353
Leasing	0	9
Office materials	263	194
Postal charges	401	411
	5,436	5,160
External programming services	677	823
Hiring costs	656	274
Legal and professional fees	607	358
Other		
Hardware and software maintenance	696	945
Travel expenses	457	480
Insurances	110	124
Staff benefits	193	175
Vehicle expenses	261	194
Subscriptions and fees	194	203
Compensation and accommodation payments	87	98
Investor Relations	366	131
Other	567	321
	2,931	2,671
Total	25,013	19,728

(17) Net interest income

Interest expense contains EUR 23 thousand (previous year: EUR 9 thousand) from compounding provisions.

(18) Income tax

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

In EUR thousand		
	2010	2009
Consolidated income statement		
Actual tax expense		
Actual current tax result	(4,321)	(1,018)
Adjustments for actual taxation on profits accrued in previous years	1	(98)
Deferred tax result		
From accrual and reversal of temporary differences	1,342	(73)
Tax expenditure shown in the consolidated income statement	(2,978)	(1,189)

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 2010 and 2009 are made up as follows:

In EUR thousand		
	2010	2009
Earnings before income tax	9,058	3,317
Income tax expense at a rate of 32.5 % (previous year: 32.5 %)	2,944	1,078
Adjustments to actual income tax accrued in previous years	(1)	98
Tax-free gains on disposals	0	32
Non-deductible expenses	47	107
Expense from stock options and convertible bonds	45	(47)
Other	(57)	(79)
Income tax expense at effective income tax rate of 32.88 % (previous year: 37.15 %)	2,978	1,189
Tax expenditure shown in the consolidated income statement	2,978	1,189

Deferred tax liabilities at 31 December were as follows:

	Consolidated balance sheet		Consolidated income statement	
	2010	2009	2010	2009
Deferred tax liabilities				
Development expenditure	0	0	0	3
General provision for receivables from commissions	22	9	(13)	22
Capitalised restoration costs	4	8	4	(8)
Costs for preparation of the annual accounts	10	10	0	0
Discounting for long-term reserves	0	0	0	5
Deferred tax liabilities, total	36	27	(9)	23
Total deferred tax assets				
Non-deductible liabilities	1,441	90	1,351	(97)
Deferred tax assets, total	1,441	90	1,351	(97)
Deferred tax expense from temporary differences			1,342	(73)
Shown in the balance sheet as follows:				
Deferred tax assets	1,441	90		
Deferred tax liabilities	36	27		

(19) Earnings per share

Undiluted earnings per share were calculated from consolidated net income in relation to shareholders' equity and the average number of outstanding shares during the year.

Undiluted earnings per share		
	2010	2009
Consolidated net income in relation to shareholders' equity, in EUR	4,825,856	1,760,297
Weighted average of outstanding shares	6,593,525	6,593,525
Earnings per share in EUR	0.73	0.27

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.

Weighted average of outstanding shares for calculating undiluted earnings per share		
	2010	2009
Weighted average of outstanding shares for calculating undiluted earnings per share	6,593,525	6,593,525
Dilution effects:		
Stock options	34	34
Weighted average of outstanding shares, adjusted for dilution	6,593,559	6,593,559

Diluted earnings per share		
	2010	2009
Consolidated net income in relation to shareholders' equity of parent company, in EUR	4,825,856	1,760,297
Weighted average of outstanding shares, adjusted for dilution	6,593,559	6,593,559
Diluted earnings per share in EUR	0.73	0.27

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

Profit distribution to minorities

Profit distribution to minorities amounting to EUR 368 thousand (previous year: EUR 674 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 2010 or 31 December 2009.

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 480 thousand (previous year: EUR 410 thousand) in interest income. An increase in interest rates by 1% would result in higher interest income of approximately EUR 480 thousand (previous year: EUR 410 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 250 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 interest 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 2010 in EUR thousand

	up to one month	up to three months	Three to twelve months	One to five years	Total
Trade accounts payable	3,052	–	–	–	3,052
Liabilities to associated companies	73	–	–	–	73
Other financial liabilities	3,739	3,655	–	–	7,394
Total	6,864	3,655	–	–	10,519

Financial year at 31 December 2009 in EUR thousand

	up to one month	up to three months	Three to twelve 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

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 2010 in EUR thousand

	Direct Channel business	Intermediary Channel business	Group
Revenues	53,854	48,252	102,106
Interest income	672	13	685
Interest expense	(24)	(1)	(25)
Depreciation	(1,141)	(30)	(1,271)
Expense from issuing stock options	(138)	0	(138)
Segment result ¹	52,189	24,024	76,213
Assets			
Investments	1,582	14	1,596
Segment assets ²	66,327	18,583	84,910
Segment liabilities ³	18,190	7,873	26,063

¹ The segment result corresponds to the gross profit.

² Segment assets do not contain any deferred taxes (EUR 1,441 thousand) since these assets are managed at the Group level.

³ Segment liabilities do not contain deferred taxes (EUR 36 thousand or actual taxes (EUR 3,208 thousand) since these liabilities are managed at the Group level.

Information relating to key customers

In the financial year 2010, the Group achieved revenues of more than 10% with one provider. The revenues were generated by both the Direct Channel and the Intermediary Channel and amount to EUR 46.4 million.

Financial year 2009 in EUR thousand

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

1 The segment result corresponds to the gross profit.

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.

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 13.1 million respectively.

Additional information

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	2010	2009
Services for related companies and persons of the parent company:	46,393	27,638
Services from related companies and persons of the parent company:	1,365	338
Interest income from related parties and persons of the parent company:	326	818
Receivables from related parties and persons of the parent company	3,882	1,944
Liabilities to related parties and persons of the parent company	73	109
Time deposits at related parties	17,000	26,000

Services for related parties are performed at conditions in line with the market. The existing opening balances are due to their short maturities unsecured, interest-free and are settled by cash payments. There are no guarantees for receivables or liabilities in connection with related parties.

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 were due from rental and leasing arrangements which cannot be cancelled:

In EUR thousand		
	2010	2009
Within one year	2,324	2,209
Within two to five years	3,136	1,121
After five years	194	0
Total	5,654	3,330

In the financial year, payments from leasing contracts of EUR 115 thousand (previous year: EUR 60 thousand) and from rental contracts amounting to EUR 1,674 thousand (previous year: EUR 2,382 thousand) were reported in the income statement.

Composition of the Boards

Management Board

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.

In the financial year 2010 the Management Board was composed as follows:

Management Board	Responsibilities
Michiel Goris	Corporate Communications, Finance, Human Resources, Information Technology, Legal, Marketing, Office Management
Robert Haselsteiner	Co-CEO, Strategy
Mirjam Mohr (deputy member)	Business Development, Direct Sales, Sub-offices
Benjamin Papo (deputy member)	Direct Channel business
Jörg Utecht	Products & Services, Intermediary Channel business
Marcus Wolsdorf	Co-CEO, Strategy

The Supervisory Board appointed the Board member Michiel Goris as Chairman of the Management Board with effect from 1 January 2011. On 7 July 2010 Messrs. Haselsteiner and Wolsdorf concluded a termination agreement stating that they would resign as co-Chairmen of the Management Board with effect from 31 March 2011. They stated that they are prepared to become members of the Supervisory Board thereafter and will exercise this function for at least one period of office.

Remuneration system

Members of the Management Board receive remuneration consisting of fixed and variable components. In 2010 (2009), members of the Management Board received the following total remuneration (in EUR thousand):

In EUR thousand					
	Total	Of which fixed	Of which other components	Of which performance based	Of which retention bonus
Michiel Goris	718 (530)	250 (250)	143 (92)	325 (188)	– (–)
Robert Haselsteiner	2,065 (1,975)	300 (350)	15 (8)	250 (117)	1,500 (1,500)
Mirjam Mohr	450 (–)	207 (–)	10 (–)	233 (–)	– (–)
Benjamin Papo	374 (–)	173 (–)	6 (–)	195 (–)	– (–)
Jörg Utecht	541 (381)	220 (200)	11 (10)	310 (171)	– (–)
Marcus Wolsdorf	2,069 (1,979)	300 (350)	19 (12)	250 (117)	1,500 (1,500)

The contracts for Management Board members Haselsteiner and Wolsdorf dated 28 December 2008 and 27 December 2008 respectively foresee payment of a loyalty premium in the event that they are still employed by the Company at the end of the year. In the termination agreement dated 7 July 2010, a post-contractual non-competition clause for the period from 1 April 2011 to 31 March 2013 was concluded with these members of the Management Board. For this, each of them will receive a monthly compensation amounting to EUR 73 thousand. The total amount over the entire period comes to EUR 3,504 thousand.

Payment with a long-term incentive effect is provided for by the management participation programme of the ING Groep N.V. The ING Groep grants managers share-based payments to honour their contribution to increasing the value of the company and promoting its long-term success. Exercise of these rights is contingent, among other things, on length of employment by the Company. Share-based payments are granted in the form of stock options and bonus shares. By and large, the option programmes take the form of equity-settled share-based payments, of which a small percentage is accounted for by cash-settled share-based payments.

Supervisory Board

The periods of office of the Supervisory Board ended at the end of the General Shareholders' Meeting of Interhyp AG on 11 June 2010. No new members were appointed to the Supervisory Board at this General Shareholders' Meeting. For this reason the Supervisory Board of Interhyp AG had no members as of 12 June 2010 and did not constitute a quorum. On 16 December 2010 in accordance with Section 104 (1) of the Stock Corporation Act, the Company applied to the competent court for the judicial appointment of Carina Czpilka, Gunther Strothe and Lars Kramer as members of the Company's Supervisory Board until the next regular General Shareholders' Meeting on 24 May 2011. On 20 December 2010 the competent court complied with the application so that since this day the former members of the Supervisory Board have been mandated. At the constitutive meeting of the Supervisory Board on 27 December 2010, Lars Kramer was elected Chairman of the Supervisory Board and Carina Szpilka was elected Deputy Chairman of the Supervisory Board.

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

Lars Kramer:	Chairman, Member of the Board (CFO) of ING Direct NV, Hoofddorp, Netherlands
Carina Szpilka:	Deputy Chairman, CEO ING Direct N.V., Madrid, Spain
Gunther Strothe:	self-employed corporate consultant for own account

In the conference from 27. December 2010 the supervisory board confirmed all determinations from the conferences from 7. July 2010, 17. September 2010 and 4. November 2010.

Membership in other legally established Supervisory Boards and control boards:

Lars Kramer:	Member of the Board of Directors of ING Bank, fsb, Wilmington, Delaware, United States of America Member of the Advisory Board of ING Direct N.V., UK Branch office in Reading, Berkshire, Great Britain Member of the Advisory Board of ING Direct N.V., Milan Branch Office, Italy Member of the Board of Directors of ING Vysya Bank Limited, Bangalore, Karnataka, India
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Carina Szpilka: Member of the Advisory Board of ING Bank N.V., Bucharest Branch Office, Romania
Member of the Advisory Board of ING Direct N.V., Madrid Branch Office, Spain

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 26 thousand).

Employees

In the past financial year, the Company employed an average of 562 people (previous year: 504). This included on average 16 (previous year: 15) temporarily employed and 5 (previous year: 3) trainees.

VI. Additional information

Audit and professional fees

The auditor's fees recorded as expenditure in the financial year amount to EUR 165 thousand (previous year: EUR 150 thousand) and for tax consulting services EUR 21 thousand (previous year: EUR 22 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 2010 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 13,214,062.66.

Munich, 25. Februar 2011



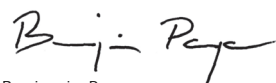
Michiel Goris
Board Member



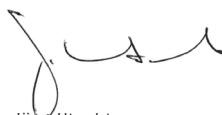
Robert Haselsteiner
Co-CEO




Mirjam Mohr
Board Member



Benjamin Papo
Board Member



Jörg Utecht
Board Member



Marcus Wolsdorf
Co-CEO

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
Board Member



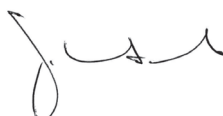
Robert Haselsteiner
Co-CEO




Mirjam Mohr
Board Member



Benjamin Papo
Board Member



Jörg Utecht
Board Member



Marcus Wolsdorf
Co-CEO

Audit Opinion

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

“We have audited the consolidated financial statements prepared by Interhyp AG, Munich, comprising the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, shareholders’ equity and the Notes to the consolidated financial statements, together with the Group Management Report for the financial year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements and as a whole provides an accurate picture of the Group’s position and correctly presents the opportunities and risks of future development.”

Mannheim, 25 February 2011

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Broschulat
Auditor



Breyer
Auditor

Report by the Supervisory Board

Report on activities

In the year under review, the Supervisory Board performed its duties required by law, the Articles of Association and the by-laws. 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 2011. Deviations in the course of business from the operational planning 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 appointment of a Chairman of the Management Board, the conclusion of termination agreements with the two founders Robert Haselsteiner and Marcus Wolsdorf, and the opening of more new Interhyp agent-offices, the Supervisory Board was involved at an early and provided advice in close consultation with the Management Board.

In the past financial year, the Supervisory Board held a presence meeting and a further telephone conference. From the middle of June to the end of December when the mandate of the members of the Supervisory Board expired and the members have not yet been re-appointed by the court (see below for details), three more telephone conferences were held. All members of the Supervisory Board attended the presence meeting and took part 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 for Direct Channel and Intermediary Channel business were intensely debated.

The Supervisory Board adopted resolutions whenever decisions of the Supervisory Board were required by law, the Articles of Association or the by-laws of the Management Board in respect of individual transactions and arrangements made by the Management Board, in particular the approval of the financial statement for the financial year 2009, setting the agenda for the Annual General Meeting of Shareholders for 2010, on the Corporate Governance Code, on the appointment of a Chairman of the Management Board and the conclusion of termination agreements with the founders.

Annual financial statements and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed auditor for the financial year 2010 by resolution of the General Meeting of Shareholders of 11 June 2010 and subsequently authorised by the Supervisory Board. Ernst & Young GmbH 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 financial year 2010. 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 adequate manner. In particular, the Management Board has introduced an appropriate risk management system which appears suitable in its conception and actual use to identify developments that would threaten the continuation of the Company at an early stage.

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 23 March 2011. The auditors attended this meeting of the Supervisory Board and reported on the major results of their audit.

The Supervisory Board has approved the auditor's report. The results of its internal audit are in complete agreement with the results of the audit report. The Supervisory Board sees no cause to raise objections to the management or 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 23 March 2011. 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

No changes were made in the composition of the Supervisory Board or the Management Board in the period under review.

However, the terms of office of the members of the Supervisory Board Carina Szpilka, Gunther Strothe und myself, Lars Kramer, ended at the end of the regular Annual General Meeting of Shareholders on 11 June 2010. No new members of the Supervisory Board were appointed at this regular Annual General Meeting of Shareholders. The Supervisory Board of Interhyp AG therefore had no members as at 12 June 2010 and therefore did not constitute a quorum. On 16 December 2010 the Company applied in accordance with Section 104 (1) of the German Stock Corporation Act to the competent court for the judicial appointment of Carina Szpilka, Gunther Strothe and myself, Lars Kramer, as members of the Company's Supervisory Board. The competent court complied with this application on 20 December 2010 so that since this date the former members of the Supervisory Board again hold mandates. In the next regular Annual Meeting of Shareholders on 24 May 2011 the Supervisory Board shall be newly elected. At the constitutive meeting of the Supervisory Board on 27 December 2010, I, Lars Kramer, was appointed Chairman of the Supervisory Board and Carina Szpilka deputy chairwoman.

The Supervisory Board thanks the Management Board and all employees of Interhyp AG for their successful commitment and the work performed in 2010.



Lars Kramer
Chairman of the Supervisory Board
March 2011

The Corporate Governance Report

Statement by the Management Board and the Supervisory Board of Interhyp AG on the recommendations of the Government Commission of the German Corporate Governance Code pursuant to Section 161, German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of Interhyp AG identify with the objectives of the German Corporate Governance Code (the "Code"), to promote corporate management and control geared to the responsible, transparent, sustained increase of the value of the Company.

The Management Board and the Supervisory Board of Interhyp AG submitted the last Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) on 24 March 2010. The following statement refers to the German Corporate Governance Code (hereinafter the "Code") as amended on 18 June 2009 for the period from publication of the last Declaration of Conformity until 2 July 2010. For the period from 3 July 2010, the following declaration refers to the recommendation of the Code as amended on 26 May 2010 and published on 2 July 2010 in the electronic Federal Gazette.

- **Notwithstanding Section 3.8. sentence 4 of the Code, no provision is made for a deductible for the Supervisory Board in the Directors and Officers Liability Insurance.**

In accordance with the statutory requirements, a deductible of 10 percent was agreed with the D&O Liability Insurance for the Management Board with effect from 1 January 2010. A deductible with the D&O Liability Insurance for members of the Supervisory Board is not required by law. To date the Company has refrained from agreeing on such a deductible for members of the Supervisory Board because the Company does not believe that this is internationally customary. Particularly in the case of foreign candidates possessing the required qualifications, such a deductible could pose an obstacle to assumption of a mandate. The Company believes that this would unnecessarily restrict the group of potentially suitable Supervisory Board members. After weighing the pros and cons, the Company has decided that the deductible as such does not offer the company any significant value-added in terms of the Company's interests.

- **Notwithstanding Section 4.2.1. sentence 1 of the Code, the Management Board of Interhyp AG had no Management Board Chairman or Spokesman until 31 December 2010.**

The Company was managed by Members of the Management Board having all equal rights. This complied with the principle of collective responsibility under German stock corporation law with overall responsibility of the Management Board. The Management Board of Interhyp AG has had a Chairman since 1 January 2011. However, this does not affect the principle of collective responsibility or the overall responsibility of the Management Board. The responsibilities of the individual members of the Management Board are assigned according to the schedule of responsibilities.

- **Notwithstanding Section 4.2.3. of the Code, the recommendations regarding the structure of remuneration for the Management Board were not fully complied with.**

Concerning the compensation structure for members of the Management Board, certain recommendations according to Section 4.2.3., in particular with regard to reference to comparable parameters, subsequent changes in performance targets and parameters, the severance payment cap, and calculation of the severance payment cap were not complied with. However, this refers only to the structure of remuneration for members of the Management Board appointed to date and is based on historic or special circumstances such as the special significance of the member of the Management Board for the Company. With regard to the compensation structure for new members of the Management Board in future, the recommendations should be complied with without major restrictions.

- **Notwithstanding Section 5.3.1. sentence 1, 5.3.2. sentence 1 and 5.3.3. of the Code, qualified committees, including the Audit Committee and the Nomination Committee of the Supervisory Boards were not created.**

The creation of special committees is not deemed appropriate because the Supervisory Board of Interhyp AG according to the Articles of Association consists of only three members. Relief of the full board would in this case not be achieved by the creation of special committees.

- **Notwithstanding Section 5.4.1. sentence 2 of the Code, the Supervisory Board did not specify targets for its composition.**

Due to the particular situation of the Company, the Supervisory Board does not consider specification of objectives for the composition of the Supervisory Board worthwhile.

- **Notwithstanding Section 5.4.3. sentence 1 of the Code, members of the Supervisory Board will not be elected on an individual basis.**

Due to the small size of the Supervisory Board and the particular situation of the Company, the Company does not consider election to the Supervisory Board on an individual basis appropriate. Moreover, a block election has no influence on the right of shareholders to refrain from electing the proposed Supervisory Board.

- **Notwithstanding Section 5.4.3. sentence 2 of the Code, in an application for judicial appointments of Supervisory Board members no time limitation until the next General Meeting of Shareholders was requested.**

Due to the circumstances on which the application was based, the Local Court Munich concluded that the appointment should only be made until the next General Shareholders' Meeting.

- **Notwithstanding Section 5.4.6. sentence 4 of the Code, current members of the Supervisory Board of Interhyp AG do not receive performance-based remuneration.**

Remuneration consists of a fixed and a variable component linked to attendance at meetings of the Supervisory Board. No performance-based remuneration is provided since the Supervisory should perform its monitoring obligation even without financial incentives and performance-based remuneration of the Supervisory Board could be an improper inducement.

Munich, 23 March 2011

Management Board

Supervisory Board

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 2010 (2009) the following total remuneration (in EUR thousand) was paid:

In EUR thousand					
	Total	Of which fixed	Of which other components	Of which performance based	Of which retention bonus
Michiel Goris	718 (530)	250 (250)	143 (92)	325 (188)	– (–)
Robert Haselsteiner	2.065 (1.975)	300 (350)	15 (8)	250 (117)	1.500 (1.500)
Mirjam Mohr	450 (–)	207 (–)	10 (–)	233 (–)	– (–)
Benjamin Papo	374 (–)	173 (–)	6 (–)	195 (–)	– (–)
Jörg Utecht	541 (381)	220 (200)	11 (10)	310 (171)	– (–)
Marcus Wolsdorf	2.069 (1.979)	300 (350)	19 (12)	250 (117)	1.500 (1.500)

The contracts for Management Board members Haselsteiner and Wolsdorf dated 28 December 2008 and 27 December 2008 respectively foresee payment of a loyalty premium in the event that they are still employed by the Company at the end of the year. In the termination agreement dated 7 July 2010, a post-contractual non-competition clause for the period from 1 April 2011 to 31 March 2013 was concluded with these members of the Management Board. For this, each of them will receive a monthly compensation amounting to EUR 73 thousand. The total amount over the entire period comes to EUR 3,504 thousand.

Payment with a long-term incentive effect is provided for by the management participation programme of the ING Groep N.V. The ING Groep grants managers share-based payments to honour their contribution to increasing the value of the company and promoting its long-term success. Exercise of these rights is contingent, among other things, on length of employment by the Company. Share-based payments are granted in the form of stock options and bonus shares. By and large, the option programmes take the form of equity-settled share-based payments, of which a small percentage is accounted for by cash-settled share-based payments.

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 2010.

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

Mirjam Mohr

Benjamin Papo

Jörg Utecht

Marcus Wolsdorf

Supervisory Board

Lars Kramer (Chairman)

Carina Szpilka (Deputy Chairman)

Gunther Strothe

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80807 Munich

Germany

Design

PrasserSander Markengestaltung

Hamburg

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

