Annual Report

2017

Varengold

BANK

Disclaimer:
This English version of the annual report 2017 is for informational purposes only.
Legally binding is solely the German version of the Annual Report 2017.

Key Figures of Varengold Bank AG (German Commercial Tax Code)

Key figures per share	31.12.2017 in EUR	31.12.2016 in EUR	Change in EUR
Earnings per share	+0.01	-0.51	+0.52
Market capitalization	17,575,497	14,612,760	+2,962,737

Profit and loss statement	01.01.2017 to 31.12.2017 in TEUR	01.01.2016 to 31.12.2016 in TEUR	Change in TEUR
Interest income	3,841	1,578	+2,263
Commission income	10,122	5,716	+4,406
Net income from trading portfolio	149	5,685	-5,536
Other operating income	-810	1,703	-2,513
Income from investments/securities	571	554	+17
Administrative expenses	-13,421	-15,547	-2,126
Depreciation and value adjustments	-514	-2,212	-1,698
Income from normal business operations	556	-2,523	+3,079
Income/loss for the year	23	-1,486	+1,509

Balance sheet	31.12.2017 in TEUR	31.12.2016 in TEUR	Change in TEUR
Total assets	445,211	613,895	-168,684
Net assets	18,460	13,578	+4,882

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02 LETTER TO THE SHAREHOLDERS

Dear Shareholders

In Germany and in Europe, as well as around the globe, the economic situation, as well as share prices in the financial markets developed noticeably positively in financial year 2017. The economic activities of Varengold Bank AG were nevertheless also influenced by low interest rates and global political events and discussions. In addition, the banking regulatory environment continued to be guided by an increasing intensification of supervisory requirements. With this, the banking sector remains additionally under ever increasing pressure of regulatory procedures and growing capital requirements.

In the past year Varengold Bank consistently developed their business activities, invested in additional growth and adjusted the strategic direction to achieve a sustainable and dynamic development of the bank. The customer focus lay predominantly with the service of Marketplaces (Peer-to-peer platforms), to address the financing of companies and consumers. As a bank in a technology-revolutionized environment, that must continuously stay ahead of the competition, digital process optimization is an ongoing concern with which the Bank also intensively dedicated itself in the past financial year.

In this environment, Varengold Bank closed the business year 2017 with net earnings in the amount of 23 TEUR (previous year: -1,486 TEUR).

The interest income of the Company increased from 4,442 TEUR in year 2016 to 5,311 TEUR in year 2017, while interest expenses dropped by nearly half due to falling interest rates, which resulted in an interest surplus of 3,841 TEUR (previous year: 1,578 TEUR).

A significant reduction in commission expenses lead to an increase in commission profit of 10,122 TEUR (previous year: 5,716 TEUR). The general administration expenses of the Bank were able to be reduced by 2,126 EUR to 13,421 TEUR.

In total, the results of normal business activities of Varengold Bank were 556 TEUR (previous year: -2,523 TEUR). The comparatively high tax result was characterized by high tax supplemental amounts in the tax calculations of fund investments, as well as a non-deductible equity interest. An amount of 444 TEUR of tax expenses are non-cash expenses, since they resulted from the reversal of deferred taxes.

The strategic refocusing of the company lead to an undeniable further strengthening of net assets. For this reason, in year 2017, the bank increased share capital from 2,922,552.00 EUR to 4,140,282.00 EUR by issuing new shares by way of a public offering and a subsequent private placement. An additional capital increase was prepared at the end of the reporting year and entered into the Hamburg Commercial Registry in February 2018, resulting in a current valuation of net assets of Varengold Bank of 6,210,423.00. Future additional capital increases are expected to bring about a strengthening of the Company capital to expand business activities to ensure a stable foundation, as well as to effectively utilize market opportunities and to be able to operate with flexibility.

The year 2017 was a successful year for Varengold Bank. This development shows that the new business model with a strong strategic focus is exceedingly viable, even for a small bank such as Varengold. As digitalization increasingly defines the financial sector, Varengold will also continue to stay in step with these future developments. To become a long-term strategic partner for commercial customers in the Marketeplace Banking area, the Board is maintaining its focus on making advancements on a combination of technological developments with personal customer contact in operational business. The past business year gives support for the future challenges and the Board is looking confidently toward the remainder of business year 2018. Having a concrete plan and a goal, determining the right course of action and then pursuing this together with a motivated team are the decisive factors of success.

We would like to thank our shareholders, customers and business partners for trust bestowed upon the Bank, as well as our staff members for their contributions, with which they deliver the necessary impulses to ensure the successful implementation of the strategic business growth of Varengold Bank.

Hamburg, June 2018

The Board of Directors of Varengold Bank AG

Dr Bernhard Fuhrmann

Frank Otten

03 OUR SUCCESS STORY

Varengold Bank AG was founded in 1995 as an asset management boutique and in the initial business years focused on the development of individual specialized hedge fund strategies from the managed futures arena. With today's core business areas Marketplace Banking and Commercial Banking, Varengold Bank offers a widely diversified product and service portfolio.

Varengold Bank AG is listed on the Frankfurt Stock Exchange (symbol: VG8) and is subject to regulation by the German Federal Financial Supervisory Authority (BaFin). In addition, Varengold is a member of the Deposit Guarantee Scheme of German Banks (EdB), whereby the deposits of each customer are legally protected up to a value of 100,000 Euro.

As an independent German bank, the company has enjoyed the long-standing trust of institutional and private customers, to whom we offer, thanks to our many years of expertise, individual and performance-oriented solutions. Security and quality of service offerings is always our priority for both our domestic, as well as our international activities and are the foundation of our guiding principles of intelligent investments.

ALTERNATIVE INVESTMENTS AS CORE COMPETENCY

To create and implement the original company strategies, the founders of Varengold decided to focus on the derivative financial instrument of futures. The Bank implemented custom-developed trading strategies that concentrated on the systematic trade of raw materials and stock indices.

Very quickly the value of diversification of the various trading strategies was recognized: the individual trading approach was expanded to include complimentary strategies on the funds of funds level for custom tailored portfolios which lead to a reduced risk-return profile. Varengold later launched the first German-managed futures fund of funds and hedge fund to be approved for public sale; the HI Varengold CTA Hedge, which was recognized numerous times as the best German fund of hedge funds. The former Prime Brokerage business area thereby evolved from its predecessor, the Asset Management group.

In the year 1999 the legal structure was changed from a "GmbH" to an incorporated company. Four years later Varengold received the additional license as a securities trading bank (§1 para. 3d pg. 3 German Banking Act – "KWG").

Already in the initial developmental years of the enterprise it was clear that transparency of the managed future strategies on the level of each individual transaction was necessary to secure successful monitoring and management in the sense of integrity of style and the trading strategies. For this purpose, the development of a managed account platform was required through which the trading activities of the individual managers would be visible. Varengold Bank AG thereby positioned itself as a leader in financial innovations, offering development structures that enables real-time brokerage and online reporting. The business area Capital Markets was thus created and attracted additional customers. Among these were not only professional traders and private investors, but also companies with international payment streams that sought to protect themselves against currency fluctuations. Meanwhile, around 9,000 customers worldwide, with a transaction volume of over 20 billion EUR per year, use the Varengold gateway to the international finance markets for securities, as well as non-securities products such as Forex and CFDs (Contracts for Differences) on a single trading platform.

In the summer of 2013, Varengold continued its successful enterprising development through attaining the license extension for operation as a deposit credit institute and achieved the largest milestone in the history of the company. These actions resulted in the establishment of the new business area Commercial Banking.

As a result of further strategic refocusing, Varengold Bank decided in March 2016 to dissolve the business area Capital Markets Brokerage to reduce risks and return volatilities and to place the emphasis upon the business areas in which better risk/return ratios exist.

STRATEGY ORIENTATION FOR THE FUTURE

Varengold Bank has always adjusted or consistently further developed its business activities to current market circumstances and made strategic orientation adjustments to achieve a sustainable development of the bank and to keep up with today's technology-driven, continuously evolving financial industry. The customer focus now lies primarily upon supporting the Marketplaces (Peer-to-peer platforms), which are concerned with the financing of companies and consumers. Varengold Bank is thereby not limiting its portfolio to funding only, but instead offers additional products such as Debt and Equity Capital Markets products, international payment transactions or fronting services of bank license commitment products.

Within the scope of the new visionary orientation, the existing business area Prime Brokerage was renamed Marketplace Banking. Varengold Bank is convinced that the existing combination of solidity and flexibility is an excellent basis for a successful positioning in this market area.

The Bank employed just over 57 employees at the end of 2017 and in addition to its headquarters in Hamburg, operates an additional location in London. Furthermore, it was decided in the fourth quarter of 2017 to open an additional office in Sofia (Bulgaria), to expand the business activities of Varengold Bank into the southeast European region, as outlined by the new growth orientation of the Bank. The relevant regulatory steps have been taken and the planned location is currently in the development phase.

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OUR PRODUCTS AND SERVICES

MARKETPLACE BANKING

IIn the former business area Prime Brokerage, the provision of leverage on hedge funds did not lead to adequate (risk-adjusted) returns. The customer focus of Varengold Bank thereby remained based on the increasingly technology-driven financial services sector primarily on the support of the banking side of the Marketplaces. The basic concept of Marketplaces (P2P Platforms) is to replace the mostly internet-based classic loan business of banks at considerably more favorable conditions and with better usability. As a rule, however, these platforms do not get by with "peer" funding alone but need additional institutional funding. Varengold Bank will remain strongly active in this gap, thereby successfully connecting business activities from the most advanced FinTech companies with long-standing traditional banking services.

Varengold Bank does not limit its product portfolio to funding, but instead offers additional products such as Debt and Equity Capital Markets products, international payment transaction or future fronting services of bank licensing products. Within the sphere of fronting services, commercial customers, and particularly FinTech companies can use the regulatory umbrella of Varengold Bank as a partner bank for their business activities. Especially important in this area are the awarding of credits, the acceptance of deposits or the conducting of payment transaction services. Varengold's many years of experience in the financial market, as well as the developed infrastructure of the Bank, are distinguishing strengths for potential customers.

The asset classes of Varengold Bank in the Marketplace Banking business area include not only the new orientation of former asset classes such as Receivables Finance, Real Estate Finance and Trade Finance, but also incorporate new asset classes Consumer Finance and SME Finance.

COMMERCIAL BANKING

With the Commercial Banking division, Varengold Bank presents itself as global partner for demanding customers and investors, that, with the help of individualized products and solutions, gives our business partners the possibility to develop their transactions and trade activities across country borders. Over the years, Varengold has already built a solid customer base for Trade Finance transactions and wants to continue to develop itself as a specialized provider for business customers with trade emphases in the eastern European and Middle East regions.

The business area Commercial Banking is comprised of the deposit business, as well as international payment transactions, trade & export finance, Lombard credit and structured finance offerings.

With respect to deposit accounts, private customers are offered daily deposit and term deposit accounts without cost, which provide full flexibility of a daily available deposit with an attractive interest rate and in this way creates a dependable foundation for every investment portfolio. In addition to guaranteed interest rate, as well as monthly compounding, customers benefit from the statutory deposit guarantee in the amount of up to 100,000 EUR.

With a glance at the activities in international payment transactions, cross-border payments are growing in importance due to the increasing requirements of a globally-networked world. Varengold Bank is addressing these requirements and offers customers in nearly every country tailored solutions for international payment transactions. Global success means being able to rely upon secure, efficient and transparent payment services, across international borders.

In the Trade & Export Finance business area Varengold bundles selected solutions for financing, as well as bank guarantees and credit transactions for international trade activities. In addition to the classical payment guarantees, the guarantee business also includes delivery and performance guarantees.

05 Varengold Shares

Shares of Varengold Bank have been listed in the open market on the Frankfurt Stock Exchange since 2007. The shares are also traded on the Stuttgart, Düsseldorf, Berlin-Bremen exchanges, as well as on the electronic trading system XETRA.

Key Figures

Stock	Varengold Bank AG
WKN	547930
ISIN	DE0005479307
Stock Symbol	VG8
Market Segment	Open Market / Free Trade
Transparency Level	Basic Board
First Listing	20 March 2007
Share (Type)	No par-Value shares
Number of	6,210,423 shares (As of 31.12.2017: 4,140,282 shares)
Gesamtes Grundkapital	6,210,423 EUR (As of 31.12.2017: 4,140,282.00 EUR)
Designated Sponsor	Bankhaus Gebr. Martin AG
Specialist	Baader Bank AG

Conditions and Development 2017

Activities on the global securities markets in financial year 2017 were influenced by important geopolitical events. These events included the parliamentary elections in neighboring France and the Netherlands, the political conflicts in the near East and North Korea, the ongoing discussions about the future organization of Great Britain’s exit from the European Union, as well as concerns about possible repercussions of the Trump administration in the USA. At the same time, the improved positive European economic outlook and the reduction in volatility compared to recent years provided more stability. While prices for shares, real estate and raw materials increased, there was not much movement on the interest markets.

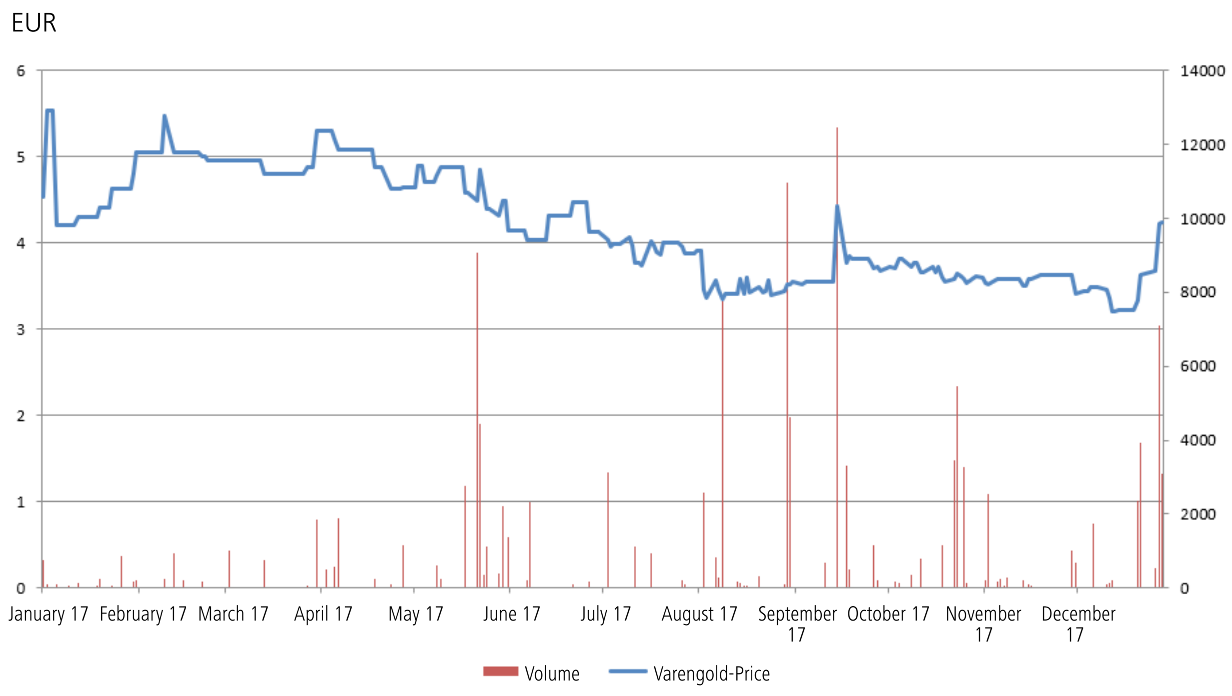
Nearly all stock markets gained momentum. The German Stock Exchange (DAX) closed the year at around 13,000 points and continued along its sustained growth trend which started in 2011. In comparison to other European markets, however, this result is not outstanding. Depositors on markets in Prague, Warsaw, Vienna, Athens, Budapest, Denmark, Portugal or Norway were able to realize more potential and price activity. The leading indexes in these countries climbed noticeably higher.

At the beginning of the reporting period, the stock of Varengold Bank AG was listed just under the 5 EUR mark and reached its yearly high of EUR 5.54 just a few days later. In the following months the value fluctuated between EUR 3.50 and EUR 5.50. Then, at the end of the year, the stock price fell to an annual low of EUR 3.20.

The average share price of Varengold stock ended clearly under the reporting period in 2016 of EUR 6.55 to EUR 3.92. The average daily shares traded in financial year 2017 was 1,268 shares (previous year: 1,325 shares). The earnings per share increased as compared to end of financial year 2016 from EUR -0.51 to EUR +0.01 at the end of the year 2017. Market capitalization on the reference date 31 December 2017 was recorded at EUR 17,575,497.00 (previous year: EUR 14,612,760.00).

In the middle of February 2017, the Board of Directors and the Advisory Board of Varengold Bank decided to include the shares (Symbol: VG8) in the stock exchange segment “Basic Board” on the open market, because the German Stock Market AG discontinued the Entry Standard and introduced a new stock market segment on 1 March 2017.

Price History of Varengold Shares in 2017



06 Supervisory Board Report for Financial Year 2017

Dear Shareholders

The Supervisory Board wishes to thank the members of the Board of Directors and the employees for their faithful dedication to the organization and their high degree of personal engagement in the year 2017. The entire Varengold team helped to consistently develop the business activities of the Bank over the past year, generating additional growth and initiating a sustainable and dynamic further development of the Bank by laying the groundwork for the new strategic orientation.

Cooperation between the Supervisory Board and the Board of Directors

In business year 2017 the Supervisory Board conducted the obligatory tasks according to organizational legal regulations; conducting a continuous review of the activities of the Board of Directors and overseeing the business and strategic development of the organization. The Supervisory Board was convinced by the progress reported through regular contact with individual members of the Board of Directors, as well as the answers to targeted questions and the reliability demonstrated by the Board of Directors over the course of the year 2017.

The supervisory goals were oriented toward the legal requirements and were appropriately adjusted according to internal and external developments over the course of the year. The information presented to the Supervisory Board was discussed in the Supervisory Board meetings, in ongoing discussions, as well as individually with Board of Director members. The Board of Directors always answered the Supervisory Board's questions and provided thorough explanations to the satisfaction of the Supervisory Board. To broaden the informational base and to expand their own impressions of the development of the company, the Supervisory Board also made inquiries among sources outside of the Board of Directors including Bank management and external consultants. The Committee was thereby always informed about the current business activities of the company and received monthly written reports on the current financial and risk situation of the bank in addition to the detailed reports received at the meetings. In addition, internal audit reports, as well as further detailed documents from individual functional areas were reviewed by the Supervisory Board. The always complete and timely written and oral reports provided by the Board of Directors complied with the requirements under section 90 of the AktG (German Stock Corporation Act).

Supervisory Board Meetings in 2017

IIn total, four ordinary and one extra-ordinary meetings of the Supervisory Board took place over the course of the past business year. These meetings were held on March 2, May 29, July 18, 2017, August 23 and November 28, 2017. Every member of both the Supervisory Board, as well as the Board of Directors were present at each of these meetings. At each meeting the Board of Directors prepared and presented reports on the development of the financial and economic relationships of the Bank over the course of the preceding months.

In the meeting on March 2, 2017, the development of the business areas and the Company's financial figures with a review of the previous year were the main points on the agenda. Moreover, the business strategy 2017 and the 5-year plan, as well as the current risk strategy were discussed and approved by the Supervisory Board. Furthermore, the members also discussed, among other topics, the current business development, the ownership structure of the Varengold Group, as well as the adequacy and the implementation of the existing remuneration system.

On May 29, 2017 the focus of the agenda was in particular the annual accounts of 2016 in direct discussions with the auditor PricewaterhouseCoopers GmbH, the Board of Director's report on the current business development and the ongoing capitalization, as well as the approval of the Compliance Report 2016. Another central topic of this meeting was compliance with §25d KWG.

The reason for and purpose of the extra-ordinary meeting on July 18, 2017 was to adjust the strategic orientation of Varengold Bank with respect to business planning.

The essential agenda points of the August 23, 2017 meeting were the current business development of the Bank and the planning of a further capital increase.

During the last meeting of the year, on November 18, 2017, the members reviewed the development of results over the course of the year 2017 and discussed the possibilities related to opening a new office in Sofia, Bulgaria. Moreover, the personnel strategy including personnel planning, as well as internal restructuring measures, the head office of Varengold Group, the risk control plan and the ongoing activities related to compliance were thoroughly addressed.

In addition to these five meetings of the Board of Directors and the Supervisory Board, the Supervisory Board occasionally held telephone conferences to process the topics decided upon at the regular meetings and to prepare topics relevant to upcoming regular meetings. In addition, further decisions related to were made via circular procedure, according to section 9, para. 4 of the Charter of the Varengold Bank AG. The additional efforts were required due to increased regulatory requirements for credit institutes.

Due to the size of the company and the fact that the Supervisory Board consists of only three members, the Supervisory Board, as in previous business years, has declined to form committees in this business year.

Granting the Audit Engagement to PricewaterhouseCoopers AG

The auditing firm PricewaterhouseCoopers AG, Hamburg, was selected as auditors for financial year 2016 at the ordinary shareholders meeting on 23 August 2017. Subsequently, the Supervisory Board awarded the contract to PricewaterhouseCoopers AG. The contract itself includes, among other components, clear rules regarding the specifics of annual audits including the scope of the audit, how the audit is performed and the goals of the cooperation. Moreover, the Supervisory Board requested additional auditing examination beyond the regular annual audit procedure conducted by the auditing firm. Specifically, the audit included examining the plausibility of travel expenses and adherence to internal guidelines, the increase in consulting service expenses and a review of the use of business credit cards. Per the recommendation of the Supervisory Board, with respect to the election proposal to the general shareholders, the auditors declared that no business, financial, personal or any other relationships exist that could justify a reason to doubt their independence.

Audit Committee Meeting 2017

The auditing firm for business year 2017, PricewaterhouseCoopers GmbH, Hamburg, has reviewed the annual financial reporting as of 31 December 2017 and the management report according to HGB regulations and has granted an unqualified auditor's certificate.

In advance of the committee meeting on 5 June 2018, the Supervisory Board received a draft of the auditor's report of the annual financial statements 2017, as well as the management report for review and audit. All open questions were resolved with the Board of Directors and the attending auditors from Pricewaterhouse-Coopers GmbH on 5 June 2017. Prior to this meeting the Chairman of the Supervisory Board took part in preliminary discussions about the annual financial audit of business year 2017 with the auditing firm and the Board of Directors on 17 May 2018.

Through unanimous decision of the Supervisory Board on 5 June 2018, the annual financial report of Varengold Bank AG of 31 December 2017, audited and granted with the auditor's unqualified opinion, not materially revised since the draft, and approved by the Supervisory Board, adheres to the statute section 9, para. 4 of the Varengold Bank AG Bylaws and was approved by the auditors. The annual report of Varengold Bank AG for business year 2017 is therefore complete.

Institutional Bodies

Member of the Supervisory Board for business year 2017, Mr. Alexander Körner, resigned his seat effective 27 March 2018. Per request of the Board of Directors, the Court of Hamburg took the decision on 21 March 2018 to appoint Mr. Vasil Stefanov to the Supervisory Board for the time period until the next ordinary or extra-ordinary shareholder's meeting.

The current Supervisory Board wishes to thank former Supervisory Board member Mr. Körner for his valuable contribution and the trustful cooperation over the course of his tenure.

For the Supervisory Board
Hamburg, 06 June

Dr. Karl-Heinz Lemnitzer
Chairman of the Supervisory Board

07 ANNUAL REPORT

In accordance with the German Commercial Tax Code (HGB)
for the year ending 31 December 2017

Varengold Bank AG

Große Elbstraße 14
22767 Hamburg

Varengold BANK

Varengold Bank AG, Hamburg

Balance sheet as at 31 December 2017

Assets

		EUR	Financial year EUR	Previous year TEUR
1.	Cash reserve			
	a) Cash and cash equivalents	4,650.45		4.1
	b) Balances at central banks	79,969,256.08		455,701.1
	- of which:		79,973,906.53	455,705.2
	at the Bundesbank: EUR 79,969,256.08			(455,701.1)
2.	Loans and advances to banks			
	a) Due on demand	20,898,535.70		14,959.3
	b) Other receivables	3,036,871.05		1,043.9
			23,935,406.75	16,003.3
3.	Due from customers		250,607,848.16	75,555.6
	- of which:			
	secured by mortgages: EUR 37,946.32			(36.5)
	Public sector loans EUR 61,481,999.35).			(6,500.0)
4.	Bonds and other fixed-income Securities			
	a) Bonds and debt securities			
	aa) From public issuers	17,231,605.22		24,142.0
	- of which:			
	acceptable as collateral at the Bundesbank: EUR 16,912,955.00			(24,142.0)
	ab) From other issuers	5,102,083.31		5,011.7
			22,333,688.53	29,153.7
5.	Shares and other variable-income securities		57,663,191.64	29,775.2
5a.	Trading portfolio		3,774,082.23	137.3
6.	Participating interests		697,975.20	668.2
7.	Shares in affiliated companies		2,260,551.05	2,774.9
	- of which:			
	in financial services institutions EUR 1,709,770.55			(1,709.8)
8.	Intangible assets			
	a) Internally generated industrial property rights and similar rights and assets	0.00		0.0
	b) Concessions acquired against payment	116,420.00		212.9
			116,420.00	212.9
9.	Tangible assets		159,875.50	169.6
10.	Other assets		1,744,722.20	1,399.0
11.	Deferred income		91,301.13	42.0
12.	Deferred tax assets		1,852,612.57	2,297.5
Total assets			445,211,581.49	613,894.5

Liabilities

		EUR	Financial year EUR	Previous year TEUR
1.	Bank loans and overdrafts			
	a) Due on demand	16,426,232.02		1,100.0
	b) With agreed term or period of notice	13,940,340.00		137.3
			30,366,572.02	1,237.3
2.	Amounts due to customers			
	a) Other liabilities			
	aa) Due on demand	245,420,982.17		225,432.7
	ab) With agreed term or period of notice	141,948,070.66		364,251.7
			387,369,052.83	589,684.4
2a.	Trading portfolio		0.00	0.0
3.	Other liabilities		747,927.54	921.7
4.	Deferred income		679,788.73	590.3
5.	Provisions			
	a) Reserves for pensions and similar obligations	98,202.00		73.2
	b) Provisions for taxes	111,903.75		129.7
	c) Other provisions	2,377,848.61		2,679.9
			2,587,954.36	2,882.8
6.	Instruments of additional regulatory core capital		5,000,000.00	5,000.0
7.	Equity capital			
	a) Subscribed capital		4,140,282.00	2,922.6
	b) Capital reserves		34,248,386.50	30,607.4
	c) Retained earnings			
	ca) Statutory reserve	1,700.00		1.7
	cb) Other retained earnings	16,700.00		16.7
			18,400.00	18.4
	d) Net loss		-19,946,782.49	-19,970.3
Total liabilities			445,211,581.49	613,894.5
1.	Contingent liabilities			
	a) Liabilities arising from guarantees and warranty agreements		1,998,921.98	1,120.0
2.	Other obligations			
	a) Irrevocable loan commitments		14,980,000.00	0.0

Varengold Bank AG, Hamburg

Profit and loss statement for the period 1 January 2017 to 31 December 2017

		EUR	EUR	Financial year EUR	Previous year TEUR
1.	Interest income from				
	a) Lending and money market transactions	5,792,237.00			3,809.0
	Less negative interest from bank balances	-1,460,225.26			-1,105.2
		4,332,011.74			2,703.8
	b) Fixed-income securities and debt register claims	980,286.22			1,806.9
	Less negative interest	-1,135.33			-68.7
		979,150.89	5,311,162.63		1,738.2
2.	Interest expenses	-2,025,581.69			-2,864.1
	Less positive interest from banking business	555,243.29			0.0
			-1,470,338.40		-2,864.1
				3,840,824.23	1,577.9
3.	Current income from				
	a) Shares and other variable-income securities		571,371.37		553.7
	b) Participating interests		0.00		0.0
	c) Shares in affiliated companies		0.00		0.0
				571,371.37	553.7
4.	Commission income		19,607,274.28		20,927.3
5.	Commission expenses		-9,484,905.63		-15,211.1
				10,122,368.65	5,716.1
6.	Net income from trading portfolio			148,832.97	5,684.7
7.	Other operating income			267,428.91	2,065.5
8.	General administrative expenses				
	a) Personnel expenses				
	aa) Wages and salaries	-6,038,932.86			-6,211.4
	ab) Social security contributions and expenses for pensions and other employee benefits - of which: EUR 274,755.79 for pensions (previous year: EUR 264.5)	-901,076.52	-6,940,009.38		-998.6
					-7,210.0
	b) Other administrative expenses		-6,481,224.30		-8,336.9
				-13,421,233.68	-15,546.9
9.	Depreciation and amortisation of intangible assets and property			-173,357.52	-328.4
10.	Other operating expenses			-1,077,540.68	-362.3
11.	Depreciation and write-downs of receivables and certain securities and allocations to provisions in the lending business			0.00	-1,802.8

		EUR	EUR	Financial year EUR	Previous year TEUR
12.	Income from the write-up of claims and certain securities as well as from the dissolution of accruals in lending business			617,041.95	0.0
13.	Depreciation and provisions against participating interests, shares in affiliated companies and assets traded securities			-340,158.96	-80.1
14.	**Result from ordinary business activities**			**555,577.24**	**-2,522.6**
15.	Extraordinary income		19,868.94		1,668.0
16.	Extraordinary expenses		0.00		-605.8
17.	Extraordinary result			19,868.94	1,062.2
18.	Taxes on income and earnings		-551,870.33		-24.7
19.	Other taxes, provided they are not shown in Section 10		-78.00		-0.8
				-551,948.33	-25.5
20.	**Net profit/loss for the year**			**23,497.85**	**-1,485.9**
21.	Loss carried forward from previous year			-19,970,280.34	-18,484.4
22.	Net loss			-19,946,782.49	-19,970.3

NOTES

For the period from 01 January 2017 until 31 December 2017

1. General information

The annual financial statements are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), the German Stock Corporation Act (Aktiengesetz, AktG) and the German Accounting Regulations for Banks (Verordnung über die Rechnungslegung der Kreditinstitute, RechKredV).

In order to improve clarity and transparency, information relating to several items continues to be presented in general terms covering these items in deviation from Section 284 (1) (1) HGB.

As all subsidiaries pursuant to Section 296 (2) HGB are of lesser importance for a view of the group's assets, financial and earnings position that corresponds to actual circumstances, even combined, use is made of the exemption clause regarding the preparation of group financial statements pursuant to Section 290 (5) HGB.

2. Accounting and valuation methods

The accounting and valuation methods have remained unchanged from the previous year.

To maintain clarity, unused items have not been included in the balance sheet and the profit and loss statement, in accordance with Section 265 HGB (8).

Cash and cash equivalents and Balances at central banks are recorded at nominal value.

Loans and advances to banks and customers are recorded at nominal value. Where necessary, counterparty risks are covered by the formation of reserves for bad debt. The amount of risk provisions set aside for individually considered counterparty risks corresponds to the difference between the book value of receivables and the value likely to be collected. Bad debts are written off. Account is taken of the latent credit risk through the formation of reserves for bad debt. These are calculated in accordance with the letter from the Federal Ministry of Finance dated 10 January 1994.

Provided they are assigned to fixed assets, debt securities and other fixed-income securities are valued according to the diluted lower of cost or market principle. When assigning to the liquidity reserve, items are shown on the balance sheet according to the strict lower of cost or market principle. Securities with a book value of TEUR 5,102 are assigned to fixed assets. The book value corresponds to the fair value.

Provided they are assigned to fixed assets, shares and other variable-yield securities are valued according to the diluted lower of cost or market principle. When assigning to the liquidity reserve, items are shown on the balance sheet according to the strict lower of cost or market principle. Fixed assets are not assigned.

Internal bank criteria for the inclusion of financial instruments in the trading portfolio have not changed during the financial year. Pursuant to Section 340e (1) (3) HGB (German Commercial Code), financial instruments held for trading are valued at fair value less a deduction for risk. Pursuant to Section 255 (4) (1) HGB, the fair value corresponds to the market price of the financial instrument.

The risk premium is determined using the value at risk method with a confidence level of 99%, a holding period of five days and an observation period of 520 days with a historical simulation. The calculation of the Value at Risk is identical to the method used for internal risk monitoring purposes in accordance with MaRisk. As at 31 December 2017, a deduction for risk in the amount of TEUR 60 was recorded as an expense in the trading result pursuant to § 340c (1) HGB.

Shareholdings and shares in affiliated companies are valued in accordance with the applicable rules for fixed assets at cost, if applicable, less any value impairments to the lower value.

Purchased software is recognised under intangible assets, and as in the case of tangible assets, is measured at amortised cost less scheduled depreciation. The Bank uses fiscal depreciation rates (asset depreciation) as a basis for expected useful life.

Fixed assets and intangible assets are valued at acquisition cost, less scheduled linear depreciation according to expected useful life. Here the Bank relies on the useful lives specified by the tax authorities (depreciation table for general assets (AV depreciation table)).

Low value assets are recorded on the balance sheet in accordance with the provisions in Section 6 (2) and (2a) EStG. Low value assets purchased at acquisition costs of between EUR 150.00 and EUR 1,000.00 are bundled into a compound item, which is of lesser importance and written off by one fifth in the financial year of formation and in each of the following four financial years. Assets with a value of less than EUR 150.00 are treated as immediate operating expenses.

Other intangible assets are stated at their face value.

Active prepaid expenses (essentially prepaid rents and insurance) are stated in accordance with Section 250 (1) HGB.

Deferred tax assets of TEUR 1,853 (previous year: TEUR 2,297) result from tax loss carry-forwards. Deferred tax assets are subject to the dividend payout restriction. The Board of Managing Directors is assuming full use of the deferred assets formed in previous years over the next five years. For the calculation of deferred taxes, a tax rate of 32.275% was applied, which is composed of corporate tax (15.0%), a solidarity surcharge (0.825%) and commercial tax (16.45%).

Liabilities are carried as liabilities at their repayment amount.

Accruals and deferred income (mainly interest received in advance and commission for payment transactions) are reported in accordance with Section 250 (2) HGB and are written back over the term of the underlying transactions.

Pension provisions, which are based mainly on provisions for surviving dependants, are calculated according to actuarial principles using the 2005G guideline tables of Klaus Heubeck in accordance with the provisions of Section 253 (2) HGB. The modified part-value method was used for valuation purposes. An actuarial interest rate of 3.68%, a salary and career trend of 2.0% and a fluctuation of 10% was taken as a basis.

Provisions, including provisions for taxes, are shown at the repayment amount required in accordance with reasonable commercial judgement.

Instruments of additional regulatory core capital issued are valued at their face value. Interest expenses are deferred based on expected payments to instrument owners.

Interest-related transactions in the bank book are assessed annually in their entirety for excess liability. A present value oriented approach is used here taking account of risk and administrative costs that are likely to be incurred. The assessment demonstrated that there was no excess liability arising from interest-related transactions in the bank book (interest book) and therefore no need to form provisions for anticipated losses.

In accordance with Section 340e (4) (1) HGB, the special "Fund for general banking risks" item on the balance sheet pursuant to Section 340g HGB must in principle include and separately identify an amount equal to at least 10% of the net income from the trading portfolio for each financial year. In accordance with Section 340e (4) (2) (4) HGB, the amount is transferred to the special item provided the special item reaches 50% of the average of the last five years' net income from the trading portfolio (including net income from the trading portfolio in the reporting year) after adjusting for risk. Inclusion in special items takes place on the reporting date at the end of the financial year. Due to existing loss carry-forwards, which were not covered by profit for the period, no transfers were made to the special item in the financial year pursuant to Section 340e (4) (2) (2) and (3) HGB (balance 31/12/2017: EUR 0.00).

All foreign currency transactions that are not assigned to the trading portfolio are separately hedged transactions within the meaning of Section 340h HGB.

In the case of the trading portfolio and if special hedging exists, both the expenditure and income from foreign currency conversion are recognised as income. Foreign currency conversion results for separately hedged transactions are offset and included in other operating income in accordance with RS BFA 4, Item 22.

Contingent liabilities and other obligations and all other balance sheet items are shown at nominal amount.

Income and expenses are deferred on an accrual basis.

Negative interest from lending transactions and positive interest from borrowing transactions is recognised as a reduction of interest income or interest expenses and reported separately in the profit and loss account. The previous year's figures for interest income and interest expenses were adjusted by the presentation of negative interest rates.

The Bank exercises its right to apply the cross-offsetting option in accordance with Section 340f (3) HGB in conjunction with Section 32 and Section 33 RechKredV.

Amounts, unless otherwise indicated, are expressed in thousands of euros (TEUR).

There may be rounding differences of +/- one unit in the tables for calculation reasons.

3. Currency conversion

Income and expenses incurred during the year are included in the profit and loss statement at their respective current rate. Foreign currency items are converted into euros on the reporting date at the ECB reference rates in accordance with Section 256a HGB.

As at 31 December 2017, the foreign currency amounts listed below are included in the following balance sheet items:

Balance Sheet Items	31/12/2017 TEUR	31/12/2016 TEUR
Loans and advances to banks	10,828	6,214
Due from customers	33,681	8,733
Shares and other variable-income securities	46,929	29,775
Trading portfolio (active)	0	0
Shares in affiliated companies	1,754	1,754
Other assets	247	209
Prepaid expenses	0	25
Bank loans and overdrafts	0	0
Amounts due to customers	47,049	43,070
Other liabilities	76	155
Provisions	0	284

4. Notes to the balance sheet

4.1 Overall item details

4.1.1 Relations with affiliated companies

	31/12/2017 TEUR	31/12/2016 TEUR
Due from customers	250,608	75,556
of which to affiliated companies	5,291	5,865

The 'of which' items relate to amounts owed by Varengold Capital Holdings Limited, British Virgin Islands and Varengold Capital Holdings Limited, British Virgin Islands.

	31/12/2017 TEUR	31/12/2016 TEUR
Amounts due to customers	387,369	589,684
of which to affiliated companies	754	1,128

The 'of which' items relate to amounts owed to Varengold Verwaltungs AG, Hamburg, Varengold Capital Holdings Limited, British Virgin Islands, Varengold Capital Asset Management Limited, Hong Kong, and VirtuFX GmbH, Hamburg.

4.1.2 Breakdown by remaining maturity

	31/12/2017 TEUR	31/12/2016 TEUR
Loans and advances to banks	23,935	16,003
Due on demand	20,898	14,959
less than three months	834	1,033
between one and five years	2,203	11
Due from customers	250,608	75,556
Due on demand	4,406	11,600
less than three months	45,291	21,627
between three months and one year	146,412	11,071
between one and five years	54,499	26,469
more than five years	0	4,789
Debt securities and other fixed-income securities	22,334	29,154
of which due in the following year	19,334	18,734

Bank loans and overdrafts	30,367	1,237
Due on demand	16,427	1,100
less than three months	13,940	137
Amounts due to customers	387,369	589,684
Due on demand	245,420	225,432
less than three months	30,391	246,674
between three months and one year	88,370	79,632
between one and five years	23,188	37,946

4.1.3 Securities

The following table indicates the negotiable securities included in the balance sheet items:

	31/12/2017 TEUR	31/12/2016 TEUR
Debt securities and other fixed-income securities	22,334	29,154
Not eligible for stock market listing	0	0
Eligible for stock market listing	22,334	29,154
- of which: listed	22,334	29,154
Shares and other variable-income securities	57,663	29,775
Eligible for stock market listing	57,663	29,775
- of which: listed	32,199	15,249
Shares in affiliated companies	2,261	2,775
Not eligible for stock market listing	506	30
Eligible for stock market listing	1,755	2,745
- of which: listed	0	0
Participating interests	698	668
Not eligible for stock market listing	100	620
Eligible for stock market listing	598	48
- of which: listed	550	0

4.2 Individual item details

4.2.1 Receivables from customers

The receivables from customers (TEUR 250,608) primarily consist of Lombard loans and public sector loans.

4.2.2 Bonds and other fixed-income securities

Apart from a corporate bond, the portfolio consists solely of European government bonds.

4.2.3 Shares in investment funds

Shares are held in foreign investment funds, which are invested essentially in short-term receivables and short-term property loans. Both distributing and accumulating investment fund units are involved. The book value corresponds to the market value. The shares are broken down as follows:

- Dalma Corporate Bond Fund 73%
- EFA SME 13%

4.2.4 Participating interests and shares in affiliated companies

Varengold Bank AG holds the following unlisted shareholdings:

Gesellschaft	Percentage of shares held		Equity capital	Result
	Direct %	Indirect %	31/12/2017 TEUR	2017 TEUR
Hanseatic Brokerhouse Securities AG, Hamburg	33.00		896[1)]	-1,121[1)]
Lava Trading Ltd., Valetta, Malta	49.79		-6[2)]	-6[2)]
Varengold Capital Holdings Limited, British Virgin Islands	100.00		-377[3)]	-235[3)]
Varengold Capital Securities Limited, Hong Kong	100.00		546[3)]	47[3)]
Varengold Verwaltungs Aktiengesellschaft, Hamburg	100.00		529[4)]	-290[4)]
VirtuFX GbR, Hamburg	50.01		78[1)]	-69[1)]
Varengold Capital Advisory Limited, Hongkong		100.00	25[3)]	-1[3)]
Varengold Capital Asset Management, Limited, Hongkong		100.00	511[3)]	-4[3)]
Varengold Capital International Company Limited, British Virgin Islands		100.00	-612[3)]	-216[3)]
Varengold Investment Funds SPC, Cayman Islands		100.00	-582[3)]	-330[3)]
Varengold Capital Investment Company Limited, British Virgin Islands		100.00	-782[3)]	-395[3)]
Varengold Capital Management Limited, British Virgin Island		100.00	-41[3)]	-55[3)]

In accordance with Section 285 (11) in conjunction with Section 271 HGB, the disclosure of participating interests below 20% is omitted.

1) Financial statements as at 31/12/2016

2) Annual financial statements as at 31 March 2015 (different financial year)

3) Figures in EUR were converted on 29/12/2017. Rate HKD: 9.37200.

4) Preliminary annual financial statements as at 30 November 2017 (different financial year)

4.2.5 Gross assets analysis

	Purchase costs				Depreciation				Residual book value	
	01.01.17 TEUR	Accruals 2017 TEUR	Uses 2017 TEUR	31.12.17 TEUR	Cumul. 01.01.17 TEUR	Accruals 2017 TEUR	Uses 2017 TEUR	Cumul. 31.12.17 TEUR	31.12.17 TEUR	31.12.16 TEUR
Intangible assets										
Intellectual property rights 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 o such rights and assets	2,130	3	0	2,133	1,917	99	0	2,017	116	213
Fixed assets	681	65	17	729	511	74	16	569	160	170
Total	**3,198**	**68**	**17**	**3,249**	**2,816**	**173**	**16**	**2,973**	**276**	**383**
				Change*)						
Notes and other fixed-income securities				91					5,102	5,012
Shares and other variable-yield securities				-29,775					0	29,775
Participating interests				30					698	668
Shares in affiliated companies				-514					2,261	2,775

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

Intangible assets consist of purchased software, concessions and industrial property rights. Tangible assets relate to operating and office equipment (including leasehold improvements).

In accordance with the resolution of the Board of Managing Directors passed on 02 January 2017, the funds in the amount of TEUR 29,775 were transferred from the investment portfolio to the liquidity reserve.

4.2.6 Trading portfolio

The trading portfolio is comprised of the following:

Assets	31/12/2017 TEUR	31/12/2016 TEUR
Trading portfolio securities	3,834	0
Trading portfolio shares	0	137
Risk premium (VaR)	-60	0
Total	**3,774**	**137**

Pursuant to Section 340e (1) (3) HGB (German Commercial Code), financial instruments held for trading are valued at fair value less a deduction for risk.

Pursuant to Section 255 (4) (1) HGB, the fair value corresponds to the market price of the financial instrument.

4.2.7 Other assets

This item essentially includes receivables from tax over-payments (TEUR 1,372) and receivables from security deposits paid (TEUR 161).

4.2.8 Bank loans and overdrafts

The disclosure of bank loans and overdrafts with agreed residual term relates to cash collateral for forfaiting transactions.

4.2.9 Amounts due to customers

Amounts owed consist of instant-access deposits (EUR 107 million), payment transaction accounts (EUR 113 million), security deposits (EUR 25 million) and fixed-term deposits (EUR 142 million).

4.2.10 Other liabilities

Other liabilities all have a residual term of less than one year and are comprised of the following:

	31/12/2017 TEUR	31/12/2016 TEUR
Trade creditors	439	473
Income tax liabilities	92	102
Withholding tax liabilities	79	105
Other liabilities	138	242
Total	**748**	**922**

Trade creditors essentially include invoices that are not yet due. Other liabilities mainly include liabilities arising from the payment obligation for the equity capital of Varengold Capital Holdings Ltd. and the additional payment obligation from the income tax audit.

4.2.11 Reserves for pensions and similar obligations

Pension provisions have been made for dependants. The difference between the valuation of the pension provisions and the 10-year average interest rate (TEUR 98) and the 7-year average interest rate (TEUR 104) is TEUR 6 and is subject to a dividend payout restriction (Section 253 (6) (2) HGB).

4.2.12 Tax provisions

Due to the minimum taxation, income taxes are incurred for the financial year. Trade tax reserves (tax rate 16.45%) of TEUR 41 and corporation tax reserves (tax rate 15% plus 0.825% solidarity surcharge) of TEUR 40 were formed.

In addition, there are tax provisions for the pro-rata profits of the London office for 2017 in the sum of TEUR 31. An income tax rate of 20% was taken as the basis here.

4.2.13 Other provisions

This item is broken down as follows:

	31/12/2017 TEUR	31/12/2016 TEUR
Surcharge for non-employment of disabled persons	0	1
Hiring out employees	0	1
One-off payment EdB	0	313
Professional Association	10	15
Negative interest	12	58
Outstanding invoices for IT services	28	11
Prime brokerage fees	29	623
Archiving costs	60	0
Entschädigungseinrichtung deutscher Banken [German statutory compensation sche-me for depositors and investors]	63	67
Holiday provision	69	150
Legal and consulting costs	191	396
Other	357	73
Audit and annual report costs	397	383
Variable remuneration	1,162	559
Total	2,378	2,680

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 additi-onal AT1 bonds constitute unsecured and subordinated Varengold Bank bonds. The half-yearly interest payments for these bonds are calculated at their nominal values and in line with the development of the EURIBOR. The bond terms and conditions contain provisions according to which Varengold Bank can be both obligated and have the right to decide on its own at any time whether to cancel interest payments. Interest payments are not cumulative and will not be increased in subsequent years to compensate for any interest payments cancelled in previous years. The bonds have no maturity date. They may be called by Varengold Bank for the first time five years after their date of issue and subsequently after each interest payment date. Furthermore, under certain conditions, they may be called prematurely. The bond terms and conditions state inter alia that Varengold Bank AG must call the bonds in their entirety, not in portions, as long as there are specific regulatory or tax reasons to do so. Each premature calling of the bonds requires the prior approval of the competent supervisory authority. The repayment value and the nominal value of the bonds may be reduced in the event that circumstances give rise to this. Such an instance of factual circumstances would be if the Tier 1 core capital ratio fell below 5.125%. The value of the bonds may be appreciated under certain conditions if circumstances give rise this.

The deferred interest expenses for these bonds was EUR 0.00 as at 31 December 2017.

On 31 December 2017, the outstanding additional Tier 1 bonds were the following:

Currency	Amount in EUR	Type	Issue date	Interest rate	Maturity date
EUR	5,000,000	Variable interest, cumulative subordinated bonds	19 August 2014	Variable	Without maturity date

4.2.15 Share equity

The fully paid share capital (TEUR 4,140) is divided into 4,140,282.00 no-par value bearer shares as at the reporting date.

The capital reserve of TEUR 34,248 results, among other things, from the capital increase that occurred in the first half of 2012 when 133,100 new shares were issued at a premium of EUR 40.35 per share (TEUR 5,371), from the capital increase in the second half of 2013 when 146,397 new shares were issued at a premium of EUR 22.90 per share (TEUR 3,352), from the capital increase in the first half of 2014 when 159,571 new shares were issued at a premium of EUR 19.00 per share (TEUR 3,032), from the capital increase in April 2015 when 176,963 new shares were issued at a premium of EUR 19.00 per share (TEUR 3,362) and from the capital increase in February 2016 when 974,184 new shares were issued at a premi-um of EUR 12.00 per share (TEUR 11,690).

According to a resolution passed by the general meeting on 24 August 2016, the Board of Managing Directors was authorised to increase the Company's share capital against cash or non-cash contributions before 23 August 2021, with the approval of the Super-visory Board, on one or more occasions, up to a total of EUR 1,461,276.00 by issuing up to 1,461,276 new no-par value bearer shares (ordinary shares), each with a proportionate interest in the share capi-tal of EUR 1.00 ("Authorised Capital 2016"). Ordinary shares and/or non-voting preferential shares may be issued. The new shares can be acquired by one or more banks stipulated by the Board of Managing Directors or companies which operate according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG (Kreditwesengesetz [German Banking Act]) with the obliga-tion to offer these to the shareholders (indirect subscription right). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to define the further de-tails and terms of the implementation of capital increases from authorised capital and the issu-ing of shares and to exclude shareholder subscription rights within the scope of the Articles of Association and legal regulations. The Board of Managing Directors made use of this authori-sation with the approval of the Supervisory Board and increased the Company's share capital against cash contributions by EUR 1,217,730.00 from EUR 2,922,552.00 to EUR 4,140,282.00 by issuing 1,217,730 new ordinary shares in a public subscription offering and a subsequent private placement. The shares were placed at a premium of EUR 2.99 per share (premium TEUR 3,641). The capital increase was entered in the commercial register on 07 July 2017.

As at the reporting date, the Company still had Authorised Capital 2016 of EUR 243,546.00.

According to a resolution passed by the general meeting on 8 August 2012, the Board of Managing Directors was further authorised to issue by 7 August 2017, with the approval of the Supervisory Board, on one or more occasions, bearer and/or registered conver-tible bonds, warrant-linked bonds, convertible profit-sharing rights, participatory subscription rights, partici-patory rights and/or income bonds (referred to below as "instruments") at an aggregate princi-pal amount of up to EUR 5,000,000.00 with a time to maturity not exceeding 15 years, and to grant the holders or creditors of these financial instruments conversion or option rights to new no-par value bearer shares in the Company, with a proportionate interest in the share capital of up to EUR 586,174.00 according to more detailed specifications of the instruments. The instruments may be issued in exchange for cash and/or in-kind benefits. In order to service the instruments, the share capital was conditionally increased through a resolution passed by the general meeting on 8 August 2012 by up to EUR 586,174.00, by issuing up to 586,174 no-par value bearer shares (ordinary shares) for the purpose of granting share subscription rights (Conditional Capital 2012 I). The Conditional Capital 2012 I was not used and expired on 7 August 2017.

According to a resolution passed by the general meeting on 8 August 2012, there is further conditional capital according to Section 4 (7) of the Company's Articles of Association. The share capital is conditionally increased by up to EUR 140,000.00 by issuing up to 140,000 no-par value bearer shares (ordinary shares) ('Conditional Capital 2012 II'). The conditional capi-tal increase will only be carried out insofar as the holders of share options issued in accord-ance with the resolution of the general meeting as part of the 2012 share option programme ("SOP 2012") in the period up to 8 August 2017 (inclusive) exercise their right to subscribe for the Company's shares and the Company does not grant own shares or a cash settlement in fulfilment of the subscription rights. New shares carry a profit-sharing entitlement from the start of the financial year in which they arise as a result of exercising a subscription right. SOP 2012 serves as a target-oriented performance incentive for the programme participants and is designed to foster a bonding between the participants and the Company.

In the context of SOP 2012, a total of up to 95,000 share options may be issued to members of the Company's Board of Managing Directors and a further total of up to 45,000 share op-tions to selected executives and other key personnel of the Company ('programme partici-pants'). Each share option grants the option to purchase a Varengold Bank AG share at the strike price. The strike price for a Varengold share, i.e. the price payable when purchasing a share after exercising a share option right, is the mathematical mean of the closing price of Varengold stock trading on Xetra on the thirty stock exchange trading days prior to the distri-bution of the share options ('exercise price'). The options will be issued in at least three yearly instalments, whereby no instalment may exceed 50% of the total volume. The timeframe for acquisition is 40 working days after receipt of the offer to purchase shares. The subscription rights arising from the share options may only be exercised after the end 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 Varengold stock trading on Xetra has exceeded the exercise price by at least 30% on the last thirty trading days prior to the exercise date.

Based on the above authorisation, the Board of Managing Directors issued a total of 85,500 shares to Company executives prior to the end of the reporting period. 45,000 share options were distributed to specific high-performers. A further 40,500 share options were given to members of the Board of Managing Directors; 31,000 of these could not be exercised due to the departure of the respective Board members. In 2017, no share options were issued by the end of the reporting period.

The dividend payout restriction pursuant to Section 268 (8) HGB applies to deferred tax assets of TEUR 1,853 and to the difference from pension obligations (TEUR 6).

4.2.16 Contingent liabilities

As at 31 December 2017, there were liabilities from guarantees and warranty agreements, essentially in the form of loans against guarantees, of TEUR 1,999 (31/12/2016: TEUR 1,120). The risk of utilisation is classified as low.

Two thirds of the guarantees relate to a single guarantee lasting until 31 December 2018, which was given for a sufficiently creditworthy customer.

The remaining third of the guarantees is divided up into several smaller individual cases with different terms; some of these are also secured by cash.

The risk of losses arising from the use of contingent liabilities will be reduced as a result of the existing options for recourse to the respec-tive principal and essentially depends on the principal's credit risk.

The Bank assesses the risk of loss resulting from the use of a contingent liability prior to making a binding commitment as part of a credit check on the principal and, where appropriate, with the aid of an assessment of the expected fulfilment of underlying obligations by the respective principal.

As at 31 December 2017, there were other obligations in the form of irrevocable loan commitments of TEUR 14,980 (31 December 2016: TEUR 0) to customers who are able draw on this in instalments as required. Contractual loan disbursement conditions apply to such utilisation; compliance with these conditions will be checked prior to the respective payment. The Bank assesses the risk of loss resulting from utilisation of the irrevocable loan commitments prior to making a binding commitment as part of the credit check.

5. Notes to the profit and loss statement

All income is accrued in Germany.

5.1 Interest income

Interest income is derived mainly from loans granted and fixed-income securities. Negative interest paid (mainly incurred at the Bundes-bank and for deposited securities) is openly deducted from interest income.

Interest expenses mainly include interest on customer deposits (instant access, fixed-term and time and notice deposits). Negative interest received in respect of deposited customer securities and customer deposits are also openly deducted from interest expenses.

5.2 Current income from shares and other variable-income securities

Income from shares and other variable-income securities includes all distributions from investment funds.

5.3 Commission income/expenses

Commission income includes fees from Prime Brokerage for securities lending transactions (TEUR 15,298) and Commercial Banking for commissions in respect of payment transactions, credit operations and guarantees (TEUR 4,309).

The commission expenses are mainly in the area of Prime Brokerage commissions for securities lending transactions (TEUR 8,867).

	31/12/2017 TEUR	31/12/2016 TEUR
Commission income	19,607	20,927
Commission expenses	9,485	15,211
Commission surplus	10,122	5,716

5.4 Net income in the trading portfolio

The net income from the trading portfolio essentially results from Prime Brokerage for securities lending transactions (TEUR 149).

5.5 Other operating income

Other operating income mainly includes income from the reversal of provisions and income relating to other periods.

5.6 Personnel costs

	31/12/2017 TEUR	31/12/2016 TEUR
Wages and salaries	6,039	6,211
Social security contributions	626	734
Expenses for pensions and other employee benefits	275	265
Total	**6,940**	**7,210**

The reduction in personnel expenses is due mainly to the lower number of employees.

5.7 Other administrative expenses

	31/12/2017 TEUR	31/12/2016 TEUR
Expenses for premises	429	509
Premiums and insurance	633	599
Vehicle costs including leasing (not including road tax)	29	50
Advertising, entertainment, travel expenses	219	390
IT expenses	1,419	1,711
Communications expenses	395	588
Office supplies, magazines, training	158	99
Consulting fees, costs of preparing financial statements and audit costs	2,249	2,555
Other administrative expenses	950	1,836
Total	**6,481**	**8,337**

The total fee charged by the auditor calculated or deferred for the financial year in accordance with Section 285 (17) HGB amounts to TEUR 722. This total was comprised of TEUR 342 for auditing services, TEUR 77 for other confirmation services (audit pursuant to Section 36 WpHG a.F.) and TEUR 303 for tax consulting services. The tax consulting services were rendered in particular in support of the preparation of tax returns, of the tax audit and for foreign tax matters.

5.8 Other operating expenses

The item Other operating expenses includes TEUR 3.5 (previous year: TEUR 2.8) in expenses arising from the reversal of provisions. The result of the conversion of separately hedged foreign currency transactions in the amount of TEUR 504 is also included.

5.9 Extraordinary result

Extraordinary income of TEUR 20 was accrued in the financial year. This includes TEUR 9 from the winning of a legal dispute. TEUR 11 from the derecognition of liabilities from previous years is also reported.

5.10 Taxes on income and earnings

The basis for calculating income taxes is characterised by high taxable allocated amounts for the tax calculation of the funds as well as non-deductible depreciation of a participating interest.

The tax result is mainly due to the reversal of deferred taxes in the amount of TEUR 444, from corporation tax in the amount of TEUR 40, and from commercial tax in the amount of TEUR 41. The expense from the reversal of deferred taxes is non-cash.

6. Other information

6.1 Executive bodies

6.1.1 Supervisory Board

Dr Karl-Heinz Lemnitzer — Chairman
Independent Auditor and Tax Consultant

Michael Stephen Murphy — Deputy Chairman
Independent Investment Banker

Alexander Körner
Sole-Shareholder-Managing Director, Greenshield GmbH

Dr Lemnitzer, Mr Murphy and Mr Körner have not accepted any other positions on statutory supervisory boards or comparable regulatory bodies as defined in Section 125 (1) (5) AktG.

6.1.2 Board of Managing Directors

Dr Bernhard Fuhrmann
Back office

Frank Otten
Trading

Dr Bernhard Fuhrmann and Mr Otten are authorised representatives jointly with another member of the Board of Managing Directors or an authorised signatory.

6.1.3 Positions on statutory supervisory boards

As at the reporting date, in addition to his position on the Board of Managing Directors of Varengold Bank AG, Dr Fuhrmann was also on the Board of Managing Directors of Varengold Verwaltungs Aktiengesellschaft, Hamburg. He has also been Managing Director of JUCLA Invest GmbH, Hamburg since 2 June 2017.

In addition to his position on the Board of Managing Directors of Varengold Bank AG, Mr Otten is also Chief Executive Officer (CEO) of the consulting firm, Arensburg Consult GmbH, Molfsee, and a member of the Advisory Board of KERNenergie GmbH, Grosswallstadt, as well as Chairman of the Supervisory Board of Varengold Verwaltungs Aktiengesellschaft, Hamburg.

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

6.1.4 Board remuneration and loans

We have made use of the let-out clause provided in Section 286 (4) HGB in respect of disclosures on the total remuneration paid to the Board of Managing Directors pursuant to Section 285 9a) HGB and surviving dependants' remuneration pursuant to Section 285 9b) HGB.

For their work in the period 1 January 2017 to 31 December 2017, the members of the Supervisory Board received total remuneration of TEUR 320 (31/12/2016: TEUR 400). This includes net activity compensation in the amount of TEUR 300 (31/12/2016: TEUR 299). The difference stems from travel expenses incurred.

No loans had been granted to members of the Supervisory Board or Board of Managing Directors as at the reporting date.

6.2 Employees

The total average number of staff employed in the 2017 financial year was 54 (2016: 66), of which 20 (2016: 23) were female employees. With the exception of 5 employees, all staff work in Germany.

6.3 Other financial obligations

Other financial liabilities in the amount of TEUR 937 (31/12/2016: TEUR 1,224) include in particular obligations from rental and leasing contracts with residual terms of less than 4 years.

6.4 Forward transactions

Forward transactions not completed on the reporting date serve hedging purposes in the context of specific cover and are shown on the balance sheet at fair value.

	Nominal TEUR	Positive market value TEUR	Negative market value TEUR
Foreign currency	4,475	11	4

6.5 Recommendation on appropriation of profit

It is recommended that the general meeting carry the net profit forward.

6.6 Disclosures in accordance with Section 20 AktG

No disclosures pursuant to Section 20 (1) AktG were made to Varengold Bank AG in the reporting year, therefore no announcements pursuant to Section 20 (6) AktG were made in the Federal Gazette (Bundesanzeiger).

6.7 Supplementary report

In the first quarter of 2018, Varengold Bank AG carried out a capital increase against subscription rights as part of a public subscription offering and the subsequent private placement. The Company's share capital was increased against cash contributions by EUR 2,070,141.00 from EUR 4,140,282.00 to EUR 6,210,423.00 by issuing 2,070,141 new ordinary shares. All shares were placed at an issue price of EUR 2.80 per share. The capital increase was entered in the commercial register on 16 February 2018.

Mr Alexander Körner irrevocably resigned his position as a member of the Supervisory Board of Varengold Bank AG on 27 February 2018 with effect from 27 March 2018. The Board of Managing Directors had Mr Vasil Stefanov appointed as a member of the Supervisory Board by a court, with effect from 28 March 2018.

6.8 German Corporate Governance Code

Varengold Bank AG shares (ISIN DE0005479307) were listed in the Entry Standard segment of the Frankfurt Stock Exchange between 20 March 2007 and 28 February 2017. Varengold shares have been listed in the Basic Board segment on the Open Market since 1 March 2017 following the closure of the Entry Standard segment. Varengold Bank AG is not obliged to publish a statement of compliance with the German Corporate Governance Code (Section 161 AktG), as the Company is not listed in Section 3, Paragraph 2 of the code.

Hamburg, 30 March 2018

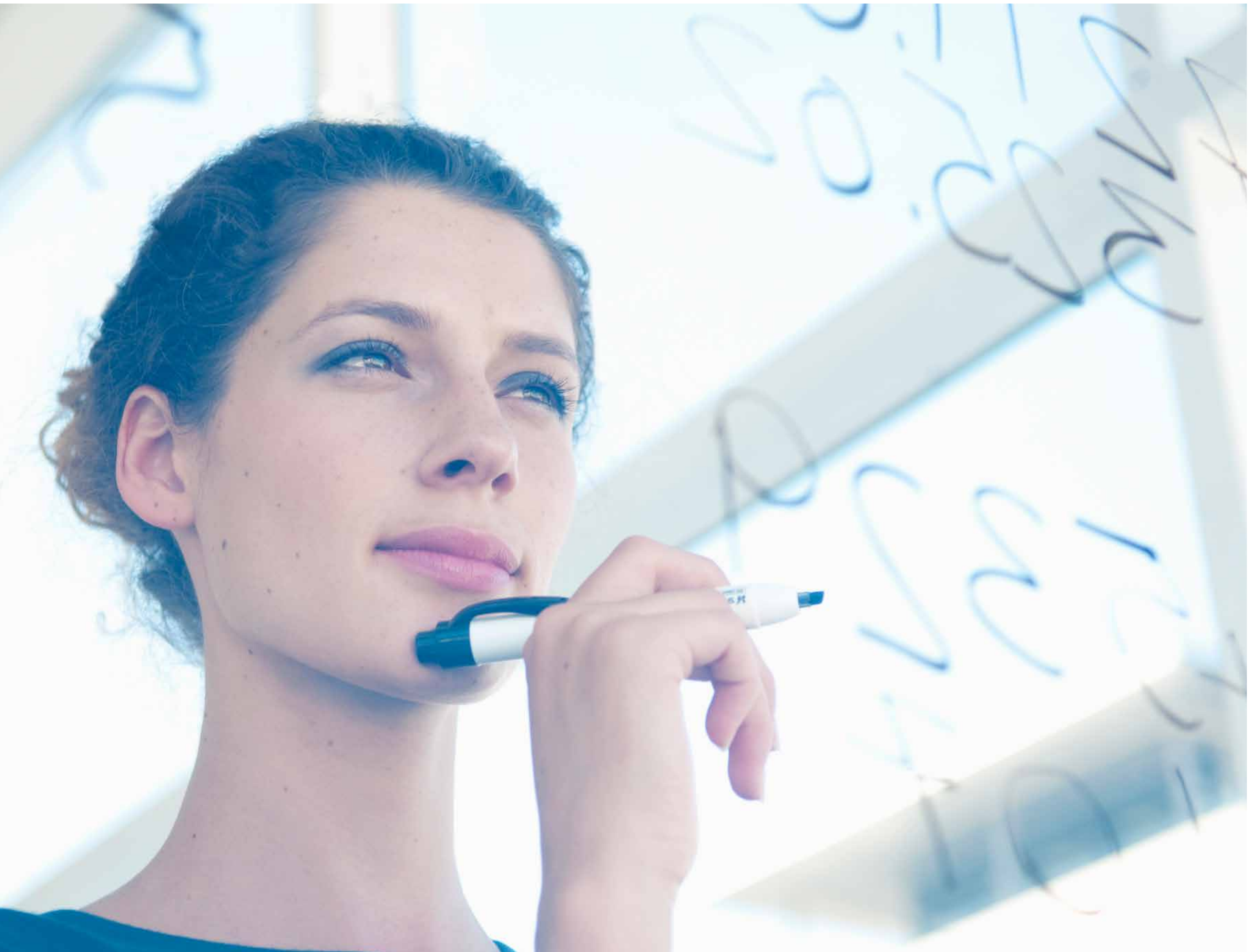
Varengold Bank AG

Dr Bernhard Fuhrmann

Frank Otten

Varengold BANK

MANAGEMENT REPORT



A. Principles of Varengold Bank

Varengold Bank AG is a German bank with its head office in Hamburg and an office in London. The Bank's shares are listed in the Basic Board segment of the Open Market. Varengold offers its customers and business partners a wide variety of products and services through its Marketplace Banking and Commercial Banking business areas. Its customers include institutional customers and companies for which Varengold Bank operates in all business areas, as well as private customers who are offered primarily instant-access and fixed-term products.

Established as an asset management boutique in 1995, Varengold has since then been dedicated to providing individual financial products to private and institutional customers. Upon receipt of the licence to operate as a depositary bank, the Commercial Banking business area was established in 2013, followed by the Marketplace Banking business area in 2017.

The Commercial Banking business area consists of Deposit Business as well as the areas of International Payments, Trade & Export Finance, Lombard Loans and Structured Finance.

In the Marketplace Banking business area, now a multi-billion dollar market, Varengold Bank successfully combines business activities of "modern" fintech companies with "time-honoured" banking services. Varengold Bank concentrates in this area on the support of marketplaces (peer-to-peer platforms), and in particular on winning over tech-savvy institutional clients.

B. Economic report

1. Macro-economic and industry-related conditions

In 2017, growth in the global economy was significantly stronger than in previous years, accompanied by an economic upturn in almost all regions. Any prevailing uncertainties, such as natural disasters or political arguments, proved unable to check this synchronous and robust development. Global GDP (gross domestic product) rose by 3.2% in 2016 and by 3.8% in 2017. The euro area grew by 1.8% in 2016 and by 2.4% in 2017. Emerging economies such as Brazil and Russia have returned to the path of economic recovery, while the economic situation in China remained stable and growth in the US continued to be supported by the expansionary monetary policy of that country's central bank. At 1.5% in 2017, inflation in the Eurozone was still below the target of just under 2% set by the European Central Bank (ECB).

Despite these signs of economic recovery in the euro area and the slight increase in inflation, the ECB held to its expansionary monetary policy and extended its reduced-volume bond purchase programme for the time being until September 2018. The historically low interest rate environment in Europe saw long-term interest rates rising slightly, while the trend in interest rates for short-term maturities remained at a more constant level, perhaps with a tendency towards a slight decline. Institutions with business models heavily dependent on interest rates in particular were in some cases forced to reallocate their strategy and product portfolio. At the same time, however, the German banking industry also benefited from the stable economic framework fostered by developments in the real estate market. The price level for real estate in 2017 saw a strong increase in almost all conurbations and urban areas in Germany.

The German economy continued to grow, with the Federal Statistical Office reporting an increase in price-adjusted GDP of 2.2% compared to the previous year's figure of 1.9%. According to the German Federal Employment Agency, unemployment fell to 5.3% at the end of the year, its lowest level since reunification.

In the financial and capital markets, there were significant changes in exchange rates against the euro, particularly on the part of the US dollar and British pound. Britain's 2016 Brexit decision had some impact on the foreign exchange market, with the British pound losing considerable value over the course of the year, although it did recover somewhat towards year-end. The euro, meanwhile, saw its value enhanced with an increase of 14% despite the rising interest rate differential between the United States and Europe. A notable feature over the course of 2017 was the growing interest in digital crypto currencies, leading to a significant increase in their prices.

As a result of the sound development of the real economy, share indices on the global stock exchanges also increased significantly. Political uncertainties such as the ongoing tensions between the United States and North Korea or the elections in France and United Kingdom had little impact on the markets. The market barometer for the German stock index (DAX) for example rose very sharply, from just under 11,500 points at the beginning of 2017 to a high of more than 13,500 points, before closing the year under review at around 12,900 points.

The business activities of Varengold Bank are regulated by a multitude of regulations at both European and national level. Among the issues engaging banks in the regulatory environment of 2017 were the MiFID II / MiFIR regime, which came into force on 3 January 2018, the amendment of the Minimum Requirements for Risk Management (MaRisk), including the new banking supervisory requirements for IT (BAIT), and the proposals of the EU Commission on various matters including for example revision of the CRR. With the Supervisory Review and Evaluation Process (SREP), the ECB has also ensured a consistent approach to the supervisory assessment of banks, and is using the results to identify potential measures for the provision of additional equity and/or liquidity requirements. In addition, banks were also kept very busy with their preparations for implementation of the AnaCredit requirements. Under this ECB Regulation, comprehensive credit data statistics must be reported to the German Bundesbank for the first time on 31 January 2018.

2. Business development

Among other things, the volatility of business development in financial year 2016 prompted the Board of Managing Directors to adapt the business strategy of Varengold Bank and channel the opportunities available to the bank more effectively still. In the former Prime Brokerage business area, the provision of leverage to hedge funds did not lead to adequate returns (risk-adjusted), and as a relatively small niche provider with limited human and capital resources, the focus on global market development, which began in the past, had to be maintained with respect to a number of business areas in the second half of the year.

Varengold's customer focus is now primarily on the bank supplying marketplaces working to finance companies and consumers. Varengold Bank does not limit its product portfolio solely to funding, but also provides other products, such as debt and equity capital markets products, international payment services or, in future, fronting services for products subject to banking licence obligations. As part of this new vision, the former Prime Brokerage business area has since been renamed Marketplace Banking.

In the Commercial Banking segment, Varengold Bank has established a solid customer base for Trade Finance transactions in recent years, and in future aims to develop further as a specialist provider for business customers with a focus on trading in the regions of Eastern Europe and the Middle East.

In addition, Varengold Bank invested a great deal of operational effort in 2017 in responding to the various legal changes, the implementation of which required both personnel and financial resources. In order to meet the requirements in terms of regulatory equity capital both now and in the future, particularly with regard to the planned expansion of business volume, the Company's core capital was further increased.

The general meeting of Varengold Bank AG on 24 August 2016 therefore authorised the Board of Managing Directors, with the approval of the Supervisory Board, to increase the Company's share capital („Authorised Capital 2016"). The Board of Managing Directors made use of this authorisation with the approval of the Supervisory Board and increased the Company's share capital against cash contributions by EUR 1,217,730.00 from EUR 2,922,552.00 to EUR 4,140,282.00 by issuing 1,217,730 new ordinary shares in a public subscription offering and a subsequent private placement. The shares were placed at a subscription price of EUR 3.99 per share (premium TEUR 3,641). The capital increase was entered in the commercial register on 07 July 2017.

In addition, the general meeting of Varengold Bank AG on 23 August 2017 also passed a resolution to increase the Company's share capital against cash contributions by up to EUR 2,070,141.00 from EUR 4,140,282.00 up to EUR 6,210,423.00 by issuing up to 2,070,141 new ordinary shares. As a result, Varengold Bank AG carried out a capital increase against subscription rights as part of a public subscription offering and subsequent private placement, and successfully placed all new ordinary shares. The Company's share capital increased to EUR 6,210,423.00. The shares were placed at a subscription price of EUR 2.80 per share (premium TEUR 3,726). The capital increase was entered in the commercial register on 16 February 2018.

With effect from 1 March 2017, the shares of Varengold Bank AG (VG8) were included in the Basic Board segment of the Open Market, as Deutsche Börse AG abolished the previous Entry Standard segment, replacing it with a new segment.

3. Position

3.1 Asset position

In 2017, total assets fell by 27.5% from EUR 613.9 million to EUR 445.2 million. At EUR 387.4 million or 87%, customer deposits continue to represent the dominant item on the liabilities side. In the application of funds, the increase in the balance sheet items Shares and other variable-yield securities and Amounts due from customers (EUR 251 million) as at the reporting date essentially resulted in a reduction of EUR 375.7 million in Balances at central banks and a reduction in Bonds and debt securities by EUR 6.8 million. In addition, Loans and advances to banks and the trading portfolio rose by EUR 7.9 million and EUR 3.6 million respectively.

Asset and liability structure

The asset and liability structure compared to the previous year is as follows:

Assets	31/12/2017	31/12/2016	Change in % points
Short-term receivables (< 1 year)	72.5 %	88.2 %	-15.7
Medium-term receivables (1 to 5 years)	12.7 %	4.7 %	8.0
Long-term receivables (> 5 years)	0.0 %	0.8 %	-0.8
Participating interests / shares in affiliated companies	0.7 %	0.6 %	0.1
Fixed assets	14.2 %	5.7 %	8.5

Debt	31/12/2017	31/12/2016	Change in % points
Short-term debt (< 1 year)	89.4 %	92.8 %	-3.4
Medium-term debt (1 to 5 years)	5.3 %	4.2 %	1.1
Long-term debt (> 5 years)	1.1 %	0.8 %	0.3

The core capital ratio (TIER 1) was 14.19% when the annual financial statements were prepared.

In addition to Amounts due to customers (TEUR 387,369; previous year: TEUR 589,684), there are Bank loans and overdrafts (TEUR 30,367; previous year: TEUR 1,237), as well as Other liabilities in respect of our suppliers and business partners (TEUR 748; previous year: TEUR 922) and provisions valued at TEUR 2,588 (previous year: TEUR 2,883). Instruments of additional regulatory core capital (Additional TIER 1) amount to TEUR 5,000.

Varengold Bank AG has a well-regulated asset and capital structure at its disposal.

Use was made of the option to convert deferred tax assets as per Section 274 of the HGB, as tax loss carryforwards are considered to be recoverable within the next five years based on financial projections. No additional deferred taxes were reported in financial year 2017.

Deferred tax assets are subject to the dividend payout restriction.

3.2 Financial position

At EUR 97.2 million or 22% of total assets, cash and cash equivalents constitute a relatively large share of the asset side of the balance sheet. At 200.39%, the regulatory liquidity ratio as at the reporting date is therefore well above the legal requirements, as was the case in the previous year. The Bank's liquidity position was not at risk at any time.

3.3 Earnings position

DThe interest income of the Company increased from TEUR 4,442 in 2016 to TEUR 5,311 in 2017. The increase of TEUR 869 is primarily due to the increase of TEUR 2,094 in interest income from the lending business for loans extended in the Prime Brokerage and Commercial Banking business areas. The interest income includes negative interest primarily for German Central Bank balances amounting to TEUR -1,192. Interest earned from fixed-yield securities/liquidity reserves fell from TEUR 1,807 to TEUR 980 due to the reduction in volume. In addition, interest expenses fell by 48.7% to TEUR 1,470 due to the continued decline in interest rates, resulting in an interest surplus of TEUR 3,841.

Distributions from Real Estate and Short Term Receivables Funds amounting to TEUR 571 (previous year: TEUR 554) were also reported.

Commission income fell slightly by TEUR 1,320 to TEUR 19,607. The commission income generated by Commercial Banking, which increased from TEUR 1,045 to TEUR 4,309, did not fully offset the commission income from Prime Brokerage activities, which fell from TEUR 19,324 in 2016 to TEUR 15,298 in 2017 (fewer securities lending transactions).

Commission expenses fell by TEUR 5,726 to TEUR 9,485 as a result of lower securities lending fees for prime brokerage activities.

The net result for the trading portfolio fell by TEUR 5,536 to TEUR 149, again as a result of reduced securities lending fees.

Other operating income fell from TEUR 2,066 in 2016 to TEUR 267 in 2017. At TEUR 1,124, the key item in 2016 was in Income from currency valuation, which in 2017 is offset in the P&L item Other operating expenses (TEUR 992).

The Company's general administrative expenses fell by TEUR 2,126 (from TEUR 15,547 in 2016 to TEUR 13,421 in 2017). This was due in particular to the decrease in personnel costs from TEUR 7,210 to TEUR 6,940, in audit and consulting fees from TEUR 2,555 to TEUR 2,249, in IT costs from TEUR 1,711 to TEUR 588, and the decline in expenses for communication from TEUR 1,419 to TEUR 395. In addition, other administrative expenses fell from TEUR 1,836 to TEUR 950, largely due to lower sales costs in the Commercial Banking area and a reduction in subcontracting and outsourced services. Expenses for premises were reduced by TEUR 80, mainly due to the move in London. Expenses for premiums and insurance as well as office supplies, magazines and further training increased by TEUR 34 and TEUR 59 respectively, primarily due to an increased contribution rate for the restructuring fund (FMSA) and archiving provisions.

Depreciation and write-downs of intangible and tangible fixed assets fell from TEUR 328 in the previous year to TEUR 173 in 2017.

Other operating expenses increased from TEUR 362 in the previous year to TEUR 1,078 in 2017. The key items included here are expenses unrelated to the period (TEUR 568) resulting from a tax adjustment charge for a fund investment in 2015 and provisions for the 2011-2014 tax audit (value added tax issues) and the external wage tax audit. Expenses from currency conversion (TEUR 504), which are essentially hedge costs, are also included in this P&L item.

The item Income from the write-ups and certain securities as well as from the dissolution of accruals in lending business amounts to TEUR 617 (previous year expense TEUR 1,803). This includes income from the sale of securities from the liquidity reserve (TEUR 1,905 million), which is reduced mainly by depreciation of securities in the liquidity reserve (TEUR 921). European government bonds with an interest coupon significantly above the current interest rate level are purchased at a premium. Accordingly, the resulting need for depreciation is attributable mainly to the low interest rate level and not to a change in the credit rating of the debtor. This depreciation in the amount of TEUR 921 is offset by interest income of TEUR 801.

Depreciation and provisions against participating interests and securities treated as assets increased from TEUR 80 to TEUR 340. The expense for the financial year results from the pro rata depreciation of a participating interest and a loss from the sale of a security from fixed assets. This depreciation was partially offset by the proceeds from a partial sale of a participating interest in the amount of TEUR 267.

In total, the income from normal business activities of Varengold Bank AG amounted to TEUR 556 (previous year: TEUR -2,523).

Extraordinary income of TEUR 20 was accrued in the 2017 financial year. In the previous year 2016, extraordinary income amounted to TEUR 1,668, arising primarily from claims made against customers in previous years and income from legal disputes.

No extraordinary expenses were incurred in the 2017 reporting year. In the previous year 2016, extraordinary expenses amounted to TEUR 606, mainly from restructuring expenses and a one-off contribution to the Entschädigungseinrichtung Deutscher Banken [German statutory compensation scheme for depositors and investors].

Taking into account the extraordinary income of EUR 20, the annual surplus amounts to TEUR 23 (previous year: shortfall TEUR 1,486). The comparatively high tax item is largely attributable to tax additions from fund investments and depreciation that is not recognised for tax purposes.

Return on capital employed according to Section 26a KWG calculated by dividing net profit by the balance sheet total is 0.01%.

3.4 Financial performance indicators

The key performance indicator is earnings before tax. For 2017, earnings before tax of between TEUR 167 and TEUR 681 were planned. Net income in the Prime Brokerage business area was below budget, but was more than offset by increased income in Commercial Banking. In addition, lower administrative expenses and unplanned income from the partial sale of a participating interest had a positive impact on earnings. After deduction of higher financing costs and planned depreciation, earnings before tax stood at the planned figure of TEUR 575.

C. Outlook, risk and opportunity report

1. Outlook

In terms of its business activities, the Company is subject to regulatory requirements regarding its equity capital resources for solvency purposes. The Company assumes that additional equity capital will be required to support the planned expansion of business volume and its inherent risks and future capital buffer requirements will adversely affect the Company's liquidity.

In the judgment of experts, the global dynamic for the year 2018 will remain virtually unchanged in comparison to the previous year. The economic sprint to be seen in many economies looks set to continue. This view is also supported by the fact that oil and commodity exporting countries should continue to benefit from the continued recovery in commodity prices, ensuring that growth in the industrialised countries remains stable. Demand for products and exports from Germany should also remain high in 2018. However, the growth potential in the German economy could be curbed by the fact that with high rates of capacity utilisation and low unemployment, companies are increasingly struggling to find the skilled workers they need. Assuming positive economic development in general, a declining to almost stagnant unemployment rate is to be expected in most countries in the eurozone.

At the global level, geopolitical uncertainties and political discrepancies persist, including for example tensions between the United States and North Korea, burgeoning differences between the trade policies of the United States and China, and Britain's break-away from the European Union. In addition, the major tax reform in the United States could also have a lasting impact on the German economy in particular. In its latest forecast, the Bundesbank nevertheless expects an increase of 2.5% in growth in Germany for the year 2018, based on positive investment trends, demand for exports and consumer behaviour. Growth forecasts for Europe as a whole were also raised, with an overall increase of 2.3% expected.

One vulnerability of the global economy on the financial and capital markets will continue into the future. In an environment of short-term and severe interest rate changes, revaluations and changing investor behaviour for example could lead to falling asset prices. The ECB will continue its bond purchase programme at least until the end of the third quarter of 2018 and, depending on inflation trends in the euro area, may extend it further as long as the inflation rate remains below 2%. Any hike in the base rate by the ECB is unlikely until after the end of the bond purchase program, which means that it should continue to remain at 0% in 2018.

Finally, the development of the regulatory environment as a risk factor for banks should also be considered, as the impact of new supervisory requirements continues to drive up costs and tie up resources. The finalisation of Basel III within the European legal framework, for example, may result in significant changes to the approaches to determining risk-weighted capital adequacy. The Federal Financial Supervisory Authority (BaFin) published the new version of MaRisk in October 2017, and banks are now faced with an implementation deadline of 31 October 2018 to comply. The main changes relate specifically to the requirements concerning data aggregation, risk reporting, risk culture and outsourcing.

The German banking and financial services sector is characterised by intense competition. In addition, German providers are competing with a range of foreign providers, which have significantly expanded their presence in the German market in recent years. Existing and potential competitors of Varengold Bank AG also include companies that are in some cases equipped with considerably greater financial and human resources. These companies could be in a position to conduct extensive and costly sales activities and also offer customers more favourable terms.

2. Risk report

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

To control the internal and external risks associated with the Company's business activities, the Bank applies a risk-control and risk-management system that complies with the 'Minimum Requirements for Risk Management' (MaRisk) of the Federal Financial Supervisory Authority (BaFin).

Risk means a negative deviation of events that occur from events that are expected. The risk management system is based on the classification of risks as counterparty risk, liquidity risk, market price risk, operational risk and other risks, which include among others risk to reputation, strategic risks and risk concentrations.

To manage these risks, regular monitoring and evaluation of the identified risks is carried out as part of the risk management system. The whole process includes the following steps which build on each other:

- Risk identification
- Risk measurement
- Risk management
- Risk controlling and risk reporting

The Board of Managing Directors determines the amount of allowable total risk and its classification among the various types of risk. In this context, care is permanently taken to ensure that the various business activities are backed with adequate equity capital.

The Risk Controlling unit is responsible at Varengold Bank AG for monitoring adherence to the risk strategy. Risk Controlling results are reported to the management in a transparent manner in order to enable adequate management.

Core elements of risk management at Varengold Bank AG are the risk strategy, the risk-bearing capacity concept, the limit system and monitoring processes which are oriented towards the business activities.

The business strategy must determine the essential goals of Varengold Bank AG for each business activity, as well as the measures for reaching these goals.

The risk strategy reflects the impact of the business strategy on the risk environment of Varengold Bank AG and describes the approach taken for existing risks and the ability to carry the risks.

Every potential future risk must be fully transparent from the outset. Only with complete transparency can it be evaluated, whether or not a risk should be taken and authorised. This decision is made by the Board of Managing Directors always under consideration of whether each particular risk can be expected to deliver reasonable returns and whether the associated risk can be carried. When a risk is taken, this takes place within the defined risk tolerances that are derived primarily from the risk-bearing capacity potential, and the compliance of which is continuously monitored.

Varengold Bank AG pursues a growth strategy. Part of the business strategy of Varengold Bank AG is to offer flexible competitive products and services and to adapt continuously to changing market conditions. In this fast-paced environment, Varengold Bank AG generates correspondingly volatile income. Consequently, a risk-bearing capacity analysis is performed by Risk Controlling on a monthly basis. The methodology of the analysis is continuously monitored for plausibility and to ensure that it adheres to the most current position of the regulatory environment.

To establish the risk-bearing capacity of Varengold Bank AG, the first principle applied is the going-concern principle, with the Bank also applying the liquidation approach as a secondary performance indicator. In the going-concern approach, risks are only taken insofar as minimum regulatory requirements of pillar 1 can still be met. Such an approach requires the Bank to have the necessary capital reserves. In order to cover possible losses, this capital is not available when considering risk-bearing capacity and consequently it is not part of the risk-bearing potential.

When calculating risk-bearing capacity, the going-concern approach used by Varengold Bank AG is based on figures on the balance sheet and profit and loss statement. TEUR 7,522 of the risk-bearing potential of TEUR 8,320 calculated as at 31 December 2017 is used as risk-bearing capacity. The TEUR 797 not to be used serves as a safety margin for covering risks that are particularly hard to quantify (strategic risks and risk to reputation, model risks and other risks).

As a rule, the maximum tolerated utilisation rate is limited to 100%. Utilisation rates exceeding 100% within the individual risk types require a response from the Board of Managing Directors.

The utilisation of risk-bearing capacity as at 31 December 2017 was 62%, of which 77% was counterparty risk, 8% market price risk and 15% operational risk.

Current models are used to monitor serious counterparty and market price risks.

The market price risk is quantified using the value at risk. For both the trading book and the banking book, this is assessed with a confidence level of 99%, a time horizon of five days and a lookback of 520 days via historical simulation. Monitoring and control of the market price risk is geared towards the limit system, which is in turn derived from the risk-bearing potential for the market price risk. The limits for the liquidity and investment portfolio are addressed and defined in the respective investment guidelines. These are also monitored on a daily basis by the Risk Controlling unit.

For counterparty risk, quantification is performed using the key risk indicators of ‘expected loss’ and ‘unexpected loss’. Expected loss is determined on the basis of the likelihood of default in consideration of the loss given defaults (LGDs). Unexpected loss is quantified with the aid of a credit risk model for a confidence level of 99% and a time horizon of one year. Calculations are based on the Gordy model, which is applied by the Basel Committee on Banking Supervision in order to model equity capital backing in the context of Basel II and the further provisions set out in Basel III. The credit risk model calculates the contributions from individual borrowers and participating interests to the unexpected loss at portfolio level, which are then additively aggregated to an unexpected loss for the portfolio as a whole. In the process, (any) external or internal (as appropriate) probabilities of default (PDs) are applied, as is the calculated transaction-specific loss given default (LGD). Other model parameters are defined in accordance with the standard rules under Basel III. Alongside the probabilities of default and loss given defaults, correlation between the counterparties is also factored in, as are the granularity of the portfolio and the residual terms.

All measures to limit risk are essentially taken in an economically sensible fashion which appropriately considers the size of the institution, the capital resources and the particular business model.

Within the scope of its business activities, Varengold Bank AG exploits its market opportunities in a targeted manner and engages in responsible risk-taking.

3. Opportunities report

The general framework continues to be challenging, particularly in view of the persistently low interest rate environment, growing regulatory requirements and geopolitical tensions. For several years now, the financial services sector has also been in a state of some upheaval caused by the new start-ups. With their alternative products, services and business models, these fintech companies have transformed traditional banking processes in many areas. FinTechs rely on state-of-the-art technologies, do not need to factor in legacy architecture in most cases, and are only partially subject to regulatory restrictions that apply to traditional banks. They are lean, agile and innovative. It is these very qualities that must now become part of banking DNA and embrace all business areas. Because generally speaking, banks in the future will be in a good position to compete with fintechs, and even participate in this market development – after all, banks generally have sufficient funds and basic regulatory requirements at their disposal.

From this complex situation, Varengold Bank has developed its current business model with the aim of becoming a key bank for the Marketplace Lending sector. The main business of the marketplaces in this sector (peer-to-peer platforms) is the financing of companies and consumers. The fundamental idea behind P2P organisations is to replace traditional lending by banks with significantly more favourable terms and conditions and improved availability, most of these organisations being Internet-based. However, it became clear, relatively soon after the establishment of these start-ups, that the platforms could not get by solely with “peer” funding; they also require additional institutional funding as well. The Bank will continue to reinforce its activities within this gap in the market. As far as the asset classes of Varengold Bank in its Marketplace Banking business area are concerned, the new direction includes existing asset classes, such as Receivables Finance, Real Estate Finance and Trade Finance, but new asset classes such as Consumer Finance and SME Finance are also included in the business activities of the Bank. The three company goals of “focus and business growth”, “customer satisfaction” and “organisational stability” operationalise this strategic orientation.

As a specialised bank that has to remain competitive on a sustainable basis, process optimisation is also an ongoing subject of interest to which Varengold Bank devoted a great deal of attention in the past financial year. In the fourth quarter of 2017, the Bank therefore decided to open a new office in Sofia, Bulgaria, in addition to the existing location in London, with a view to expanding Varengold’s activities to the south-east of Europe in line with its growth-oriented business strategy.

In addition, digitisation is changing society palpably, not least in terms of the new requirements with respect to banks it gives rise to. Varengold Bank is working hard to get to grips with these developments in order to meet the demands of a digital bank focused on Marketplace Banking, and keeping pace by embracing the cultural shift to create a technology-based organisation. Varengold also expects new impetus and an additional sharpening of existing processes from the migration of new software both on the market side and in the back office. In 2018, Varengold Bank is also looking to relaunch its brand with a modern corporate image that accurately reflects the Varengold brand and the vision behind it.

The Board of Managing Directors firmly believes that the Varengold Bank business model is built on a sound foundation and has set the right course to meet the coming requirements and needs of the players in the financial market. The business model also offers future potential for customer growth and revenue increases, which after all to some extent always depend on the development of the capital markets. Assuming that the impact of geopolitical risks in the macroeconomic environment is not too great or can be controlled, and despite the planned investment in growth, the Board of Managing Directors expects positive contribution margins from trading operations for both divisions in financial year 2018. From today’s perspective, the Board of Managing Directors therefore sees sustainable and dynamic growth potential for Varengold Bank AG.

Based on the achievement of the planned business objectives and the increase in operational efficiency, positive earnings before tax (as a key financial performance indicator) of between EUR 1.7 million and EUR 2.2 million is expected for 2018.

Hamburg, 30 March 2018

Varengold Bank AG

Dr Bernhard Fuhrmann

Frank Otten

AUDITOR'S REPORT

To Varengold Bank AG, Hamburg

NOTES ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Auditor's Statement

We have audited the financial statements of Varengold Bank AG, Hamburg, for the business year 1 January through 31 December 2017, including the balance sheet at year's end, the profit and loss account, as well as the notes, including balancing and valuation methods. Moreover, we have audited the Management Report of Varengold Bank AG for financial year from 1 January through 31 December 2017.

In our opinion based upon the audit

- The annual accounting records and preparation of the annual financial statements are in accordance with all essential German commercial laws and adhere to German legal requirements with respect to generally accepted accounting principles and therefore represent an accurate description of the asset and financial situation of the Company on 31 December 2017, as well as the profitability for the business year from 1 January through 31 December 2017 and
- the attached Management Report portrays an accurate description of the Company's position. This Management Report is consistent with the annual financial statements in all necessary regards, is in accordance with German regulations and suitably presents the opportunities and risks of relevant future development.

In accordance with section 322 para. 3 sentence 1 HGB, we declare that our audit has led to no objections with respect to adherence to regulations regarding the correct preparation of the annual financial statements and the Management Report.

Basis of the Auditor's Statement

We have conducted our audit of the annual financial statements and the Management Report in accordance with section 317 HGB and the EU Statutory Auditor regulations (No. 537/2014; hereafter "EU-APrVO") in compliance with the German regulations for general accounting principles, overseen by the German Institute of Auditor's (IDW). Our responsibility according to these guidelines and regulations is described in the paragraph which addresses the "Responsibility of the auditor for examining the annual financial statements and Management Report." We are independent from the Company in accordance to European law, as well as German Commercial and Professional regulations and have fulfilled each of our professional responsibilities in accordance to these regulations. In addition, according to article 10 para. 2 f) EU-APrVO, that we have not utilized any forbidden non-auditor services according to article 5, para. 1 EU-APrVO. We believe that the audit evidence we were provided with was sufficient and suitable for use as the basis for determining our audit opinion of the annual financial statements and Management Report.

Particularly Important Evidence for the Annual Financial Statements Audit

Particularly important audit evidence are facts that are most meaningful with respect to our regulatory examination of the annual financial statements for the business year 1 January through 31 December 2017. These issues were integrated into our audit in their entirety and considered as such; we offer no particular audit opinion on these individual issues.

From our perspective the following particular items were the most meaningful in our audit:
1) Risk provision in customer credit business
2) Balance of deferred taxes

Our representation of these particularly important audit issues is structured as follows:
1. Situation and issue to be addressed
2. Auditing process and findings
3. Reference to related information

Subsequently, we list the particularly important audit documentation:

1) Risk provisions in customer credit business

1. In the annual financial statements of the Company there is a customer credit item under "Loans and advances to Banks" there is a position "Due customers" in the amount of T 250,608 (56% of the balance sheet total). There is an accounting risk provision until 31 December 2017 for this credit portfolio consisting of individual and collective value adjustments. The assessment of the risk provision for customer credit business is influenced particularly by the legal requirements related to future credit losses, the structure and quality of the credit portfolio, as well as overall economic factors. The amount of the individual value adjustments of customer receivables is the difference between the outstanding credit amount and the lower value that is to be resolved on the balance sheet date. Existing collateral was taken into account. The value adjustments in customer credit business are very important for the asset and profitability positions of the Company and are also associated with significant discretionary margins of the regulatory bodies. In addition, the applied assessment parameters are associated with notable uncertainties and have therefore a meaningful influence on the composition or amount of possibly necessary value adjustments. This described existing framework made this issue particularly important the course of our audit.

2. During our audit we evaluated the adequacy of the control components in the relevant internal overall control system of the Company and tested the functioning of the control methods. In this process we reviewed the business organization, the IT systems and the relevant valuation models. Moreover, we have evaluated the valuation of the customer receivables, including the appropriateness of the estimated values, based on a sample of credit exposures. In this process we assessed, among other aspects, the provided documents of the organization with respect to the financial relationships, as well intrinsic value of the relevant security provisions. For object security provisions for which the Bank supplied expert valuations, we formed an impression using the basic initial data, the applied value parameter and the assumptions

made which we then critically evaluated and determined whether they lie within a justifiable bandwidth. Furthermore, we assessed the individual and comprehensive value assessments of the Bank applied valuation methods, as well as the underlying receivables and parameters. Based on the evaluation procedures of the audit that we conducted, we are convinced of the adequacy of the value of the credit portfolio of the receivables according to statutory requirements, as well as the effectiveness of the implementation process of the Company.

3. The Company data of balance and valuation of risk provisions in customer credit business are reported in paragraph two of the notes.

2) Balance of deferred taxes

1. In the Company Annual Report, deferred tax assets in the amount of T 1,853 were reported. The surplus in the deferred tax assets of T 1,853 were recognized exercising the option to recognize according to section 274, para. 1, sentence 2 HGB. The activation of deferred taxes was conducted using the precautionary principle to the extent that it is probable, according to the estimation of the legal representative, that taxable returns are expected in the foreseeable future which through the yet unused tax loss carryforwards can be realised. In the event that insufficient deferred tax liabilities from taxable temporary differences are available, future taxable results are estimated from the business planning figures. Tax loss carryforwards are – as long as no deferred tax liabilities exist – only taken into account when their realization can be achieved with adequate security within the next five business years, based on business planning calculations.

From our perspective the balance of deferred taxes within the scope of our assessment are particularly important, due to their being dependent to a large extent upon estimations and assumptions of the legal representative and are therefore associated with uncertainties.

2. Among other aspects, our audit included an evaluation of the internal processes and control mechanisms for recording tax matters and the methodological practices of reporting, balancing and valuing deferred taxes. In addition, we assessed the recoverability of the yet unused tax loss carryforwards based on Company internal estimations about the future revenue situation of the Company and assessed the adequacy of the estimations and assumptions.

Based on our evaluation procedures, we are convinced that the estimations and assumptions of the legal representatives are justified and sufficiently documented.

3. The Company's entries for deferred taxes are reported in paragraph 2 of the notes.

Other Information

The legal representatives are responsible for the Other Information. The Annual Report 2017 will be made available after the expected date of the Auditor's Report.

Our assessment of the annual financial figures and management report do not include Other Information and therefore we accordingly are not providing an evaluation or any form of opinion on this information.

Within the scope of our audit we have the responsibility to read the Other Information and to assess whether the Other Information

- contains considerable discrepancies with the Annual Report, the Management Report or other information received while conducting the audit or
- otherwise seems to be incorrectly represented.

Responsibility of the Legal Representatives and the Supervisory Board for the Annual Report and Management Report

The legal representatives are responsible to provide an annual report that conforms to all main guidelines of the German Commercial code and that in so doing the annual report is produced in accordance to German generally accepted accounting principles and therefore portrays an accurate picture of the assets, financial and profitability of the Company. Moreover, the legal representatives are responsible to institute and conduct internal controls to ensure the use of generally accepted accounting principles for bookkeeping to provide an annual report that is free of substantial - intentional or unintentional – false representations.

In the preparation of the annual report the legal representatives are responsible to evaluate the ability of the Company to continue business activities. In addition, they have the responsibility to report essential information related to the ability of the Company to continue business activities. Moreover, they are responsible to adhere to required accounting standards in the reporting of business activities, as long as no actual or legal situation excludes this.

Furthermore, the legal representatives are responsible for the preparation of the Management Report, which provides a comprehensive representation of the state of the Company all main concerns and together with the Annual Report portrays an accurate picture of the opportunities and risks of future business development in accordance to German legal guidelines. The legal representatives are also responsible for the provisions and measures (systems) which they deem necessary to enable the preparation of a management report according to German legal requirements and to provide sufficient and relevant documentation for the statements in the management report.

The Supervisory Board is responsible for the monitoring of the financial reporting process for the preparation of the annual financial report and the management report.

Responsibility of the Auditor for the Auditing of the Financial Report and the Management Report

Our objective is to determine whether the annual financial accounting is generally free of intentional or unintentional false representations and whether the management report represents the situation of the Company including opportunities and risks related to future development, in a generally accurate fashion in alignment with the financial reports and in accordance to all relevant German legal guidelines, as well as to provide an auditor's report which includes our opinion of the annual report and the management report.

Adequate security is a high level of security but is not a guarantee that within the scope of an audit, that as no outlined section 317 HGb and the EU-APrVO under the recognition of the Institute of Accountants (IDW), an appropriately conducted audit according to German regulations, that no significant false representation is ever revealed. False representations may be a result of violations or inaccuracies and are viewed as significant when it can be reasonably expected that some or all financial decisions made by the audience are influenced by the annual report and the management report.

During the audit we exercise our professional responsibilities and maintain a critical attitude. In addition, we

- identify and evaluate the significant risks – intentional or unintentional – of false representations in the annual report and the management report, plan and conduct examination measures with respect to these risks and request substantial and appropriate documentation on which we base our audit opinion. The risk of significant false representations not being discovered is with violations higher than with inaccuracies, since violations might contain fraudulent information, intentional incompleteness, misleading representations or invalidations of internal controls.
- achieve an understanding of the internal control system and provisions relevant to the evaluation of the yearly financial statements and the assessment of the management report to design an assessment plan suitable for the given situation, yet not with the goal of evaluating the effectiveness of these systems of the Company.
- assess the adequacy of the legal representative's adherence to generally accepted accounting principles, as well as the validity of the value representation of the Company estimated by the legal representatives and task related to this.
- make determinations about the suitability of the generally accepted accounting principles applied to the conducting of business activities by the legal representatives, as well as about the basis of the requested documentation to evaluate whether a significant uncertainty with respect to results or circumstances exists that could lead to meaningful doubts as to the ability of the legal representatives to continue to manage business activities. If we determine that a significant uncertainty exists, we are obligated to identify these points in the financial statements or in the management report in our audit opinion. Alternatively, if the statements are inadequate, we are obligated to modify our assessment opinion of the relevant aspect. We make our determinations based upon the documentation received before the date of our unqualified auditor's opinion. Future results or circumstances could yet lead to the situation where the Company could no longer continue its business activities.
- assess the overall representation, the preparation and content of the annual financial statements including the postings, as well as whether the annual report essentially provides a picture of the business circumstances and results that conform to German regulations regarding generally accepted accounting principles and behaviours to provide an accurate picture of the asset, financial and profitability situation of the Company.
- evaluate the consistency between the management report and the annual financial statements, its adherence to legal guidelines and the description of the state of the Company that it provides.
- conduct audit procedures on the future-oriented statements made by the legal representatives in the management report. Based on sufficiently suitable documentation, we particularly carefully review the future-oriented statements made by the legal representatives and the meaningful underlying assumptions and evaluate whether the future-oriented statements have been properly drawn from those assumptions. We have not conducted an independent assessment of the future-oriented statements or the underlying assumptions. There is a significant unavoidable risk that future results will differ substantially from the future-oriented statements.

We discuss with the responsible controllers, among other topics, the planned scope and scheduling of the audit, as well as meaningful audit findings, including possible deficiencies in the internal control system that we discover during our audit.

We hereby declare to the responsible overseeing parties, that we have adhered to the relevant independence requirements and discussed all relationships and other issues that can be reasonably expected to affect our independence and taken the relevant precautionary measures.

From the facts we are given from those responsible for controlling, we determine which of those facts are the most meaningful to evaluate the annual financial statements for the current reporting period and particularly important for the annual financial audit. We describe these facts in the audit report unless there are legal or regulatory guidelines which exclude this.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

The remainder of details according to article 10 EU-APrVO

We were elected auditor at the general shareholder's meeting on 23 August 2017. We were engaged by the Supervisory Board on 29 November 2017. Since business year 2015, we have continuously the auditing consultants of Varengold Bank AG, Hamburg.

We declare that the findings contained in this auditing report are in accordance with the "additional report to the board of inspectors," according to article 11 EU-APrVO.

RESPONSIBLE AUDITOR

The auditor responsible for this audit is Lothar Schreiber.

Hamburg, 17 May 2018

PricewaterhouseCoopers GmbH
Audit and Assurance Consulting and Tax Services

Lothar Schreiber	ppa. Uwe Gollum
Auditor	Auditor

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Board of Directors
Dr. Bernhard Fuhrmann
Frank Otten

Supervisory Board
Dr. Karl-Heinz Lemnitzer (Chairman)
Michael Stephen Murphy
Vasil Stefanov

Corporate Register
District Court of Hamburg, HRB 73684

USt-IdNr. (Value-added Tax Identification number)
Finance Authority Hamburg, DE247069729

Regulatory Authority
Varengold Bank AG is registered with the Federal Financial Supervisory Authority under number 109 520 and its registration is published under www.bafin.de.

Approvals of 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)
- Organised trading facility (OTF) (§ 1, para. 1a, sentence 2, No. 1d KWG)

Deposit insurance
Varengold Bank AG is part of the German Banks Compensation Scheme (EdB).

Varengold
BANK

Notes on the content

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

All masculine gender designations also apply to the feminine gender.

This report contains forward-looking statements. Forward-looking statements are statements that include not only historical facts, but also statements about beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections available to the Board of Varengold Bank AG at the time of preparation of this Annual Report Forward-looking statements apply only to the date on which they are made. We expressly point out that all of our forward-looking statements involve known or unknown risks and uncertainties, and are based on assumptions relating to future events beyond our control. We cannot accept any liability for the accuracy, completeness, or actual occurrence of the information. The Board assumes no obligation to update such statements to reflect new information or future events. A number of important factors could therefore cause actual results to differ materially from forward-looking statements. Such factors include a change in general economic conditions or the competitive environment, the threat of deterioration 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.

Varengold Bank AG

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