



Varengold

BANK

Interim Report for 30 June
2020

Key Figures of Varengold Bank AG

Key figures per share	30.06.2020 in EUR	30.06.2019 in EUR
Earnings per share	0.11	0.12

		31.12.2019 in EUR
Market capitalization	37,560,876	34,467,846

Profit and loss statement	01.01.2020 to 30.06.2020 in TEUR	01.01.2019 to 30.06.2019 in TEUR
Interest income	3,431	3,504
Current income from shares and other non-fixed income securities	711	739
Commission income	8,205	6,145
Net income from trading portfolio	115	40
Other operating income	154	-510
Administrative expenses	-8,461	-7,683
Depreciation and value adjustments	-2,137	-199
Income from normal business operations	1,628	1,688
Income/loss for the year	1,123	1,122

Balance sheet	30.06.2020 in TEUR	30.06.2019 in TEUR
Total assets	687,808	503,015
Net assets	38,074	33,657

Preliminary notes

The key figures contained in this half-year financial report, as well as the half-year financial report – consisting of the balance sheet, the profit and loss statement and the explanatory notes for the balance sheet and the management report – are unaudited and have not undergone any formal review.

Statement of the legal representatives:

The Board of Directors confirms that to the best of their knowledge, the presented interim report, developed using standard accounting principles, provides the most true and fair view of the financial position of the company and that the interim report represents the most true and fair view of the company with respect to the important events within the first six months of the business year and the possible impact upon the business.

18 September 2020

Dr. Bernhard Fuhrmann and Frank Otten
Board of Directors of Varengold Bank AG



Disclaimer:

This English version of the interim report 2020 is for informational purposes only.
Legally binding is solely the German version of the interim report 2020.

Contents

Key Figures of Varengold Bank AG	2
Preliminary notes	3
01 Letter to the Shareholders	5
02 Products and Services	8
03 Shares	11
04 Annual Report	14

01

Letter to the Shareholders



Dear Shareholders,

The first half year of 2020 will forever remain in all of our memories as the time during which we were confronted with a new global threat: the corona virus. We are happy and grateful that the pandemic has not led to difficult health problems for our employees or their families nor, as far as we know, to our customers. We very much hope that this is also the case for you and your family.

Despite the noticeable effects related to the Corona pandemic, we are satisfied with the economic development of your and our bank in the first half of year 2020. With EUR 1,631,482 in earnings before taxes, we were able to report results at a comparable level to the same period last year. In particular, the increase in commission income from EUR 6.6 to 8.9 million which was primarily generated by credit and payment transaction services in the Commercial Banking core business area, proved to be a driver of the roughly EUR 2 million increase in total earnings compared to the prior reference period. Due to the uncertainty related to the ongoing crisis we decided to utilize the increase in revenue for risk provisioning.

The focus of the Varengold Bank AG in the first half of the year concentrated on surmounting the effects of the pandemic and – within the scope of available possibilities to the bank – to offer support to our customers. Parallel to accompanying our existing customer base, we, in cooperation with the Berlin FinTech Kapitalendo AG, provided numerous additional enterprises rapid and uncomplicated access to KfW coronavirus aid: loans for companies.

That all would not have been possible with the same efficiency and effectiveness had the Varengold Bank AG not already in 2019 equipped all employees with laptops and the collaboration software MS Teams. In combination with an immediately implemented flexibilization of the working hours, nearly all business processes were smoothly continued in the first half year.

While concentrating on overcoming the current repercussions of the pandemic, we also further increased our efforts regarding sustainability. As a reward, the Varengold Bank AG received, for the first time in its history, its climate neutral certification. Additional measures will follow.

The long-standing new work and sustainability initiatives and the more recent expansion of our service offering related to the coronavirus aid are fresh evidence demonstrating our bank's continued success and effective forward-thinking agility. The combination of our high level of innovation skills, strict customer focus and conservative credit culture has created a recipe for success that will also carry us through this current crisis.

We would like to warmly thank all employees and partners who helped to make this first half of our 25th anniversary year a success in the face of adversity, for the continued trust and devotion to the organization. The second half of year 2020 will also not be easy, but we are looking ahead with sustained optimism and determination.



Hamburg, September 2020

Board of Directors of Varengold Bank AG

A handwritten signature in black ink, appearing to be 'B. Fuhrmann'.

Dr. Bernhard Fuhrmann

A handwritten signature in black ink, appearing to be 'F. Otten'.

Frank Otten

02 Products and Services

The core business areas **Marketplace Banking** and **Commercial Banking**

Lending

International
payment
transactions

Fronting
Services

Lombard credit

Dept
Capital
Markets

Structured
Trade Finance

Equity
Capital
Markets

Trade & Export
Financing

Deposit accounts

Marketplace Banking

Commercial Banking

Brief description

As a reaction to the financial crisis of 2008, online credit marketplaces across the globe emerged to focus on the financing of companies and consumers. As a rule, they offer their customers considerably faster, easier and therefore also more agreeable credit processing than established banks. In addition, due to their more efficient processes, they are also able to offer access to capital to those customers who usually fall outside of the typical bank target groups.

To provide these services the marketplaces need financial resources. Within its core business area Marketplace Banking, the Varengold Bank covers this specific need. In so doing, it helps its customers who usually work in receivables finance, real estate finance, trade finance, consumer finance or SME finance to initially establish their business models and then later to scale them.

In the core business area Transaction Banking / Commercial Banking (terms are used synonymously), Varengold Bank presents itself as a global partner for demanding private and business customers and investors both in and outside of the country. With the help of individualized products and solutions it offers the possibility to develop transaction and trading activities securely efficiently and transparently across national boundaries.

The trading concentration is on therefore focused on the Eastern European region and the Middle East. A solid customer-base for trade finance transactions has been developed since the inception of the core business area in the year 2013 and is continues to expand.

Produkte

- › Lending
- › Fronting Services
- › Debt Capital Markets
- › Equity Capital Markets

- › International payment transaction
- › Lombard credit
- › Structured trade finance
- › Trade & export financing
- Bank guarantees
- Credits
- Forfaiting
- Debt-collection business
- ECA-covered export financing
- › Deposit accounts
- Daily accounts
- Term deposit accounts

	Marketplace Banking	Commercial Banking
Profile	<ul style="list-style-type: none"> › Expansion of credit volume with European-wide diversified portfolios › Strong network within the marketplace lending industry and institutional investors › Willingness to support companies also in the early phase and then to accompany their growth › Existing full banking license › Possibility of EU Passporting › Innovative product solutions for finance-specific processes including KYC, credit and payments & account opening 	<ul style="list-style-type: none"> › Expertise in emerging markets with strong local networks › Dynamic adaptations to market changes › Status of a German regulated bank › Deposit protection of up to maximum EUR 100,000 per customer
Customer structure	<ul style="list-style-type: none"> › Credit marketplaces › FinTechs 	<ul style="list-style-type: none"> › Business customers › Private customers
Income components	<ul style="list-style-type: none"> › Interest income › Commission income 	<ul style="list-style-type: none"> › Interest income › Commission income

03 Shares

The shares of Varengold Bank have been listed in Open Market on the Frankfurt Stock Exchange since 2007. Moreover, they are traded on the stock exchanges Stuttgart, Düsseldorf, Berlin, Munich and on the electronic trading system XETRA.

Current key figures

Stock	Varengold Bank AG
WKN	547930
ISIN	DE0005479307
Stock symbol	VG8
Market segment	Open Market / OTC (over the counter)
Transparency level	Basic Board
First listing	20 March 2007
Share (type)	No par-value shares
Number of shares	10,043,015 shares
Total capital	EUR 10,043,015.00
Designated Sponsor	Oddo Seydler Bank AG
Paying agent	Bankhaus Gebrüder Martin AG
Specialist	Baader Bank AG

Conditions and development in 1st half year 2020

The first half year of 2020 was anything but monotonous and boring on the international trading floor. The major exchange losses which took place in the first quarter as a result of the Covid-19 pandemic, were immediately followed by equally large gains in the second quarter and left the market development at the half-year point relatively balanced. The branches experiencing the largest growth were in the areas of software and digitalization, artificial intelligence, as well as biotech and medical engineering.

There was never a more active period for the German leading index DAX. This index fell at the beginning of the crisis by originally more than 13,000 points to just over 8,000 points. At the end of the month of June, after a several week recovery phase, the DAX reached the level of more than 12,000 points. The EURO STOXX 50 also reported considerable losses including more than -12 % within a single day, which ultimately also stabilized incrementally over the course of the second quarter.

Development of Varengold shares

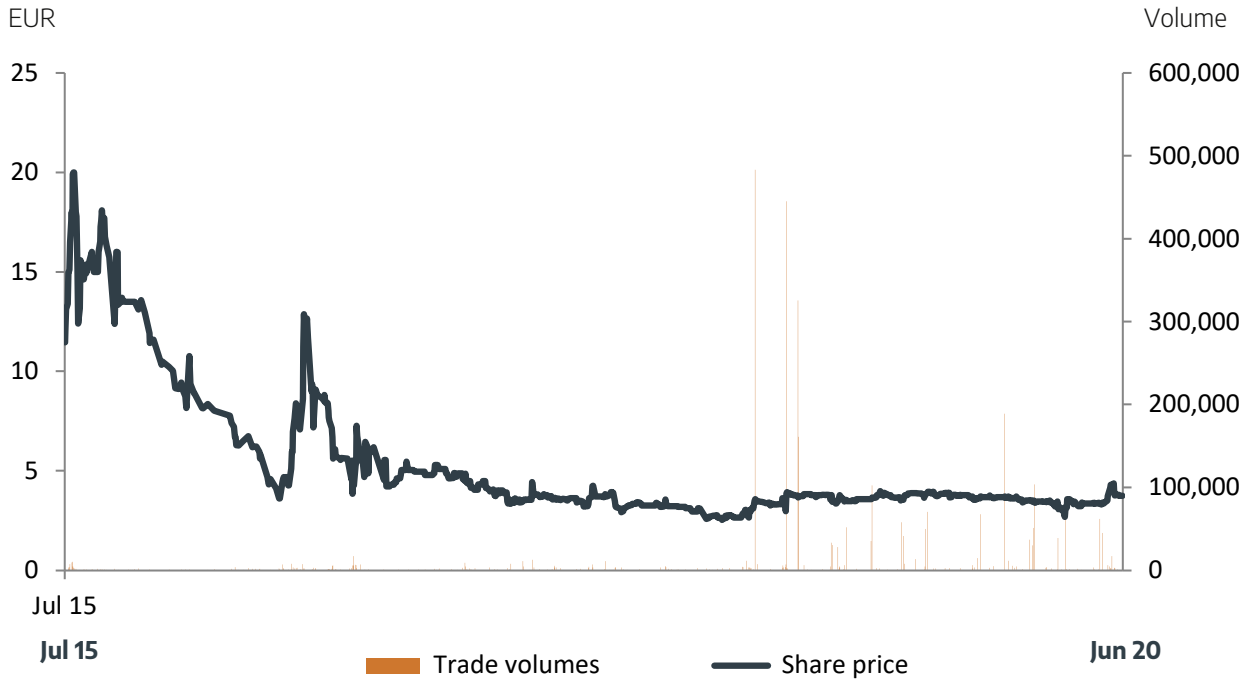
The stock of the Varengold Bank AG reported in the first half-year 2020 an overall relatively stable development with two phases of larger movement. In the middle of March 2020 the shares dropped to their lowest value in the reporting period of EUR 2.68 and then in the middle of the second quarter the shares reached their peak value of EUR 4.36 to recover within the first half-year 2020.

The average share price fell from EUR 3.67 in the first half-year 2019 to EUR 3.46 in the first half-year 2020. The average number of daily traded shares also decreased significantly to 4,194 shares (1st half-year 2019: 10,832 shares). In general, these share results can be traced back to very high trading volumes on comparatively few trading days.

The earnings per share decreased slightly on the reporting day 30.06.2020 to EUR 0.11 (30.06.2019: 0.12). Market capitalization increased by the end of the first half-year 2020 to EUR 37,560,876 (31.12.2019: EUR 34,467,846).

Price history Varengold shares

Please note: past price performance is not a reliable indicator of future price performance.



Source: Bloomberg

Time period: 07/2015 – 06/2020

04 Annual Report

In accordance with the German Commercial Tax Code (HGB)

for 30 June 2020

Varengold Bank AG
Große Elbstraße 14
22767 Hamburg



Contents

Balance sheet as of 30 June 2020	17
Profit and Loss Statement	19
Notes	21
1 General information	21
2 Accounting and valuation methods	21
3 Currency translation	23
4 Notes to the Balance Sheet	24
4.1 Overall disclosures	24
4.2 Individual post disclosures	26
5 Notes to the Profit and Loss Statement	33
5.1 Interest income	33
5.2 Current income from shares and other variable-yield securities	33
5.3 Provision income	33
5.4 Net results of the trading portfolio	33
5.5 Other operating income	34
5.6 Personnel expenses	34
5.7 Other administrative expenses	34
5.8 Other business expenses	34
5.9 Taxes from income and earnings	34
6 Other information	35
6.1 Institutions	35
6.2 Employees	36
6.3 Other financial obligations	36
6.4 Forward transactions	36
6.5 Notifications according to § 20 AktG	36
6.6 German Corporate Governance Code	36
6.7 Supplementary statement	37

Management's Discussion and Analysis	38
A. Principles of Varengold Bank	38
B. Economic report	38
1. Macro-economic and industry-related conditions	38
2. Business development	39
3. Position	40
3.1 Financial position	40
3.2 Financial situation	41
3.3 Liquidity position	42
C. Risk, opportunity and outlook report	42
1. Risk report	42
2. Opportunity report	46
3. Outlook report	48

Balance sheet as of 30 June 2020

Assets	Euro	Financial year Euro	31.12.2019 TEuro
1. Cash reserve			
a) Cash balance	4,492.24		4.9
b) Credit with Central Banks	112,740,201.79		261,367.0
- of which:		112,744,694.03	261,371.9
With the German Central Bank: Euro 112,740,201.79			(261,367.0)
2. Loans and advances to credit institutions			
a) Due on demand	5,624,212.72		23,307.9
b) Other receivables	19,705,071.96		3,509.8
		25,329,284.68	26,817.7
3. Customer receivables		394,647,591.99	267,215.3
- of which:			
Secured by mortgages: Euro 41,129.60			(40.9)
Municipal loans: Euro 175,529,000.00			(53,670.1)
4. Bonds and other fixed-income securities			
a) Bonds and debt			
aa) From public issuers	22,146,458.86		18,828.7
- of which:			
Acceptable as collateral at the German Central Bank: Euro 21,866,619.85			(18,737.8)
ab) From other issuers	1,118,400.19		2,372.8
		23,264,859.05	21,201.5
5. Shares and other variable-yield securities		106,840,382.83	126,274.2
6. Trading portfolio		1,327,465.71	1,827.5
7. Shares in affiliated companies		44,687.75	900.0
- of which:			
In financial services institutions: Euro 0.00			(855.3)
8. Intangible assets		3,416,000.00	0.0
- of which:			
Trust loans: EUR 3,416,000.00			(0.0)
9. Intangible assets			
a) Internally generated industrial property rights	0.00		177.1
And similar rights and values			
b) Acquired concessions	150,943.99		0.0
		150,943.99	177.1
10. Fixed assets		117,989.73	135.6
11. Other assets		19,645,454.27	1,324.2
12. Accruals and deferred income		279,096.13	84.5
Total assets		687,808,450.16	707,329.5

Liabilities	Euro	Financial year Euro	31.12.2019 TEuro
1. Liabilities to banks			
a) Due on demand	5,697,152.25		28,258.6
b) With agreed maturity dates or periods of notice	100,856,708.55		0.0
- of which:		106,553,860.80	28,256.6
Toward the German Central Bank: EUR 100,850,000.00			(0.0)
2. Amounts owed to customers			
a) Other liabilities			
aa) Due on demand	249,752,872.29		355,287.6
ab) With agreed maturity dates or periods of notice	279,204,200.57		276,634.3
		528,957,072.86	631,921.9
3. Trust liabilities		3,416,000.00	0.0
- of which:			
Trust loans: EUR 3,416,000.00			(0.0)
4. Other liabilities		1,997,389.66	1,798.1
5. Accruals and deferred income		19,395.59	79.6
6. Provisions			
a) Reserves for pensions and similar obligations	98,599.00		98.6
b) Provisions for taxes	651,368.71		476.9
c) Other provisions	3,040,141.99		3,744.5
		3,790,109.70	4,319.9
7. Instruments of additional regulatory core capital		5,000,000.00	5,000.0
8. Contributions made to carry out authorized capital increase		0.00	1,800.4
9. Share equity			
a) Subscribed capital		10,043,015.00	9,315.6
b) Capital reserves		44,705,492.65	42,632.5
c) Retained earnings			
ca) Legal reserves	1,700.00		1.7
cb) Other retained earnings	16,700.00		16.7
		18,400.00	18.4
d) Net loss		-16,692,286.10	-17,815.6
Total liabilities		687,808,450.16	707,329.5
1. Contingent liabilities			
a) Liabilities from guarantees and indemnity agreements		6,752,022.00	8,502.0
2. Other liabilities			
a) Irrevocable loan commitments		8,992,960.11	12,488.0

Profit and Loss Statement

For the period 1 January 2020 to 30 June 2020

	Euro	Euro	Financial year Euro	01.01.2019 to 30.06.2019 TEuro
1. Interest income from				
a) Credit and money market transactions	4,688,085.28			4,437.9
Less negative interest from bank balances	-517,617.91			-264.0
	4,170,467.37			4,173.9
b) Fixed-income securities and debt register claims	271,520.57			214.3
		4,441,987.94		4,388.2
2. Interest expense	-1,493,354.90			-1,202.7
Less received negative interest from the banking business	482,173.59			318.7
		-1,011,181.31		-884.0
			3,430,806.63	3,504.2
3. Current income from				
a) Shares and other variable-yield securities		711,127.66		739.2
b) Trading portfolio		0.00		0.0
c) Shares in affiliated companies		0.00		0.0
			711,127.66	739.2
4. Commission income		8,860,068.51		6,592.7
5. Commission expense		-655,070.81		-448.1
			8,204,997.70	6,144.6
6. Net income from trading portfolio			114,607.07	40.1
7. Other operating income			512,111.91	589.6
8. General and administrative expense				
a) Personnel expense				
aa) Wages and salaries	-3,694,264.60			-3,749.3
ab) Social security contributions and expense For pensions and other employee benefits				
- of which: for pensions: 160,275.42 Euro (30.06.2019: 119.4 TEuro)	-601,097.07			-489.6
		-4,295,361.67		-4,238.9
b) Other administrative expense	-4,165,802.73			-3,444.2
			-8,461,164.40	-7,683.1
9. Depreciation and amortization of intangible assets and property			-47,283.24	-57.2
10. Other operating expense			-358,483.37	-1,100.1

			Financial year	01.01.2019 to 30.06.2019
	Euro	Euro	Euro	TEuro
11.	Depreciation and value adjustments on receivables and certain securities and additions to provisions in lending business		-2,136,695.96	-198.9
12.	Income from write-ups to claims and certain securities, and from the release of provisions for possible loan losses		-341,526.32	-290.7
13.	Income from ordinary business activities		1,628,497.68	1,687.8
14.	Extraordinary earnings	0.00		91.1
15.	Extraordinary expense	0.00		0.0
16.	Extraordinary results		0.00	91.1
17.	Taxes on income and earnings	-504,755.11		-656.5
18.	Other taxes, as long as not posted under position number 10	-413.00		0.0
			-505,168.11	-656.5
19.	Annual net profit		1,123,329.57	1,122.4
20.	Loss from previous year		-17,815,615.67	-19,431.4
21.	Net loss		-16,692,286.10	-18,309.0

Varengold Bank AG, Hamburg
District Court Hamburg, HRB 73684

Notes

**For the financial year 1 January 2020
to 30 June 2020**

1 General information

The annual financial statements are prepared in accordance with the German Commercial Tax Code (HGB), the Stock Corporation Act (AktG) and the Regulations on Accounting for Banks (RechKredV).

Entries which apply to multiple posts to improve precision and clarity continue to be displayed in general posts, in variance with § 284 para. 1 sentence 1 HGB.

As all subsidiaries according to § 296 para. 2 HGB, even when combined are of lesser importance for an accurate view of the group's asset, financial and earnings position, use is made of the exemption clause on the preparation of consolidated financial statements pursuant to § 290 para. 5 HGB.

2 Accounting and valuation methods

The accounting and valuation methods remained unchanged compared to the previous year.

For a better overview, specific unused items on the balance sheet and the profit and loss statement are shown in accordance with § 265 para. 8 HGB.

Assets and liabilities are valued according to the requirements of §§ 252 ff. HGB and additionally to the supplementary provisions of §§ 340 ff. HGB.

The cash balance and credit to Central Banks are stated at nominal values.

Claims to banks and customers are generally recorded at nominal value. As necessary, possible credit default risks are carried by the forming of an individual value adjustment account. The amount of risk provisioning for each case of default risk is measured by the difference between the book value of the claim and the probable recoverable amount. Bad debts are written off. The latent credit risks are carried through the creation of value adjustments. In financial year 2019, in preparation of the S BFA 7, their determination was converted and appears based on an estimate of the expected loss from a non-contractual fulfillment of capital and interest obligations in the originally agreed upon amount or to the originally agreed payment date over the remaining term (expected loss). Revenues from the valuation of credit securities are taken into consideration in the determination. For the Interim Report, the estimate from the Annual Report from 31 December 2019 was maintained.

Bonds and other fixed-income securities, when assigned to fixed assets, are balanced according to the moderate lowest value principle. When allocated to liquidity reserve they are balanced using the strict lowest value principle. The fixed assets are assigned to securities with a book value in the amount of TEUR 1,118.

Shares and other variable-yield securities which are assigned to fixed assets are balanced according to the moderate lowest value principle. When allocated to liquidity reserve they are balanced using the strict lowest value principle. The fixed assets are recorded as a holding in the amount of TEUR 106,840 (book value). This assignment took place on 30.04.2020 through a reclassification from the liquidity reserve. Regarding the related undisclosed reserves/undisclosed obligations, please refer to note 4.2.3.

The investments and shares in affiliated companies are measured in accordance with the rules for acquisition costs at the lower of cost or market at the reporting date.

Purchased software is reported under intangible assets, and as with tangible assets, are valued at amortized costs with consideration of scheduled depreciation. The bank determines expected useful life by using fiscal depreciation rates according to AfA guidelines for asset depreciation.

The fixed assets and intangible assets are valued at acquisition cost, less scheduled linear depreciation according to expected useful life. Here the usage periods are oriented to the tax authority's depreciation table for general assets (AfA Table AV).

Low value assets are recorded in accordance with the provisions of § 6 para. 2 & 2a EStG. The low value assets purchased at acquisition costs of between EUR 250 and EUR 1,000 are then bundled into a compound posting, which is written off in the financial year of formation and in the following four financial years at one fifth each. Assets with a value of less than EUR 250 are treated as immediate operating expense.

The other assets are recorded at nominal value.

Active prepaid expenses (generally prepaid licenses) are recorded in accordance with § 250 para. 1 HGB.

Deferred tax liabilities are stated in accordance with § 274 HGB of the temporary differences between the commercial and the tax valuations of the assets, obligations and accruals of deferred income, which lead to a future tax burden or relief, as well as tax loss carry-forwards. The use of an overall difference approach calculates an excess of deferred taxes which, as already in the reporting as of 31 December 2019 – in accordance with § 274 para. 1 sentence 2 HGB – is not reported.

Current liabilities are recorded at their repayment or settlement value.

Deferred income (due mainly to advanced tax payments and commissions for payment transactions) are formed in accordance with § 250 para. 2 HGB and dissolved over the term of the underlying business.

Pension provisions, which depend upon provisions for dependents, are calculated according to actuarial principles using the guideline tables of 2018G from Klaus Heubeck in accordance with the provisions of § 253 para. 2 HGB. For the valuation process, the modified part-value method is used. It was based on an actuarial interest rate of 2.71 %, a salary and career trend of von 2.0 % and a fluctuation rate of 10 %.

Provisions, including provisions for taxes, are measured at the amount expected to become payable according to reasonable professional judgement.

The relevant instruments regarding additional core capital are valued at their nominal values. The interest expense is limited based on the expected payments to the owner of the instruments.

The interest-related transactions in the bank book are examined annually in their entirety for excess liability. For this a present value-based approach to the expected incidental risk and administrative expenses is utilized. The valuation demonstrates that no excess liability related to the interest-related business of the banking book (interest book) exists, and therefore there is no need to for a provision for contingent losses.

The contingent liabilities and other obligations, as well as all other balance sheet items are stated at nominal value.

Income and expenses are recognized on an accrual basis.

Negative interest from the lending business and positive interest from liabilities are recorded as a reduction of the interest income or, respectively, interest expense and is shown separately in the profit and loss statement.

The bank exercises its right to vote on the cross-offsetting option in accordance with § 304f para. 3 HGB in conjunction with § 32 RechKredV and § 340c para. 2 HGB in conjunction with § 33 RechKredV of the Regulations on Accounting for Banks (RechKredV).

For computational reasons, tables may contain rounding differences in the amount of +/- one unit.

3 Currency translation

All foreign currency transactions are cases of foreign currency specially secured businesses according to § 340h HGB.

For existing special secured coverage, the expenses, as well as the earnings, are recognized in the foreign currency translation. The result of the foreign currency translation of the specially secured businesses are recorded in other operating income according to the IDW statement regarding special features of accounting regulations for commercial currency translation for institutions (IDW RS BFA 4) (as of 18.08.2011) netted in other administrative income.

Earnings and expenses during the fiscal year are entered into the profit and loss account at the current daily exchange rate. Foreign currency positions are converted on the reporting date using the European Central Bank reference price in accordance with § 256a HGB.

As of 30 June 2020, the following balance sheet items contain foreign currency amounts:

	30.06.2020	31.12.2019
	TEUR	TEUR
Loans and advances to credit institutions	2,727	15,642
Customer receivables	9,430	7,692
Bonds and other fixed-income securities	1,118	2,373
Shares and other variable-yield securities	49,059	52,030
Shares in affiliated companies	45	900
Other assets	50	51
Accruals and deferred income	53	22
Liabilities to banks	29,309	31,769
Other liabilities	47	260

4 Notes to the Balance Sheet

4.1 Overall disclosures

4.1.1 Relationships to affiliated companies

	30.06.2020	31.12.2019
	TEUR	TEUR
Customer receivables	394,648	267,215
Of which from affiliated companies	5,982	4,780

The “of which” position are receivables against Varengold Capital Holdings Limited, British Virgin Islands and Varengold Capital Investment Company Limited, British Virgin Islands.

	30.06.2020	31.12.2019
	TEUR	TEUR
Customer receivables	528,957	631,922
Of which to affiliated companies	150	294

The “of which” position are receivables against the Varengold Verwaltungs AG i.L., Hamburg, the Varengold Capital Holdings Limited, British Virgin Islands and the Varengold Capital Asset Management Limited, Hongkong.

4.1.2 Breakdown of residual terms

	30.06.2020 TEUR	31.12.2019 TEUR
Loans and advances to credit institutions	25,329	26,818
Due on demand	5,624	23,308
Up to three months	4,705	39
Over three months to one year	15,000	3,471
Customer receivables	394,648	267,215
Due on demand	15,156	3,766
Up to three months	77,503	39,900
More than three months to one year	253,115	170,452
More than one year to five years	48,872	53,097
More than five years	0	0
Bonds and other fixed-income securities	22,985	21,201
Up to three months	1,158	1,189
More than three months to one year	461	1,688
More than one year to five years	21,366	18,324
Loans and advances to credit institutions	106,554	28,259
Due on demand	5,704	28,259
More than three months	0	0
More than three months to one year	0	0
More than one year to five years	100,850	0
Customer receivables	528,957	631,922
Due on demand	249,753	355,288
Up to three months	43,421	43,462
More than three months to one year	133,386	102,967
More than one year to five years	102,397	130,205

In year 2020 the bank took a line of credit from the German Central Bank as a tender transaction, whose term lies between one and five years.

4.1.3 Securities

The following table indicates the balance sheet items contained within securities:

	30.06.2020	31.12.2019
	TEUR	TEUR
Bonds and other fixed-income securities	22,146	21,201
Unlisted	0	0
Listed	22,146	21,201
- Of which: publicly listed	22,146	21,201
Shares and other variable-yield securities	106,840	126,274
Unlisted	94,559	97,530
Listed	12,281	28,744
- of which: publicly listed	1,500	0
Shares in affiliated companies	45	900
Unlisted	45	900
Investments	1,327	1,827
Unlisted	500	1,000
Listed	827	827
- of which publicly listed	0	0

4.1.4 Trust assets and trust liabilities

Since May 2020, the bank grants credit to customers within the KfW Rapid Credit Programme. These are trust loans. Amounts owed to the KfW for this programme are reported at the same amount under trust loans. The receivables as of 30 June 2020 are TEUR 3,416.

4.2 Individual post disclosures

4.2.1 Deposits at the Central Bank and loans and advances to banks and customers

While the deposits at the German Central Bank were reduced from TEUR 261 to EUR 113 by TEUR 148 and a virtually unchanged value of loans and advances to banks was posted (TEUR 25), the customer receivables increased by TEUR 128 from TEUR 267 to TEUR 395. These receivables consist mainly of customer loans and municipal loans, whereby the increase came almost exclusively from the municipal loans.

4.2.2 Bonds and other fixed-income securities

The position bonds and other fixed-income securities amounts to TEUR 22,147 (previous year TEUR 18,829) from bonds and debt securities issued by public issuers and in the amount of TEUR 1,118 (previous year TEUR 2,373) in bonds and debt securities from other issuers. In addition to nine European government bonds, a corporate debt security is included in this position.

4.2.3 Shares and other variable-yield securities

This position contains shares in investment funds in the amount of TEUR 105,340.

The amount of TEUR 90,824 is comprised of investment funds of which the bank holds more than 10 % and include the following:

in TEUR	Investment objective	Book value	Market value	Hidden reserves / Charges	Distribution in 2019
Dalma Corporate Bond Fund	Real estate	16,582	16,953	371	0
Varengold Fixed Income Fund SP	Trade finance	28,742	29,364	622	0
Varengold Spezial I	Pensions	45,500	44,788	-712	501

The return option for “Dalma Corporate Bond” funds is possible within three months and the “Varengold Fixed Income Funds” within 90 days to the end of a month. The remaining funds have partially varying repayment dates, so that under certain circumstances offset maturity dates of the return is to be expected. “Varengold Spezial I” funds have no restriction regarding the daily return option.

The portion of the funds including “Fasanara SA SICAV-RAIF – Varengold Real Estate Finance Fonds” and “Fasanara SA SICAV-RAIF – Varengold Receivables Finance Fonds” were returned by the bank on 30 June 2020. The right to repayment is listed under the “Other assets” at TEUR 18,140.

The funds were reclassified on 30 April 2020 from the liquidity reserves and treated as fixed assets.

4.2.4 Participations and shares in affiliated companies

The Varengold Bank AG has the following unlisted holdings:

Company	Participation rate		Equity capital	Results
	direct %	indirect %	31.12.2019 TEUR	2019 TEUR
Hanseatic Brokerhouse Securities AG, Hamburg	33.00		144 ¹⁾	-701 ¹⁾
Lava Trading Ltd., Valetta, Malta	49.79		-6 ²⁾	-6 ²⁾
Varengold Capital Holdings Limited, British Virgin Islands	100.00		-337 ³⁾	27 ³⁾
Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg	100.00		400 ⁴⁾	-1 ⁴⁾
Klear Lending AD, Sofia	20.00		576 ⁵⁾	-173 ⁵⁾
Varengold Capital Asset Management, Limited, Hongkong		100.00	988 ³⁾	366 ³⁾
Varengold Capital International Company Limited, British Virgin Islands		100.00	-661 ³⁾	-2 ³⁾
Varengold Investment Funds SPC, Cayman Islands		100.00	-650 ³⁾	0 ³⁾
Varengold Capital Investment Company Limited, British Virgin Islands		100.00	-37 ³⁾	354 ³⁾
Varengold Capital Management Limited, British Virgin Island		100.00	-757 ³⁾	-429 ³⁾
Naga Brokers GmbH, Hamburg		33.00	52 ⁶⁾	0 ⁶⁾

In accordance with § 285 No. 11 HGB in conjunction with § 271 HGB, holdings under 20% have been omitted.

1) Annual Report of 31 December 2017

2) Annual Report of 31 March 2015 (different financial year); in year 2016 business operations were adjusted

3) Entries in EUR were adjusted on the reporting date 31.12.2019; price HKD: 8.7473

4) Interim Annual Report of 30 November 2019 (different financial year)

5) Annual Report of 31.12.2018; entries in EUR were adjusted on the reporting date 31.12.2019; price BGN: 1.9558

6) Annual Report of 31 December 2018

The participation in "Varengold Capital Asset Management Limited" was sold; conditions precedents were met in August, so that the realization was effective after 30 June 2020. The NAGA Brokers GmbH will be merged with the Hanseatic Brokerhouse Securities AG, Hamburg over the course of the second half of year 2020.

4.2.5 Gross assets analysis

	Purchase costs				Depreciation				Residual book value	
	01.01.20	Accruals 2020	Uses 2020	30.06.20	Cumulative 01.01.20	Annual accruals 2020	Uses 2020	Cumulative 30.06.20	30.06.20	31.12.19
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets										
Self-created industrial and similar rights and assets	388	0	0	388	388	0	0	388	0	0
Acquired concessions, intellectual property rights and similar rights and assets, as well as licenses to such rights and assets	2,327	0	0	2,327	2,150	26	0	2,176	151	177
Fixed-assets	821	4	0	825	685	22	0	707	118	136
Total	3,536	4	0	3,540	3,223	48	0	3,271	269	312
	Change^{*)}									
Bonds and other fixed-income securities					-1,255				1,118	2,373
Shares and other variable-yield securities					61,340				106,840	45,500
Investments					-500				1,327	1,827
Shares in affiliated companies					-855				45	900

*) In accordance with § 34 para. 3 RechKredV, the permissible summary for financial information was utilized.

The intangible assets are primarily comprised of acquired software and licenses. The fixed assets include operating and office equipment (including leasehold improvements).

4.2.6 Other assets

Under other assets are mainly redemptions of fund shares (TEUR 18,140). Additionally, a posting of receivables for tax overpayments in the amount of TEUR 1,079 (previous year TEUR 1,116) and receivables from paid security deposits in the amount of TEUR 166 (previous year TEUR 171).

4.2.7 Deferred income

The deferred expenses and accrued income contain mainly prepaid insurance premiums (TEUR 132). Moreover, rents, licenses and IT expenses are included.

4.2.8 Loan and advances to credit institutions

Loans and advances to credit institutions TEUR 106,554 (previous year TEUR 28,259) are due on demand liabilities with credit institutions and open market loans of the German Central Bank of TEUR 100,850.

4.2.9 Obligations to customers

The position obligations to customers contains liabilities due on demand in the amount of TEUR 249,753 (previous year TEUR 355,288) and liabilities with agreed upon terms or periods of notice in the amount of TEUR 279,204 (previous year TEUR 276,634). The obligations are comprised of term deposits (TEUR 270,551), accounts for payment transactions (TEUR 120,196), due on demand accounts (TEUR 65,359), security deposits (TEUR 15,688) and other accounts (TEUR 57,161).

4.2.10 Other liabilities

The other liabilities have a residual maturity of up to one year and mainly include liabilities from payroll accounting including wage tax (TEUR 899), from retained amounts (TEUR 475), from obligations for tax matters (TEUR 201) and from deliveries and performance and other reasons TEUR 423.

4.2.11 Reserves for pensions and similar obligations

Pension reserves are held for dependents. The difference between the valuation of the pension reserves with the 10-year average (TEUR 99) and that of the 7-year average (TEUR 107) is TEUR 8 and is subject to a distribution ban (§ 253 para. 6 sentence 2 HGB). The interest rate is 2.71 % (average market interest rate of the past 10 business years). The interest expense from compounding is TEUR 3 (previous year TEUR 3). The estimate is carried over unchanged from the Annual Report of 31 December 2019.

4.2.12 Provisions for taxes

The provisions for taxes position includes corporate tax provisions (tax rate 15 % plus 0.825 % solidarity tax) in the amount of TEUR 262 (previous year TEUR 224) and commercial tax provisions (tax rate 16.45 %) in the amount of TEUR 364 (previous year TEUR 233).

The remainder is comprised of tax provisions for pro rata profit in the London branch office in the amount of TEUR 25 (previous year TEUR 19). An income tax rate of 20 % is used as a basis.

4.2.13 Other provisions

This position includes the following:

	30.06.2020	31.12.2019
	TEUR	TEUR
Provisions for litigation and claims	661	375
Variable remuneration	585	2,075
Legal and consulting costs	477	363
Audit and annual report costs	443	606
German Bank Compensation Scheme	228	76
Vacation accrual	182	91
Running IT costs	115	0
Archiving costs	73	79
Miscellaneous	276	43
Total	3,040	3,744

4.2.14 Instruments of additional regulatory core capital

On 19 August 2014, Varengold Bank AG issued additional Tier-1 bonds (AT1 bonds) in the amount of EUR 5 million. The additional AT1 bonds constitute unsecured and subordinated bonds of Varengold Bank AG. The semi-annual interest payments for these debts are measured at their nominal values and the development of the EURIBOR. Varengold Bank AG is both obligated and has the comprehensive right to make a sole decision on its own at any time whether to cancel interest payments. Interest payments are not cumulative and will not be increased in the following year to compensate for possible cancelled interest payments. The bonds have no date of maturity. They may be called by Varengold Bank AG first after five years after their date of issue and after each interest payment due date. Moreover, under certain conditions, they may be called prematurely. The bond regulations include, among others, that Varengold Bank AG must call the bonds in their entirety, not in portions, when there are specific supervisory review process or tax reasons to do so. Each premature calling of the bonds requires the prior approval of the controlling authorities. The repayment and the nominal value of the bonds may be reduced by demonstrating extenuating circumstances. Such an instance of factual circumstances would be if the Tier-1 core capital ratio fell below 5.125 %. The bonds may be attributed by providing documentation of the factual circumstances under certain conditions.

The limited interest expense for these bonds was EUR 0.00 on 30 June 2020.

The outstanding Tier-1 bonds on 30 June 2020 were the following:

Currency	Amount in EUR	Type	Date of issue	Interest	Maturity
EUR	5,000,000	variable interest, cumulative subordinate	19 August 2014	variable	No expiration date

4.2.15 Share equity

Fully paid-up share capital (TEUR 10,043) is divided on the reporting date into 10,043,015 no-par value registered shares. The capital reserve in the amount of TEUR 44,705 results, among other sources, from the capital increase that occurred in July 2017 through the issuance

of 1,217,730 new shares at a premium of EUR 2.99 per share (premium TEUR 3,641), from the capital increase in February 2018 through the issuance of 2,070,141 new shares at a premium EUR 1.80 (premium TEUR 3,726) and from the capital increase in January 2019 at a premium of EUR 1.50 (premium TEUR 4,658).

In addition, the Varengold Bank AG implemented a capital increase in the first quarter 2020 under the exclusion of the purchase right of the authorized capital 2018 and 2019. The share capital of the company was increased from EUR 9,315,634.00 against cash deposits of EUR 727,381.00 to EUR 10,043,015.00 through the issuance of 727,381 new shares. All shares were issued at a premium of EUR 3.85 per share. The commercial registration of this capital increase took place on 17 February 2020. The capital reserve corresponds to the share premium of further EUR 2,073.

A resolution passed by the Annual General Meeting on 8 August 2012 authorizing a “conditional capital 2012 II” capital increase still exists. The conditional increase of up to EUR 140,000.00 is executed through the issuance of up to 140,000 no par value bearer shares. The conditional capital increase will only take place only for holders of stock options who, based on the authorization of the general meeting regarding the stock option program 2012 (“AOP 2012”) exercised their subscription rights in the time period up to and including 8 August 2017 grants its own shares in non-fulfillment of subscription rights or cash equivalent. The new shares participate in the profit from the beginning of the business year through the execution of subscription rights. The AOP 2012 is designed as a performance incentive for program participants and is simultaneously intended to have a binding effect between the participants and the company.

Through the AOP in 2012 a total of up to 95,000 share options may be issued to members of the Board of Directors and a further total of up to 45,000 share options to selected executives and other key personnel of the company “Programme Participants.” Each stock option contains the option to purchase the share of Varengold Bank AG stock at the exercise price. The strike price for a Varengold Bank AG share, i.e. the price payable when purchasing a share after exercising a stock option right, is the mathematical mean of the closing price of Varengold stock trading on Xetra on the last 30 trading days prior to the distribution of the stock options “exercise price.” The distribution of the options will occur in at least three yearly installments, whereby no installment may exceed 50 % of the total volume. The acquisition timeframe is 40 workdays after receipt of the offer to purchase shares. The subscription rights of the stock options may only be exercised after the completion of a waiting period of at least four years after their distribution. Subscription rights may be exercised within seven years of the share option issue, outside the respective restriction periods, and such exercise requires that the price of the Varengold Bank AG share in Xetra trading has exceeded the exercise price by at least 30 % on the last thirty trading days prior to the exercise date.

Based on the existing authorization, the Board of Directors made a stock option offer of a total of 85,500 shares to management personnel of the company by the end of the reporting period. A total of 45,000 share options were distributed to particular high performers. An additional 40,500 options were distributed to members of the Board of Directors; whereby 31,000 of these could not be exercised due to the departure of the respective Board members. In 2020, no distributions of stock options occurred by the reporting date.

4.2.16 Contingent liabilities

On 30 June 2020 liabilities from guarantees and indemnity agreements exist mainly in the form of guarantee credits in the amount of TEUR 6,752 (previous year TEUR 8,502). The risk of utilization is classified as low. The guarantees are entirely collateralized through cash, liquid securities or a combination of both.

The risk of loss of utilization from possible liabilities is primarily the credit risk of the customer. The bank estimates the risk of the contingent liability based upon its credit review process of the customer including at times an evaluation of the foundational obligations of each customer.

As of 30 June 2020, other liabilities exist in the form of irrevocable credit commitments against customers in the amount of TEUR 8,993 (previous year

TEUR 12,488) which may be called in installments if necessary. For these instances, the contractual prerequisites for distribution will be examined before each distribution. The bank estimates the risk that a loss will occur based upon irrevocable credit commitments before entering into a contractual obligation during its credit review.

4.2.17 Transferred collateral

On the reporting day, loans and advances to credit institutions in the amount of TEUR 4,705 served as guarantees for business on futures exchanges.

Moreover, securities in the amount of TEUR 167,515 in favor of the German Central Bank are held which also serve as collateral for open market loans.

5 Notes to the Profit and Loss Statement

Unless otherwise noted, the following section “previous year” indicates the time period 01.01.2019 to 30.06.2019.

All results occurred within Germany.

5.1 Interest income

The interest income consists mainly of loans granted and fixed-income securities. Negative interest paid (mainly incurred at the German Central Bank and for security deposits) is openly deducted from interest income.

Interest expenses mainly include interest on customer deposits (on-demand, fixed-rate and term deposits). Negative interest on deposits as security and customer deposits are also deducted from interest income.

5.2 Current income from shares and other variable-yield securities

Income from shares and other variable-yield securities includes exclusively income from shares of investment funds.

5.3 Provision income

Provision income contains mainly income from the Transaction Banking business area for provision payment transactions, guarantee and credit business in the amount of TEUR 8,860 (previous year TEUR 6,593).

Provision expenses include primarily transaction fees for the business in the Transaction Banking business.

	30.06.2020	30.06.2019
	TEUR	TEUR
Provision income	8,860	6,593
Provision expense	655	448
Provision surplus	8,205	6,145

5.4 Net results of the trading portfolio

The results derive from the securities which serve customer mandates. The business is concluded daily and therefore results in no corresponding portfolio position.

5.5 Other operating income

The other operating income decreased in the first half year from TEUR 590 in year 2019 to TEUR 512 in year 2020. Included in other operating income are primarily earnings from reversal of (TEUR 152) and cost reimbursements (TEUR 136).

5.6 Personnel expenses

	30.06.2020	30.06.2019
	TEUR	TEUR
Wages and salaries	3,694	3,749
Social benefits	441	371
Expenses for pensions and support	160	119
Total	4,295	4,239

5.7 Other administrative expenses

	30.06.2020	30.06.2019
	TEUR	TEUR
IT expenses	1,444	1,260
Consulting, accounting and auditing costs	1,322	982
Premiums and insurance	359	336
Occupancy costs	214	295
Communication expenses	214	161
Advertising, entertainment and travel costs	131	91
Office supplies, magazines and training	50	45
Vehicle costs including leasing (excluding road tax)	12	12
Other administrative expenses	420	262
Total	4,166	3,444

5.8 Other business expenses

The other business expenses fell in the first half year from TEUR 1,100 in the previous year to TEUR 358 in year 2020. This position contains mainly results from foreign currency translation of (TEUR 192, previous year TEUR 988).

5.9 Taxes from income and earnings

The assessment basis for the taxes from income and earnings is primarily related to the difference between the commercial balance sheet and tax balance sheet.

6 Other information

6.1 Institutions

6.1.1 Supervisory Board

Dr. Karl-Heinz Lemnitzer

Independent tax advisor and auditor

Chairman

Mr. Vasil Stefanov

Management Board, Euro-Finance AD; Head of M&A, Euroins Insurance Group AD

Deputy Chairman

Mr. Francesco Filia

Chairman, Fasanara Capital Ltd.

6.1.2 Management Board

Dr. Bernhard Fuhrmann

Back Office

Mr. Frank Otten

Market

Dr. Bernhard Fuhrmann and Mr. Frank Otten are each entitled to represent the company with another board member or with an authorised representative.

6.1.3 Mandates in Supervisory Boards

Dr. Lemnitzer has no other appointments to statutory supervisory boards or comparable control bodies as defined by § 125 para. 1 sentence 5 AktG.

Mr. Stefanov is, in addition to his post as Supervisory Board member of Varengold Bank AG also member of the Supervisory Board of the insurance company Euroins Georgia JSC (Tbilisi), Management Board member of Euro-Finance AD (Sofia), non-executive Director of Hanson Asset Management Limited (London), Supervisory Board member of the First Investment Bank AD (Moscow), as well as co-owner of Vinart Stefanovi Ltd. (Plovdiv) and Arkont-Invest Ltd. (Plovdiv) on the reporting day.

On 30 June 2020, Mr. Filia is Chairman of Fasanara Capital Ltd. (London) in addition to his post as Supervisory Board member of Varengold Bank AG.

Dr. Fuhrmann is engaged in the role of liquidator at Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg. Moreover, he is the Chief Executive Officer (CEO) of JUCLA Invest GmbH, Hamburg.

In addition to his post on the Supervisory Board of Varengold Bank AG, Mr. Otten is also CEO of the consulting firm Arensburg Consult GmbH, Molfsee, member of the Advisory Board of the KERNenergie GmbH, Großwallstadt, CEO of KERNenergie Hamburg Store GmbH, Hamburg, and Chairman of the Supervisory Board of the Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg.

Mr. Lukas Diehl, authorised representative of the Varengold Bank AG, is also member of the Supervisory Board of the Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg.

6.1.4 Board member remuneration and loans

With regard to the disclosure of the total remuneration of the Board, according to § 285 No. 9a HGB, as well as that of surviving dependents in accordance with § 285 No. 9b HGB, the protection clause per § 286 para. 4 HGB is utilized.

The members of the Supervisory Board received for their contribution in the time period 1 January 2020 to 30 June 2020 total remuneration in the amount TEUR 174 (Previous year TEUR 177). This includes net compensation (including relevant value-added tax) in the amount of TEUR 170 (previous year TEUR 173) and in both time periods TEUR 4 from incurred travel costs.

On the balance sheet date there are no loan receivables from the members of the Supervisory Board or the Board of Directors.

6.2 Employees

The average number of employees as of 30 June 2020 was 81 (as of 31.12.2019: 66), of which 33 were female employees (as of 31 December 2019: 27) With the exception of 15 employees, all staff work in Germany.

6.3 Other financial obligations

The other financial obligations are mainly liabilities from leasing contracts in the amount of TEUR 434 with residual terms of 20 Months.

6.4 Forward transactions

Forward transactions not yet appearing on the balance sheet date are for hedging purposes of special coverage and are recorded at fair value.

	Nominal TEUR	Positive market value TEUR	Negative market value TEUR
Foreign currency	30,125	0	37

6.5 Notifications according to § 20 AktG

There were no notifications per § 20 para. 1 AktG transmitted to Varengold Bank AG and also no announcements according to § 20 para. 6 AktG published in the Federal Gazette.

6.6 German Corporate Governance Code

From 20 March 2007 until 28 February 2017 the stock of Varengold Bank AG (ISIN DE0005479307) was listed in the Entry Standard of the German Stock Exchange. Since the closing of Entry Standards, Varengold stock has been listed in Basic Board on the open market since 1 March 2017. The Varengold Bank AG is not obliged to publish a statement of compliance with the German Corporate Governance Code (§ 161 AktG), as the company is not listed according to § 3 para. 2 AktG.

6.7 Supplementary statement

The global spread of the new Corona virus (COVID-19 pandemic) in year 2020 and the fighting of its consequences to healthcare have led to a significant reduction of economic activities. Developments to date indicate that considerable adverse effects for the global economy are possible also after the date of 30 June 2020. Currently, significant uncertainty exists as to the duration and the intensity of the Corona crisis and the economic impacts of the crisis on the one hand, and the possible mitigation of the negative impacts due to the already implemented or addressed assistance programs on the other hand. Economic effects of the Corona crisis could negatively influence the achievement of the financial goals of the Varengold Bank AG, whereby due to the existing uncertainties concrete prognoses of the effects are not yet possible. In general, negative effects could materialize for the Varengold Bank AG related to the amount of income and could lead to a necessity for additional credit risk-provisions.

Hamburg, 18 September 2020

Varengold Bank AG



Dr. Bernhard Fuhrmann



Frank Otten

Management's Discussion and Analysis

A. Principles of Varengold Bank

The Varengold Bank is a publicly listed German credit institute with a full banking license with headquarters in Hamburg and branch offices in London and Sofia. The Varengold shares (ISIN: DE0005479307) have been listed on Open Market of the Frankfurt Stock Exchange since 2007.

The core business areas of the Varengold Bank are Marketplace Banking and Transaction Banking (Commercial Banking).

The current portfolio of the Varengold Bank in Marketplace Banking contains funding, debt and equity capital markets products, fronting services for products requiring a bank license and international payment transaction services. Customers are global digital credit marketplaces (FinTechs) with a concentration in Europe. These customers operate within the asset classes of receivable finance, real estate finance, trade finance, consumer finance or SME finance.

In addition to Marketplace Banking the second core business area of Varengold Bank is Transaction Banking with the fields of international payment transactions, trade and export finance, Lombard credits and structured finance. The customers of the bank are active all over the world.

The Varengold Bank primarily refinances itself through cash and term deposits, which are made available to customers of the bank who are located in Germany.

B. Economic report

1. Macro-economic and industry-related conditions

Since the beginning of the year 2020, the massive consequences of the now globally widespread Coronavirus SARS-CoV-2 which can be initiated by the lung disease COVID-19 have become increasingly apparent. That is why in March the first comprehensive lockdown measures were implemented which meant economic catastrophe for many companies and self-employed people from the most diverse sectors of the economy. The beginning of May marked the gradual loosening of the measures although the travel warnings for many countries outside of the EU and the compulsory wearing of masks for many daily activities continued to be in force at the middle of the year.

The economic situation which resulted from the Corona pandemic deteriorated quickly, leading to an economic slump and necessitating numerous counter measures which have left their marks upon the capital markets and the daily banking business. Moreover, concerns about impending company insolvencies as a result of the crisis had a considerable effect on the credit markets and the availability of liquidity. The "Corona crash" on the international stock market in March 2020 experienced, however, a recognizable recovery rally by the middle of the year. The resilience of the finance and capital markets is therefore lastly also due to the political and central bank ongoing zero interest policy. The European Central Bank (ECB) widened its bond purchases already begun the previous autumn and loosened the refinancing terms for the banking sector.

The Corona pandemic abruptly slowed the German economy and additionally affected the labor market. The gross domestic product (GDP) decreased in the first quarter of 2020 price, season and calendar adjusted, by 2.0 % and in the second quarter by 10.1 %. The number of employed persons in Germany fell uncharacteristically dramatically by 1.4 %. Historical declines of the GDP were not only reported in Germany, but also for many other countries, including the USA reporting a comparable -9.5 % in the second quarter as compared to the previous quarter. A European comparison revealed that the economic slumps in some countries were more serious than in Germany. The GDP and the employment statistics fell in general more rapidly and more sharply than in the financial crisis of 2008/09.

At the same time, especially German banks experienced ongoing administrative efforts related to the various regulatory intensifications and legal requirements, whose implementation further bound both financial and personnel resources. Moreover, the increased interest in concepts for sustainability, recognized by Varengold Bank years ago; is now gaining attention within society and is becoming anchored in the accompanying regulatory requirements.

In addition to this strengthened environmental awareness, another long developing megatrend was forced to emerge by the corona crisis – digitalization raced through all companies and across all areas of life. This encompassed among other topics such as working in home offices, home schooling and shopping, as well as reduced business travel, video conferencing and virtual shareholder meetings.

2. Business development

By attaining the planned goals, the past year 2019 was the most successful business year in the history of the Varengold Bank to date. The bank continued to consistently implement its strategic direction as “bank for the marketplace lending industry” and further developed its target-oriented activities.

In particular the from EUR 6.6 million to EUR 8.9 million increase in provisions income, driven primarily by the credit and payment services business in the Commercial Banking core business area, proved itself instrumental in the approximately EUR 2 million growth in results compared with the first half year 2019. Given the uncertainties related to the Corona pandemic, the allocation for risk coverage was increased. Nevertheless, the earnings before taxes remained at EUR 1,631,482 on the same level as last year. (30 June 2019: EUR 1,687,816).

A further focus of the Varengold Bank AG in the first half year 2020 was to support German companies in overcoming the financial challenges created by the Corona pandemic. In May the Varengold Bank was accredited for this purpose by the German Redevelopment Bank (KfW) for the special 2020 KfW - Corona assistance programme and together with the Berlin FinTech Kapilendo has been making quick and uncomplicated access to Corona assistance funds available to mid-sized German companies in need.

To expand the business volume and to strengthen capital resources, a capital increase with subscription rights was undertaken at the beginning of the year. The share capital was increased from EUR 9,315,634.00 to EUR 10,043,015.00 through the issuance of 727,381 new shares at the price of 3.85 EUR.

A major contribution to the positive business development was the consistent expansion of the Varengold Team of qualified employees and the renewed progress with respect to the digital transformation of the bank.

In addition to the introduction of productivity enhancing IT solutions and the use of management software for internal and external communication, additional mobility for hardware solutions was made possible. Within the scope of the personnel development, an additional FinTech hub in Berlin was planned at the beginning of 2020, whose goal was to provide regional support to customers in addition to the existing business locations of Hamburg, London and Sofia. This plan, however, was shortly thereafter put on hold after a critical observation of the expansion of the Corona pandemic.

After the Varengold Bank increasingly engaged in small projects in the area of corporate and social responsibility (CSR) over the past few years, it began at the end of 2019 a comprehensive sustainability project which addresses not only the aspects which adhere to the corresponding BaFin bulletin, but also current sustainability topics of the bank, such as for example, the use of clean energy, trash reduction, use of ecological foods and office supplies and CO₂ neutrality. Ultimately the bank was certified in August of the current year as climate neutral due to the implemented sustainability initiatives to ensure a low CO₂ footprint.

In May, the Supervisory Board of the Varengold Bank also decided to renew its appointment of Dr. Bernhard Fuhrmann as member of the Board until 14 April 2026, in order to ensure the planning security at the top level of the company in a timely fashion. With Board colleague Frank Otten, the future growth targets of the bank will be well-managed in the long-term.

3. Position

3.1 Financial position

The interest income of the company rose from TEUR 4,388 in the first half year 2019 to TEUR 4,442 in the first half year 2020. The increase of TEUR 54 emerged from a slight reduction of interest income from the money and credit market business (TEUR -3) from an increase in interest income from fixed-income securities debt register claims (TEUR + 57). The recorded interest income includes negative interest for Federal Bank credit balance in the amount of TEUR 512. The interest expenses increased mainly through a slight increase of the fixed-income deposits (+1 %) contingent upon a reallocation of maturity terms by 14 % from TEUR 884 to TEUR 1,011, resulting in an interest surplus of TEUR 3,430 (previous year TEUR 3,504). The interest expenses include interest income from charging on negative interest to customers in the amount of TEUR 482.

The current earnings from shares and other variable-yield securities decreased slightly from TEUR 739 to TEUR 711 due to dividends from investment funds.

The provisions earnings increased considerably from TEUR 6,593 to TEUR 8,860. Moreover, the provisions expenses increased by a value of TEUR 655 (previous year TEUR 448) by 30 June 2020.

The other operating income fell by TEUR 590 in the first half year 2019 to TEUR 512 in the first half year 2020. The other operating income are derived from income from the reversal of provisions, the reimbursement of legal costs, and through hedge funds.

The general administrative expenses of the company increased by TEUR 778 (from TEUR 7,683 in the first half year 2019 to TEUR 8,461 in the first half year 2020). The main causes for this are the increase in legal and consulting fees (TEUR 341), IT expenses (TEUR 184) and the rest of the other administrative expenses (TEUR 157).

The depreciation and adjustments on intangible assets and fixed assets decreased by TEUR 57 in the previous year to TEUR 47 in the first half year 2020.

The other operating expenses decreased considerably from TEUR 1,100 in the first half year 2019 to TEUR 358 in the first half year 2020. These mainly include expenses from forward transactions to secure the foreign currency positions.

The position depreciation and value adjustments on receivables and certain securities and allocations to provisions for the credit business amounted to TEUR 2,137 (previous year TEUR 199). This position mainly includes write-downs of certain securities.

The depreciation and value adjustments on investments, shares in affiliated companies and fixed assets treated as securities increased to TEUR 342. The expense resulted primarily from depreciation on investments.

In total, the income from normal business activities of the Varengold Bank AG TEUR 1,628 (previous year TEUR 1,688).

After consideration of income taxes and earnings, as well as other taxes, the annual net profit recorded on 30 June 2020 amounted to TEUR 1,123 (previous year TEUR 1,122). The comparably high tax position resulted mainly from value corrections not recognized for tax purposes in the credit and investment portfolio.

The return on investment according to § 26a KWG is calculated as the ratio of net profit and balance sheet and is 0.16 %.

3.2 Financial situation

From 31.12.2019 to 30.06.2020 the balance sheet total decreased by 2.8 % from EUR 707.4 million to EUR 687.8 million. The asset side is shaped, in addition to customer receivables (EUR 394.6 million), in particular by shares and other variable securities (EUR 106.8 Mio.) and the current level of cash reserves (EUR 112.7 million). In total, these three positions comprise 89.3 % of the balance sheet. The customer deposits at EUR 529.0 million or 76.9 % continue to make up a considerable portion of the liabilities. The relative decline is connected to taking of open market loans with the German Central Bank in the amount of EUR 100.8 million.

The core capital ratio (TIER 1) on 30 June 2020 was recorded at 15.83 %.

The Varengold Bank AG has an orderly asset and capital structure.

3.3 Liquidity position

At EUR 112.7 million or 6.4 % of the balance sheet total, cash and cash equivalents constitute a relatively large position on the asset side of the balance sheet. The supervisory requirements liquidity ratio at 292.6 % considerably exceeds the regulatory requirements as it did in the previous year. The liquidity position of the bank was at no point at risk.

C. Risk, opportunity and outlook report

1. Risk report

It is usually not possible in the banking business to earn income without entering into risks. In this respect conscious action, active management and ongoing identification and monitoring of risks are core elements of the success-oriented business management of the Varengold Bank.

The mission of Varengold Bank AG is to develop itself into the leading bank in the marketplace lending industry. The achievement of this goal through the application of company objectives means, in the market environment of Varengold Bank, the conscious assumption of risk. A fundamental aspect of the business strategy of the Varengold Bank is to offer flexible, competitive products and services and to permanently adapt to the changing market conditions.

The business strategy must determine the essential objectives of Varengold Bank for each business activity, as well as measures to achieve those objectives.

The risk strategy describes the implications of the business strategy on the risk situation of Varengold Bank and describes the handling of the existing risks and the ability to carry the risks.

Central instruments of risk management at the Varengold Bank AG are, in addition to this risk strategy, the risk carrying concept, the limit system and monitoring process which are oriented to the business activities.

Every potential future risk must be fully transparent from the start. Only with complete transparency can an evaluation be made as to whether or not a risk should be approved. This decision is taken by the Board always taking into consideration the question whether the particular risk can bring a reasonable return and whether an ability to carry the risk exists. When a risk is taken, this takes place within the firmly established risk tolerance that is stipulated primarily in the risk-bearing capacity assessment and compliance thereof is continuously monitored.

The risk carrying analysis is undertaken by risk controlling on a monthly basis. The methodology of the analysis is continuously evaluated for plausibility and the most recent state of the regulatory environment.

The risk controlling and risk management system corresponds to the provisions of Minimum Requirements of the Risk Management (MaRisk) of the Federal Financial Supervisory Authority (BaFin).

Risk is understood to be the negative deviation of occurring events from the expected events. The foundation of the risk management system includes the categorization of significant risks of the bank into counterparty risk, liquidity risk, market risk, operational risk and other risks which, among other things, include the risk to reputation, strategic risks, model risks, as well as the risk concentrations associated with these types of risk.

To manage these risks, a continuous monitoring and assessment of the identified risks is carried out as part of the risk management system. The comprehensive process includes the following steps which are built upon each other:

- › Risk identification
- › Risk measurement
- › Risk management
- › Risk control and risk reporting

The Board of Directors determines the amount of the allowable total risk and its distribution among each of the individual types of risk. In this context, care is continuously taken to ensure that the different businesses activities are backed with sufficient risk coverage potential.

For the monitoring of adherence to Varengold Bank AG's risk strategy, risk controlling is the responsible department. The results from risk controlling are transparently reported to the management team in order to enable adequate management.

On 24.05.2018 the German Financial Supervisory Authority (BaFin) and the German Central Bank published the new guidelines "Prudential assessment of internal bank risk-carrying concepts" and their procedural integration in the overall bank management "(ICAAP) – new orientation". It contains policies, principles and criteria which are essential to the supervision of the assessment of internal bank risk-carrying concepts which as "less significant institutions" (LSI) are directly subject to German bank supervision. The risk-carrying concept as a central component of the ICAAP according to § 25a para. 1 sentence 3 No. 2 KWG in conjunction with AT 4.1 subsection 1 (and subsection 2) MaRisk is comprised of two perspectives: a normative perspective and an economic perspective. Both serve the long-term sustainability of the institution based on its own current substance and earning power. To this end the normative perspective pursues the explicit goal of supporting the continuation of the institute and the economic perspective has the goal of protecting the creditor from loss from the economic viewpoint.

For the normative perspective, the risk covering potential (RDP) and the risks concept compliance for the current, as well as the future planning periods are determined. Capital planning encompasses the time period from inception through at least three years and includes the supervisory required plan and an adverse scenario. In addition, the bank utilizes the possibility contained in subsection 35 of the new RTF guidelines in conjunction with AT 4.3.3 subsection 3 MaRisk developed comprehensive risk type stress test "serious economic downturn" as an additional adverse scenario. In the capital planning scenarios risks from the economic perspective are considered which have an influence on the available capital.

The risk-carrying potential in the normative perspective is comprised of the regulatory equity capital and the contingency reserves according to § 340 f HGB. The processes utilized to quantify risk in the normative perspective address provision risks, market risks and operational risks from the legal requirements of the CRR, for which risk-weighted position entries are calculated. In the plan scenario the entire equity requirement is held which can be utilized in an adverse scenario shortfall of the combined capital buffer requirement according to § 10i KWG.

As of 30.06.2020 all capital requirements in plan and in adverse scenario on both the reporting day, as well as for the three-year planning horizon were secured. In the “serious economic downturn scenario” the combined capital buffer requirement fell short according to § 10i KWG as of the fourth quarter 2022, in the stress scenario as of fourth quarter 2021. The hard minimum requirement of 11 % is maintained in all scenarios.

In the economic perspective the bank uses a present value modelling of risk carrying capacity. The risk carrying potential in the amount of EUR 46.5 million is comprised of the regulatory equity capital, the contingency reserves according to § 340f HGB, as well as hidden charges and reserves.

Fundamentally, the maximum tolerable capacity is limited to 100 %. Capacities over 90 % of the total limit and capacities over 100 % within individual types of risk require a response of the Board of Directors.

The capacity of the risk carrying potential as of 30 June 2020 was 57 %, of which 44 % was counterparty risk, 32 % market risk, 13 % operational risk, 2 % strategic and reputation risks and 9 % modelling risks.

Conventional models are used for the monitoring of the main contingency and market risks.

The contingency risk is comprised for the quantification in the sense of risk carrying ability from a more narrowly defined provision risk (AAR strict interpretation) in combination with the migration risk. These two risks are added together.

The quantification of the contingency risk in the strict sense takes place with the key risk figures “expected loss” (EL) and “unexpected loss” (UEL). The EL is determined on the basis of the probability of default considering the LGDs (Loss Given Default). The UEL is quantified using a credit risk model for a confidence level of 99.9 % and a time horizon of one year. The calculation is based on the Gordy model, which is applied by the Basel Committee on Banking Supervision to model bank capital adequacy on the terms of Basel II and the further provisions set out by Basel III. The credit risk model determines the contributions of the individual borrowers and shareholdings to the unexpected loss at portfolio level, which are then additively aggregated to an unexpected loss for the total portfolio. In this process, any available external or internal probabilities of default (PDs) and the transaction-specific loss ratio (LGD) are applied. The determination of the other model parameters is performed by applying the standard specifications of Basel III. In addition to the probabilities of default and loss defaults, also the correlation between the counterparties with the systematic risk factor, as well as the granularity of the portfolio and the residual terms are taken into consideration. The risk carrying potential only includes the unexpected Loss of the portfolios. The expected loss is already included in the general value adjustments.

In addition, the migration risk of the portfolio is determined for a time horizon of one year. For this risk external migration matrices are utilized. With the thus so calculated higher failure rates a new calculation of the default risk is conducted with the help of the Gordy model; the difference between the so calculated EL and the EL AAR in the strict sense determines the final migrations risk figure.

The market risk is determined by adding the risk figures for price risk, credit spread risk and interest change risk. Here no correlations are considered.

The price risk (general price risk) is quantified with the help of value at risk model. For both the trading book and the banking book, this is measured with a confidence level of 99 %, an observation period of 250 days and a lookback of 520 days via historical simulation of changes in the term and adequate currency swap or EURIBOR rates.

The price risk for the total portfolio is calculated and limited and also separated between the banking book, the trading book and foreign currency futures. This further includes the consideration of securities investments which have a price risk, the open foreign currency, as well as the foreign currency futures which are held for hedging purposes.

The measurement of the interest change risk takes place quarterly through risk controlling. For this the present value of the interest book with ad-hoc interest changes of +200 basis points and -200 basis points, as well as six additional scenarios according to RS 06/2019 (BA) – “Interest change risks in the banking book” are determined. The larger negative change of these eight interest change scenarios flow as a risk value into the risk carrying calculation.

The Bank defines credit spread risk as the negative market changes of bonds as a result of a deterioration of the credit standing of an issuer which has not yet become evident in a rating downgrade, (particular price risk). The credit spread risk is quantified with the help of the value at risk model. For both the trading book and the banking book, this is measured with a confidence level of 99 %, an observation period of 250 days and a lookback of 520 days via historical simulation of changes in asset swap spreads of the bonds.

The monitoring and regulation of the risks is oriented on the limit system, which is derived on based of the risk coverage potential for the market price risk.

To monitor liquidity-risk a liquidity progress review is compiled on a daily basis by the treasury department. The control is determined on the basis of the magnitudes of the distance to liquidity (at least three months) and a daily minimum liquidity of EUR 20 million. The monitoring is conducted by risk controlling. An additional emergency liquidity control concept plan, which sets off an early warning system, has been established.

The quantification of operational risk takes place quarterly through the risk controlling process in conjunction with department managers and the Board of Directors by means of a scenario analysis for all identified operational risks. The scenarios are assessed by examining possible “bad case” scenarios of the risk type and possible extent of loss and their probability of occurrence.

With respect to share transactions on each reporting day of business years 2010-2013, investigations are currently taking place against current and former employees of the Bank for suspicion of tax evasion by the district attorney's office, Cologne. The outcome could theoretically lead to a significant expense for the company. However, the Varengold Bank and the engaged external experts estimate the probability of this risk improbable, and therefore not necessitating the formulation of a provision. In addition, the office of the district of attorney is investigating a separate case against the subsidiary Varengold Verwaltungs AG i.L. (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen AG). Based on the opinion of legal counsel, the Board of Directors estimates the claim risk for the subsidiary as conceivable, the risk of a liability of the Varengold Bank for the subsidiary as very low. Moreover, both companies are involved in a civil case regarding transactions in 2010. The Board of Directors and the engaged external experts estimate the risk from these proceedings as very low.

The strategic and reputational risk is considered a decline in earnings in the course of risk-bearing capacity. In the economic perspective a risk-bearing capacity assessment in the amount of 25 % of the expected profit is utilized (minimum TEUR 400).

The risk carrying potential includes for the modelling risk a sum in the amount of 10 % if the reported risk allocation for default risk, market risk and operational risk of at least TEUR 400.

To limit the concentration risks additional limits are set by the Board of Directors which are continuously monitored.

All provisions of risk limitation are fundamentally carried through in an economically sensible fashion which appropriately considers the size of the institution, the capital resources, as well as the particular business model in an appropriate fashion.

The impacts of the COVID-19 pandemic on the business activities and results of the Bank are not currently estimable.

Within the scope of its business activities Varengold Bank AG pursues its market opportunities and engages exclusively in responsible risk-taking.

2. Opportunity report

The year 2020 was planned from the start to be a year of investment, in which the digitalization in particular was to be a focus of investment; originally in order to be able to keep pace with the direct market competition. The experience to date of the following digitalization measures shows that an automation and simplification of processes requires a deep understanding of the processes and each of their levels of maturity. Often before automizing an existing process, the process is modified or optimized. The undertaken investment measures were supported through active cost management.

The insights gathered in 2020 due to the prevailing Corona pandemic and the related expansion of the new work initiative will affect changes past the first half of the year. Employee satisfaction and the performance of the Bank were as a rule positively influenced through an optimal working environment. The new workplace

measures were supported by, for example, working in “Deal Teams,” concentrated working alone and in home offices or the social interactions and sufficient communication flow through appropriate room structures and IT components.

Also, the qualification of the employees for the ever-growing demands are an important priority. With the help of the international Varengold team the Bank will continue to help shape the modernization of the finance sector and thereby further develop the corporate culture focusing on the three company values (“Customer Centric”, “No Silos” “Go, the extra Mile”).

The Varengold Bank achieved market relevance in both of its focused core business areas and established a brand with its products and services in each market and also sharpened its profile. In Marketplace Banking, as well as in Transaction Banking, the possibility to develop value-creating partnerships continues to be explored and the Bank thereby concentrates more strongly on the core competency of a regulated institution, which is of fundamental importance to existing and potential customers. The provision of credit is hereby a central anchor point in customer acquisition.

In Marketplace Banking will support its customers more intensively through fronting services. Since the customer community is very well networked, the Varengold Bank is convinced that it can only become THE bank for the marketplace lending industry when the customers are satisfied with the existing products and services and then also further recommend these products and services. The Bank’s strategic goal is to differentiate itself from the competition through rapid and efficient implementation of funding and/or fronting projects with customers.

Since the middle of the current year the Varengold Bank, together with the Berlin FinTech Kapilendo, offers small and mid-sized companies access to KfW Rapid Credit through a digital process which is 100 % secured by a national guarantee. The customers are smoothed through the process in a minimally bureaucratic path from application to payment and has already been highly praised.

Parallel to this, the Bank will continue to support export-oriented customers in niche markets with the basis products of Transaction Banking and trade finance products to position itself as a strong transaction bank and to further develop the internationalization of these services. In particular, the further expansion of the branch office in Sofia is expected to drive the focus in the southern European region.

As central success factor the Varengold Bank identified their ability to create value for customers based on quick business decisions and innovative solutions. Thereby, simultaneously attention is paid to a high-quality credit analysis and the adherence to solid traditional credit rules. Fundamentally, the Bank concentrates on opportunities in which it is especially competitive and can strengthen its position in the long run. The Bank will use the resulting chances on the market to improve the long-term viability and profitability. Existing opportunities will be carefully examined with economic discipline.

Nevertheless, numerous risk factors may negatively affect the 2020 financial results which are not quantifiable. The continued development of the Corona pandemic and its effect on economic activities may exert considerable influence on the development of financial markets. Newly increasing infection rates in many countries, as well as the unclear perspective as to when an effective treatment or vaccine will be available, increase the

danger of a second wave of infection and in the worst case new lock-down measures over the remainder of the year.

The Board of Directors continues to be convinced that Varengold Bank with its business model has a solid foundation and has taken the right steps to address the coming requirements and needs of the actors on the financial market and to intensify the business growth in the long term. The financial success to date would not have been possible without a clear mission which serves to guide every business decision. A central goal of the Varengold Bank is to enable “underbanked” customers who fall outside of the normal target range of the larger institutions, access to capital and banking services. Therefore, the focus continues to lie on the financing of credit marketplaces; in the clear vision to help customers who have the potential to revolutionize their sector to fulfil their business objectives.

To increase the growth potential, the Bank strives to further strengthen its equity capital through capital measures and to further diversify the investor base.

3. Outlook report

The future-oriented statements contained in this section are based on estimates and conclusions on the part of Varengold Bank at the time of the preparation of this report. The statements included are based upon assumptions and as long as not specifically noted, the affected statements are based upon internal estimates. The Bank explicitly states that all future-oriented statements are associated with known or unknown risks and contingencies to the future results of the Bank which are outside of the influence of the Bank. Several important factors could lead to the actual results varying significantly from the future-oriented statements.

The economic forecast is affected by meaningful geopolitical and economic uncertainties. A lack of forecasting ability for concrete economic developments can be traced back to the fluctuating conditions related to the Corona pandemic since the beginning of the year. Many countries loosened their protective measures after the first wave of the pandemic subsided, which now in recent weeks, have increasingly been reinstated. The number of confirmed Corona cases within some regions, due at least partially to vacations in the third quarter, has again increased. In some individual national economies, the virus has not really been brought under control since the beginning of the pandemic. It is expected that the governments of individual countries will try in the future to reduce further virus outbreaks with local measures in order to hopefully avert another economically critical lockdown.

The developments to date indicate that global economic growth in year 2020 will be negatively influenced by the spread of the illness and the resulting interruption of economic activity. An economic downturn would very likely lead to considerable losses due to defaults to which the banking sector would be sensitive. Such an economic chain of events could also have a negative impact upon the income possibilities of the Varengold Bank and expected growth, as well as the attainment of the financial goals.

In the second half year other political topics may again capture more of the financial markets' attention. These include the presidential election in the United States in November and the faltering trade negotiations between the EU and Great Britain after 2020. A danger brought to light through Brexit is the issue of general political departure from the cohesion of the UE through regional independence aspirations. The political and

economic areas of tension also create tension for the finance and capital markets. If they materialized in considerable scope, they could create turbulence for the capital markets and lead to much higher volatility. Abrupt or too strong interest rate changes could lead to new valuations and changes in investor behaviour and thereby lead to falling asset prices.

The German banking and financial services sector is characterized by intense competition. Moreover, for several years the banking sector has experienced a digitization upheaval which is creating new demands on the banks. Tech-savvy companies such as FinTechs have alternative offerings and business models which are reforming traditional bank processes in many areas. This is exactly the area in which Varengold positions itself as an effective bank partner of these firms in order to establish competitive business models together.

The banking environment remains under increasingly high pressure due to comprehensive regulatory procedures and growing supervisory requirements which require additional costs and resources. These include for example, an additional MaRisk amendment, as well as numerous regulatory initiatives for information security and data protection. Through the BaFin bulletin on the handling of sustainability risks, the Supervisory Board brought the topic of sustainability more into focus. In order to implement a process in a timely fashion, the processing of the individually relevant topics on the part of Varengold Bank has already been initiated.

The Bank expected in its beginning of the year business planning, to generate revenue before taxes in the amount of EUR 3.8 million for the year 2020. Even though analysts foresee a period of economic stabilization for the second half of 2020, the meaningfulness of such analytical frameworks in times of the Coronavirus are questionable. Currently, the Bank assumes that the originally planned results, based on the emergence of geopolitical risks in the global economic environment and in particular the very negative effects of the Corona pandemic, will not be reached.

Hamburg, 18 September 2020

The Board of Directors of Varengold Bank AG



Dr. Bernhard Fuhrmann



Frank Otten

Corporate Information

Varengold Bank AG

Große Elbstraße 14
22767 Hamburg

T +49.40.66 86 49 0
F +49.40.66 86 49 49

E-Mail: info@varengold.de
<http://www.varengold.de>

Board of Directors

Dr. Bernhard Fuhrmann
Frank Otten

Supervisory Board

Dr. Karl-Heinz Lemnitzer (Chairman)
Vasil Stefanov
Francesco Filia

Corporate Register

District Court of Hamburg, HRB 73684

USt-IdNr. (value added tax identification number)

Financial Authority Hamburg, DE247069729

Corporate Governance

The Varengold Bank AG is registered with the Federal Financial Supervisory Authority (BaFin, Graurheindorfer Str. 108, 53117 Bonn; Tel.: 0228 / 4108 – 0) under the number 109 520 and published on the internet site: www.bafin.de.

Permissions / Approvals of the Varengold Bank AG

- › Acquisition brokerage (§ 1 para. 1a sentence 2 no. 2 KWG)
- › Investment advisory services (§ 1 para. 1a sentence 2 no. 1a KWG)
- › Investment mediating services (§ 1 para. 1a sentence 2 no. 1 KWG)
- › Investment management services (§ 1 para. 1a sentence 2 no. 11 KWG)
- › Deposit business (§ 1 para. 1 sentence 2 no. 5 KWG) Proprietary business (§ 32 para. 1a KWG)
- › Proprietary trading (§ 1 para. 1a sentence 2 no. 4 KWG) Deposit-taking business (§ 1 para. 1 sentence 2 no. 1 KWG)
- › Factoring (§ 1 para. 1a sentence 2 no. 9 KWG)
- › Financial leasing (§ 1 para. 1a sentence 2 no. 10 KWG)
- › Financial commissions business (§ 1 para. 1 sentence 2 no. 4 KWG)
- › Financial portfolio management (§ 1 para. 1a sentence 2 no. 3 KWG)
- › Guarantee business (§ 1 para. 1 sentence 2 no. 8 KWG)
- › Credit business (§ 1 para. 1 sentence 2 no. 2 KWG)

Deposit insurance

The Varengold Bank AG is a member of the German Banks Compensation Scheme (EdB).

DISCLAIMER

Notes on the content

Information in this report is neither meant for publication nor distribution in, for example, the United States of America, Australia, Canada, Japan or any other country where such publication or distribution could be unlawful.

This report was prepared with the utmost of care. Rounding, typographical and printing errors may nonetheless not be excluded. While calculating sums of rounded amounts and percentages, differences due to rounding may occur.

All designations which appear exclusively in masculine gender also apply to the feminine gender.

Forward-looking statements

This Report contains forward-looking statements. Forward-looking statements are statements that include not only the past but are also statements about beliefs and expectations and their underlying assumptions. These statements are based on plans, estimates and projections available to the Board of Directors of Varengold Bank AG at the time of preparation of this Interim Report. Forward-looking statements apply only to the date on which they are made. Therefore, the reader should not excessively trust the statements, especially not in conjunction with contracts or investment decisions. We expressly point out that all forward-looking statements are connected with known or unknown risks and uncertainties and are based on assumptions related to future events beyond our control. We cannot accept any liability for the accuracy, completeness, or for the actual occurrence of the statements made. The Board assumes no obligation to update such statements to reflect new information or future events. Numerous important factors could lead to actual events differing materially from forward-looking statements. Such factors include a change in general economic conditions or the competitive environment, the threat of decrease in earnings from special charges as well as the state of the financial markets, from which Varengold Bank AG achieves substantial portions of their income.

This work is protected by copyright. All rights, especially the rights of distribution, reproduction, translation, reprinting and reproduction, as well as storage in data processing systems, even in the case of extracts, are reserved by Varengold Bank AG.