

Interim Report for 30 June

**2017**



V a r e n g o l d

B A N K

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

	30.06.2017	30.06.2016	Change
<b>Key figures per share</b>	in EUR	in EUR	in EUR
Earnings per share	0.07	0.56	-0.49
Shareholder's equity per share	13,151,484	12,853,384	+298,100
	01.01.2017	01.01.2016	Change
	to 30.06.2017	to 30.06.2016	
<b>Profit and loss statement</b>	in TEUR	in TEUR	in TEUR
Interest income	2,047	893	+1,154
Income from investments/securities	649	129	+520
Commission income	5,819	5,720	+99
Net income from trading portfolio	36	3,936	-3,900
Other operating income	-330	755	-1,085
Administrative expenses	6,676	8,359	-1,683
Income from normal business operations	675	1,847	-1,172
Income/loss for the year	219	1,651	-1,432
	30.06.2017	30.06.2016	Change
<b>Balance sheet</b>	in TEUR	in TEUR	in TEUR
Balance sheet assets without trust assets	699,817	634,122	+65,695
Share equity	13,797	16,715	-2,918

### Disclaimer:

This English version of the interim report 2017 is for informational purposes only.

Legally binding is solely the German version of the interim report 2017.

02. PRELIMINARY NOTES	6
03. LETTER TO THE SHAREHOLDERS	7 – 8
04. BUSINESS AREAS	9
06. VARENGOLD BANK SHARES	10 – 11
06. HALF-YEAR REPORT (German Commercial Tax Code)	12 – 45
INTERIM BALANCE SHEET	14 – 15
PROFIT AND LOSS STATEMENT	16 – 17
NOTES	18 – 33
MANAGEMENT'S DISCUSSION AND ANALYSIS	34 – 45

This interim report contains key figures and the half-year financial report – including the balance sheet, profit and loss statement, as well as attached explanatory notes related to the balance sheet and the management report – which are unaudited and have not undergone a formal review.

Statement of the legal representatives:

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

15 September 2017

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

Dear Shareholders,

The development of the global economy has gathered additional momentum since the beginning of business year 2017. The economic recovery in the emerging markets played a role in this contribution. In the Euro area the economy received a particular impulse from the loosening money policy of the European Central Bank (ECB). In comparison between countries, the German economy showed signs of renewal demonstrating domestic trade stability.

The expansive money policy of the large central banks, as well as the global political events and increasing terrorism dominated the first half of 2017 on the finance markets. In this environment the ECB's interest policy continued to make earning income from interest difficult to achieve. The finance sector was additionally under mounting regulatory pressure and increasing capital requirements.

The first half of business year 2017 also brought growing yields to Varengold Bank AG. The business development was particularly shaped by the expansion of business activities with existing customers in the Commercial Banking business area, as well as the development of new customer relationships primarily in the institutional customer segment.

In total, the results from normal business activities of Varengold Bank AG in the first half year of 2017 were TEUR 675 (first half 2016: TEUR 1,847) with annual net profit on the balance sheet date of TEUR 219 (30 June 2016: TEUR1,651).

Also during the ongoing implementation of the reorientation of Varengold Bank, which began at the

end of 2015, it is always with an eye on the increasingly numerous regulatory requirements making it imperative to further strengthen the equity position of the company. For these reasons the Bank implemented a cash capital increase from the existing approved capital. The share capital of the company was increased from EUR 2,922,552.00 against cash deposits of EUR 1,217,73.00 to EUR 4,140,282.00 through the issuance of new shares in a public offering and a subsequent private placement.

The planned further strengthening of the equity base should enable a broadening of business activities to a stable foundation in order to capitalize on market opportunities and to be able to operate with flexibility. For this purpose, the general meeting of shareholders of Varengold Bank AG decided on 23 August 2017 to implement a 2:1 proportion cash capital increase by subscription rights, resulting in an increase of the equity base to up to EUR 2,070,141.00.

The Board of Directors is expecting positive economic impulses in the second half of 2017 and is looking confidently at the continuation of the business year 2017 based on the systematic concentration on operational improvement measures.

We wish to thank our customers and cooperation partners for the trust they have placed in us, as well as our staff for their commitment with which they support the Varengold Bank and for contributing the necessary impulses to develop sustainable business operations. They are the foundation for our goal-oriented, strategic growth.

# 04

## BUSINESS AREAS

Hamburg, September 2017

The Board of Directors of Varengold Bank AG



Dr. Bernhard Fuhrmann

Frank Otten

### Brief Description of the Business Portfolio

	Prime Brokerage	Commercial Banking
Brief Description	In the business division Prime Brokerage, over twenty years of expertise of Varengold Bank AG in the area of alternative investments with a comprehensive service offering in securities takes its form. Here Varengold Bank combines their existing knowledge with innovative consulting approaches that enable their international business customers to implement comprehensive and innovative financial solutions. Through the offering of extended structural and financial solutions, the bank offers their international clientel an extensive service portfolio. For all three asset classes (securities, real estate loans and short-term receivables) the following products and services are offered:	With the Commercial Banking division, Varengold Bank AG presents itself as a global partner providing individualised products and solutions for demanding customers and investors, giving our business partners the possibility to process transactions and trading activities over international borders with the help of our products and solutions. In this segment we benefit from our many years of expertise supported by the breadth of experience of our staff. With the BaFin license that we received in June 2013 as a deposit credit institute, it is possible for us to offer our customers an expanded product palette of banking services to support their global and commodity trading.
Products	<ul style="list-style-type: none"> <li>Loans (Leverage)</li> <li>Derivatives (Hedging transactions for customers)</li> <li>Share deposit accounts</li> <li>Clearing Services</li> <li>Execution Services</li> <li>Capital Call Facilities</li> <li>Capital Introductions</li> </ul>	<ul style="list-style-type: none"> <li>International payment transactions</li> <li>Deposit accounts</li> <li>Lombard loans</li> <li>Bank guarantees</li> <li>Letters of credit</li> <li>Structured Finance</li> <li>Trade &amp; Export Finance</li> </ul>
Competitive advantage	<ul style="list-style-type: none"> <li>Innovative product solutions embedded in German legal structures</li> <li>Coverage of entire value-added chain from execution through processing business trades on the international level</li> </ul>	<ul style="list-style-type: none"> <li>Expertise in emerging markets with robust networks</li> <li>Dynamic adjustments to market changes</li> <li>Status of a German regulated bank</li> <li>Deposit protection up to a maximum of EUR 100,000 EUR per customer</li> </ul>
Client structure	<ul style="list-style-type: none"> <li>Institutional Investors</li> <li>Hedge-Funds</li> <li>Asset fund managers</li> </ul>	<ul style="list-style-type: none"> <li>Corporate customers</li> </ul>
Return components	<ul style="list-style-type: none"> <li>Commerce commissions</li> <li>Deposit and clearing fees</li> <li>Interest yield</li> </ul>	<ul style="list-style-type: none"> <li>Fees</li> <li>Interest yield</li> <li>Commissions</li> </ul>

The stock of Varengold Bank has been listed in Open Market on the Frankfurt Stock Exchange since 2007. In addition, the stock is traded on the exchanges in Stuttgart, Düsseldorf, Berlin and on the electronic trading system XETRA.

### Key Figures

Stock	Varengold Bank AG
WKN	547930
ISIN	DE0005479307
Stock Symbol	VG8
Market Segment	Open Market / Free trading
Transparency Level	Basic Board (until 28 February 2017: Entry Standard)
First Listing	20 March 2007
Share (Type)	No par value, bearer common shares
Number of shares	4,140,282 shares (2,922,552 shares until 7 July 2017)
Total capital	4,140,282 EUR (2,922,552 EUR until 7 July 2017)
German stock exchange listing	Dero Bank AG (until 28 February 2017)
Designated Sponsor	Dero Bank AG
Specialist	Baader Bank AG

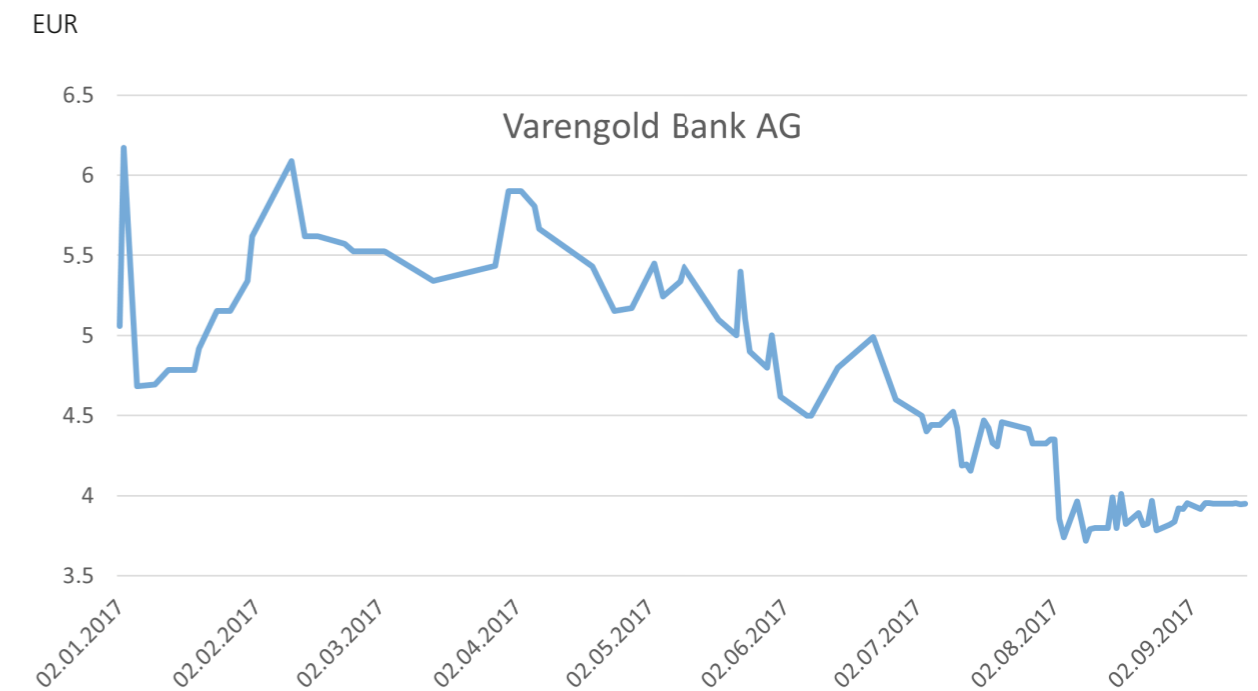
### General conditions and development

Activities on the global trading floor in the first half of the business year 2017 were again influenced by various geopolitical events. Some of these were the parliamentary elections in neighboring countries France and the Netherlands, the political tensions in the near East and North Korea, in addition to the ongoing discussions about the future organization and implications of Great Britain's exit from the EU. The improved economic outlook for Europe provided more stability and with it less volatility than in recent years. This development is, along with the expectation of a higher interest environment, positively regarded by the banking sector.

The market environment also had a corresponding impact upon the development of Varengold stock prices in the first half of 2017. The stock was listed already at the start of the reporting period at its year-high value of EUR 6.17 on 03.01.2017 and sank over the course of the first six months to a low of EUR 4.50 on 08.06.2017. Isolated trading days with relatively higher trading volume created short bursts of activity. Since the beginning of the second half of the year the stock is again developing a downward trend. In August the stock price reached its lowest point to date hitting EUR 3.72 and since then has been hovering at a level just under the 4 Euro mark.

The average price of Varengold shares sank in relation to the first half of 2016 from EUR 7.84 to EUR 5.23. The average number of shares traded daily in the reporting period was 791 shares (first half-year 2016: 590 shares). The results per share fell from EUR 0.56 to EUR 0.07. Market capitalisation on the reference date was EUR 13,151,484 (30.06.2016: EUR 12,853,384).

### Price History of Varengold Shares



Source: Bloomberg

In accordance with (German Commercial Tax Code)  
as of 30 June 2017

Varengold Bank AG

Große Elbstraße 14  
22767 Hamburg

INTERIM BALANCE SHEET	14 – 15	MANAGEMENT'S DISCUSSION AND ANALYSIS	34 – 45
PROFIT AND LOSS STATEMENT	16 – 17	A Principle of Varengold Bank	35
NOTES	18 – 33	B Economic Report	35 – 40
1 General information	18	1 Macro-economic and Industry-related conditions	35
2 Accounting and valuation methods	18	2 Business development	36
3 Currency conversions	20	3 Position	37
4 Notes to the Interim Balance Sheet	20 – 29	3.1 Asset position	37
4.1 Overall disclosures	20	3.2 Financial position	38
4.2 Post-individual disclosures	22	3.3 Profit situation	38
5 Notes to the profit and loss statement	29 – 31	3.4 Financial performance indicator	40
5.1 Interest income	29	C Outlook, Risk and Opportunity Report	40 – 45
5.2 Income from shares and other variable-yield securities	29	1 Outlook report	40
5.3 Commission revenues/expenses	29	2 Risk report	42
5.4 Net income in the trading portfolio	30	3 Opportunity report	44
5.5 Other operating income	30		
5.6 Personnel costs	30		
5.7 Other administrative costs	31		
5.8 Depreciation and value adjustments on receivables and certain securities and accruals for provisions in the credit business	31		
5.9 Depreciation and value adjustments on participations, shares in associated companies and securities treated as assets	31		
6 Other information	32 – 33		
6.1 Institutions	32		
6.2 Employees	33		
6.3 Disclosure report	33		
6.4 Other financial obligations	33		
6.5 Forward transactions	33		
6.6 Supplementary report	33		
6.7 German Corporate Governance Code	33		

Varengold Bank AG, Hamburg

**INTERIM BALANCE SHEET AS OF 30 JUNE 2017**
**Assets**

	EUR	Financial year EUR	Previous year TEUR
1. Cash reserve			
a) Cash and cash equivalents	1,378.12		1.5
b) Balances with Central Banks	496,866,638.61		341,956.2
- of which: with the German Central Bank:		496,868,016.73	341,957.7
TEUR 496,866.6 (previous year: TEUR 341,956.2)			
2. Loans and advances to credit institutions			
a) Due on demand	14,679,756.64		44,977.0
b) Other receivables	6,108,349.90		996.8
		20,788,106.54	45,973.8
3. Customer receivables		101,215,764.00	60,839.5
- of which:			
Secured by mortgages			
TEUR 37.2 (previous year: TEUR 36.0)			
Municipal loans			
TEUR 18,640.8 (previous year: TEUR 0.0)			
4. Bonds and other fixed-income securities			
a) Bonds and debt			
aa) From public issuers	22,323,259.75		166,820.8
- of which:			
acceptable as collateral at the German Central Bank:			
TEUR 22,323.3 (previous year: TEUR 164,977.8)			
ab) from other issuers	5,011,666.67		1,007.1
		27,334,926.42	167,827.9
5. Shares and other variable-yield securities		45,496,483.79	5,969.1
5a. Trading portfolio		0.00	4,660.9
6. Participating interests		668,184.36	668.2
7. Shares in affiliated companies		2,424,951.05	2,775.0
- of which: in financial services institutions			
TEUR 1,710.0 (previous year: TEUR 1,710.0)			
8. Intangible assets			
a) Self-created industrial and similar rights and assets	0.00		1.6
b) All acquired concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets.	158,711.18		266.0
		158,711.18	267.6
9. Fixed assets		141,971.89	238.5
10. Other assets		2,630,837.94	1,071.6
11. Accruals and deferred income		183,781.32	203.4
12. Deferred tax assets		1,904,795.37	1,668.7
<b>Total assets</b>		<b>699,816,530.59</b>	<b>634,121.8</b>

**Liabilities**

	EUR	Financial year EUR	Previous year TEUR
1. Liabilities to banks			
a) Due on demand		4,363,125.50	971.5
2. Amounts owed to customers			
a) Other liabilities			
aa) Due on demand	289,992,303.41		261,205.4
ab) With agreed maturity dates or periods of notice	376,669,618.23		340,243.6
		666,661,921.64	601,449.0
2a. Trading portfolio		291,281.85	907.0
3. Other liabilities		752,174.42	906.4
4. Accruals and deferred income		477,683.62	742.2
5. Provisions			
a) Reserves for pensions and similar obligations	73,202.00		53.2
b) Provisions for taxes	173,348.49		269.0
c) Other provisions	3,489,108.03		7,108.7
		3,735,658.52	7,430.9
6. Instruments of additional regulatory core capital		5,000,000.00	5,000.0
7. Contributions made to implement resolution to increase capital		4,737,964.08	0.0
8. Share equity			
a) Subscribed capital		2,922,552.00	2,922.6
b) Capital reserves		30,607,373.80	30,607.4
c) Reserves			
ca) Legal reserves	1,700.00		1.7
cb) Other retained earnings	16,700.00		16.7
		18,400.00	18.4
d) Net loss		-19,970,280.34	-18,484.3
e) Annual profit/loss		218,675.50	1,650.9
<b>Total Liabilities</b>		<b>699,816,530.59</b>	<b>634,121.8</b>
1. Contingent liabilities			
a) Liabilities from guarantees and indemnity agreements		658,672.57	1,687.2
2. Other liabilities			
a) Irrevocable loan commitments		1,500,000.00	0.0



## PROFIT AND LOSS STATEMENT

For the period 1 January 2017  
to 30 June 2017

	Financial year		Previous year		Financial year		Previous year
	EUR	EUR	TEUR		EUR	EUR	TEUR
1. Interest income from							
a) Credit and money market transactions	3,163,002.64		2,164.1				
Negative interest from bank balances	<u>-683,248.51</u>		<u>-350.0</u>				
	2,479,754.13		1,814.1				
b) Fixed-income securities and debt register claims	<u>555,535.23</u>		<u>731.1</u>				
	<u>3,035,289.36</u>		<u>2,545.2</u>				
2. Interest expenses	-1,202,964.89		-1,651.9				
Positive interest on customer deposits	<u>214,266.47</u>		<u>0.0</u>				
	<u>-988,698.42</u>		<u>-1,651.9</u>				
		2,046,590.94	893.3				
3. Current income from							
a) Shares and other variable-yield securities		649,413.49	129.2				
4. Commission revenues	14,072,786.78		17,741.4				
5. Commission expenses	<u>-8,253,840.94</u>		<u>-12,021.2</u>				
		5,818,945.84	5,720.2				
6. Net income from trading portfolio		35,701.12	3,936.3				
7. Other operating income		143,922.43	926.6				
8. General and administrative expenses							
a) Personnel expenses							
aa) Wages and salaries	-3,165,934.49		-3,630.7				
ab) Social security contributions and expenses for pensions and other employee benefits	<u>-454,030.22</u>		<u>-390.1</u>				
- of which: for pensions TEUR 125.4 (previous year: TEUR 2.2)	<u>-3,619,964.71</u>		<u>-4,020.8</u>				
b) Other administrative expenses	<u>-3,055,550.25</u>		<u>-4,338.6</u>				
		-6,675,514.96	-8,359.4				
9. Depreciation and amortisation of intangible assets and property		-91,775.91	-161.5				
10. Other operating expenses		-473,498.13	-172.1				
of which: expenses from currency translation TEUR 200.7 (previous year: income TEUR 882.0)							
11. Depreciation and value adjustments on receivables and certain securities and additions to provisions in lending business		-593,487.32	-984.6				
12. Income from attribution of shares, shares in affiliated companies and asset traded securities					-184,894.13		-80.5
13. Income from ordinary activities					675,403.37		1,847.5
14. Extraordinary income	0.00						782.9
15. Extraordinary expenses	<u>0.00</u>						<u>-145.7</u>
					0.00		637.3
16. Taxes on income and earnings	-456,649.87						-832.9
17. Other taxes	<u>-78.00</u>						<u>-1.0</u>
					<u>-456,727.87</u>		<u>-833.9</u>
<b>18. Annual profit/loss</b>					<u><b>218,675.50</b></u>		<u><b>1,650.9</b></u>

Varengold Bank AG, Hamburg  
District Court of Hamburg, HRB 73684

## NOTES

For the period from 1 January  
2017 to 30 June 2017

### 1 General information

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

Entries that apply to multiple positions are grouped together to provide greater clarity and, unlike Section 284 paragraph 1 sentence 1, continue to be posted in a comprehensive entry.

As all subsidiaries pursuant to Section 296 paragraph 2 HGB are of lesser importance for an appropriate view of the group's assets, financial and earnings position, even combined; use is made of the exemption clause on the preparation of group financial statements pursuant to Section 290 paragraph 5 HGB.

### 2 Accounting and valuation methods

The accounting and valuation methods remained unchanged compared to last year.

For a better overview of specific unused items in the balance sheet and the profit and loss statement, these were shown separately in accordance with Section 265, paragraph 8 HGB.

The cash position and deposits in Central Banks are recorded at nominal value.

Claims to banks and customers were generally recorded at nominal value. Where necessary, counterparty risks are covered by the formation of individual value adjustments. The amount of the provision for individual counterparty risks are determined by the difference between the book value of the claim and the probable recoverable amount. Irrecoverable debts are written off. The deferred credit risk is covered by the formation of a general value adjustment. Their establishment is carried out in accordance with the document of the Federal Ministry of Finance dated 10 January 1994.

Bonds and other fixed-income securities are assigned to fixed assets valued according to the diluted lower of cost or market principle. The allocation of liquidity reserve is calculated using the strict lower of cost or market principle. Fixed assets in the amount of TEUR 5,012 are recorded.

Stocks and other non-fixed asset securities that are recorded under fixed assets are valued according to the lower value principle.

The internal institutionally established criteria for recording the financial instruments in the trading portfolio have not changed in the financial year. Pursuant to Section 340e paragraph 3 sentence 1 HGB, financial instruments held for trading are valued at fair value less a deduction for risk. The fair value, according to Section 255, paragraph 4, sentence 1 HGB, is the market price of the financial instrument. Loans allocated to the trading portfolio are recorded at current cash value.

The risk premium is determined using the value at risk method with a confidence level of 99%, a holding period of one day and an observation period of 260 days with a historical simulation. The calculation of the Value at Risk is identical to the method used for internal purposes of risk monitoring in accordance with MaRisk. As of 30 June 2017, the risk premium remained unchanged at TEUR 0.

The investments and shares in associated companies are valued using the corresponding rules for acquisition costs when applicable, less depreciation at lower of cost or fair value.

Purchased software is recognised under intangible assets, and tangible assets classified as assets are measured at amortised cost less scheduled depreciation. The Bank uses the fiscal depreciation rates as a basis (asset depreciation) 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 closely on the usage periods specified by the tax authorities (depreciation table for general assets (depreciation table "AV").

Low value assets are recorded in accordance with the provisions of Section 6 paragraphs 2 and 2a EStG. The low value assets purchased at acquisition costs of between EUR 150 and EUR 1,000 are bundled into a compound item, which is written off in the financial year of formation and in the following four financial years at one fifth each. Assets with a value of less than EUR 150 are treated as immediate operating expenses.

Other intangible assets are stated at face value.

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

There are active deferred taxes amounting to TEUR 1,905 from taxable losses carried forward. The deferred tax assets are subject to legal distribution restriction. The previous year's losses from deferred taxes were reduced by their use in the first half of 2017 by TEUR 393. The Management Board expects the full utilisation in the next five years of the deferred tax assets formed in previous 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 treated as deferred items with their repayable amount.

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

Provisions, including provisions for taxes, are measured at the amount expected to become payable in accordance with reasonable commercial judgement.

Pension provisions, which are mainly based on provisions for surviving dependents, are calculated according to actuarial principles using the 2005G guideline tables of Klaus Heubeck in accordance with the Section 253, paragraph 2 HGB. For the valuation process, the modified part-value method is used. It is based on an actuarial interest rate of 4.00 %, a salary and career trend of 2.0 % and a fluctuation of 10 %.

The issued instruments of the regulatory core capital are valued at their nominal value. The interest expenses are limited on the basis of expected payments to the owners of the instruments.

The interest-related transactions in the bank book are examined annually in their entirety for excess liability. For this, a present value-based approach, which takes expected future risks and administrative costs into account, is used. The valuation of the interest-related business of the Banking book (Interest book) showed no excess liability and therefore no need to form a provision for expected losses.

According to Section 340e, paragraph 4, sentence 1 HGB, in each financial year an amount equal to at least 10 percent of the net income from the trading portfolio is booked to a special account on the balance sheet, the "Fund for general banking risks" in accordance with Section 340g HGB. According to Section 340e, paragraph 4, sentence 2, number 4 HGB, the amount is booked into the special account until it reaches 50 percent of the average of the last five years' net income from the trading portfolio (including a net gain in the financial year's trading portfolio) after adjusting for risk. The delivery of special items was recorded at the reporting date at the end of the financial year. Due to existing losses carried forward that are not covered by annual net profit, no allocation was made to the special account in the first half of the financial year, pursuant to Section 340e, paragraph 4, sentence 2, numbers 2 and 3 HGB. (Status as of 30 June 2017: EUR 0.00)

The treatment of the results from the foreign currency conversion, in accordance with Section 256a HGB und Section 340h HGB, depends on whether the foreign currency transactions in the trading portfolio are separately hedged or not specially hedged transactions. In the case of the trading portfolio and if special hedging exists, both the expenditure and the income from foreign currency conversion are recognised as income. The conversion results from foreign currency conversion are included in the net income of the trading portfolio and in other operating income and expenses.

The irrevocable loan commitments, other financial obligations and all other balance sheet items are reported in their nominal amounts.

The Bank exercises its right of vote on the cross-offsetting option in accordance with Section 304f paragraph 3 HGB in conjunction with Section 32 and Section 33 of the Regulations on Accounting for Banks (RechKredV).

Income and expenses are limited on an accrual basis.

The amounts, unless otherwise indicated, are expressed in TEUR (thousands of Euros).

For computational reasons, there may be rounding differences in tables of +/- one unit.

### 3 Currency conversions

During the year, cash-settled income with the current exchange rates was booked in the profit and loss account. Foreign currency items were converted on the reference date with the ECB reference rates in euro in accordance with Section 256a HGB:

As of 30 June 2017, the following balance sheet items contain the die following foreign currency amounts:

Balance Sheet Items	30.06.2017 TEUR	30.06.2016 TEUR
Loans and advances to credit institutions	9,136	9,887
Customer receivables	17,585	5,861
Bonds and other fixed-income securities	0	13,604
Shares and other variable income securities	34,762	5,969
Shares in affiliated companies	1,754	1,754
Other assets	966	185
Deferred income (active)	25	117
Liabilities to banks	0	107
Amounts owed to customers	41,663	35,187
Other liabilities	169	155
Provisions	202	12

### 4 Notes to the Interim Balance Sheet

#### 4.1 Overall disclosures

##### 4.1.1 Relationships to associated companies

	30.06.2017 TEUR	30.06.2016 TEUR
Customer receivables	101,216	60,839
of which to associated companies	5,253	6,625

The "of which" item results from claims against the Varengold Capital Investment Company Limited, British Virgin Islands and the Varengold Capital Holdings Limited, British Virgin Islands.

	30.06.2017 TEUR	30.06.2016 TEUR
Amounts owed to customers	666,662	601,449
of which to associated companies	1,029	2,131

The "of which" item results from liabilities owed to Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg; Varengold Capital Securities Limited, Hongkong, Varengold Capital Holdings Limited, British Virgin Islands, Varengold Capital Investment Company Limited, British Virgin Islands, Varengold Capital Asset Management Limited, Hongkong and the civil law partnership VirtuFX, Hamburg.

##### 4.1.2 Breakdown by remaining maturity

	30.06.2017 TEUR	30.06.2016 TEUR
Loans and advances to credit institutions	20,788	45,974
to three months	20,777	45,974
more than three months to a year	11	0
Customer receivables	101,216	60,839
to three months	60,313	28,835
more than three months to a year	3,926	7,149
more than a year to five years	36,963	19,689
more than five years	14	5,166
Bonds and other fixed-interest securities	27,335	167,828
of which due in the following financial year	20,340	116,601
Liabilities to banks	4,363	971
to three months	4,363	971
Amounts owed to customers	666,662	601,449
to three months	544,246	520,825
more than three months to a year	92,157	66,339
more than a year to five years	30,259	14,285

### 4.1.3 Securities

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

	30.06.2017	30.06.2016
	TEUR	TEUR
Notes and other fixed-income securities	27,335	167,828
unlisted	0	1,007
listed	27,335	166,821
- of which: publicly owned	22,323	166,821
Shares and other variable-yield securities	45,496	5,969
listed	45,496	5,969
- of which: publicly owned	10,734	5,969
Investments in affiliated companies	2,425	2,775
unlisted	30	30
listed	2,395	2,745
- of which: publicly owned	0	0
Participations	668	668
unlisted	620	620
listed	48	48
- of which: publicly owned	0	0

## 4.2 Post-individual disclosures

### 4.2.1 Claims and liabilities with customers

The customer receivables consist primarily of Lombard loans and commission claims, municipal loans and reimbursement claims from loaned securities.

### 4.2.2 Bonds and other fixed-income securities

Apart from a loan against a borrower's note, this position contains exclusively European government bonds, total reserves of which amounted to TEUR 2 on the reference day.

### 4.2.3 Shares in investment assets

Investments exist in shares in foreign investment assets, mainly in the form of short-term receivables and short-term real estate loans. These are comprised of both distribution shares and accumulation shares.

### 4.2.4 Equity ownership and shares in affiliated companies

Varengold Bank AG holds the following unlisted shareholdings:

Affiliated Companies	Ownership	Share equity	Result	
	direct	indirect	31.12.2016	
	%	%	TEUR	
			2016	
			TEUR	
Hanseatic Brokerhouse Securities AG, Hamburg	33.00		2,018 <sup>1)</sup>	1,497 <sup>1)</sup>
Lava Trading Ltd., Valetta, Malta	49.79		-6 <sup>2)</sup>	-6 <sup>2)</sup>
Varengold Capital Holdings Limited, British Virgin Islands	100.00		-333 <sup>3)</sup>	-645 <sup>3)</sup>
Varengold Capital Securities Limited, Hong Kong	100.00		4,677 <sup>4)</sup>	53 <sup>4)</sup>
Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg	100.00		771 <sup>6)</sup>	79 <sup>7)</sup>
ViaLight Communications GmbH, Gilching	2.39		262 <sup>5)</sup>	-1,843 <sup>5)</sup>
Ges. Bürgerlichen Rechts VirtuFX, Hamburg	50.01		78 <sup>5)</sup>	-69 <sup>5)</sup>
Varengold Capital Advisory Limited, Hongkong		100.00	256 <sup>3)</sup>	-18 <sup>3)</sup>
Varengold Capital Asset Management, Limited, Hongkong		100.00	4,835 <sup>4)</sup>	-30 <sup>4)</sup>
Varengold Capital International Company Limited, British Virgin Islands		100.00	-712 <sup>3)</sup>	-754 <sup>3)</sup>
Varengold Investment Funds SPC, Cayman Islands		100.00	-362 <sup>3)</sup>	-362 <sup>3)</sup>
Varengold Capital Investment Company Limited, British Virgin Islands		100.00	1,379 <sup>3)</sup>	1,338 <sup>3)</sup>
Varengold Capital Management Limited, British Virgin Islands		100.00	-10,692 <sup>3)</sup>	-7,216 <sup>3)</sup>

1) Preliminary annual financial statements as of 31.12.2015

2) Annual financial statements as of 31 March 2014 (different financial year)

3) Stated in HKD based on preliminary annual financial statements as of 31 December 2015

4) Stated in HKD based on preliminary annual financial statements as of 31 December 2016

5) Annual financial statements as of 31 December 2016

6) Provisional company assets as of 30 November 2016 (different financial year)

7) Provisional results as of 30 November 2016 (different financial year)

Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen has issued company shares exclusively for the investment business assets. The capital of this sub-fund amounted to TEUR 771 as of 30 November 2016.

#### 4.2.5 Gross assets analysis

	Purchase			Depreciation			Residual book value			
	Accruals	Uses		Accumulated	Accruals	Uses	Accumulated			
	01.01.17	2017	2017	30.06.17	01.01.17	2017	2017	30.06.17	30.06.17	31.12.16
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets										
Self - created intellectual property rights and similar rights and assets	388	0	0	388	388	0	0	388	0	0
Purchased concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets	2,130	0	0	2,130	1,917	54	0	1,927	159	213
Fixed assets	681	10	13	678	511	38	13	536	142	170
<b>Total</b>	<b>3,198</b>	<b>10</b>	<b>13</b>	<b>3,195</b>	<b>2,816</b>	<b>92</b>	<b>13</b>	<b>2,895</b>	<b>301</b>	<b>383</b>
<b>Veränderung<sup>*)</sup></b>										
Notes and other fixed-interest securities				-1,819					27,335	29,154
Shares and Other variable securities				15,721					45,496	29,775
Participating interests				0					668	668
Shares in affiliated companies				-350					2,425	2,775

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

Intangible assets consist of purchased software and licenses, as well as intellectual property rights. The tangible assets are attributable to operating and office equipment (including leasehold improvements).

The accruals in financial year 2017 are primarily related to the purchase of various fund investments.

#### 4.2.6 Trading portfolio

The trading portfolio is comprised of the following:

Assets	30.06.2017 TEUR	30.06.2016 TEUR
<b>Derivative financial instruments</b>		
Trading portfolio assets FX	0	747
Trading portfolio assets CFD	0	4,035
<b>Sub-total</b>	<b>0</b>	<b>4,782</b>
Risk provision (VaR)	0	-121
<b>Total</b>	<b>0</b>	<b>4,661</b>

Liabilities	30.06.2017 TEUR	30.06.2016 TEUR
Trading portfolio liabilities FX	0	285
Trading portfolio liabilities CFD	0	622
Credit accounts with credit balances	291	0
<b>Total</b>	<b>291</b>	<b>907</b>

Pursuant to Section 340e, paragraph 3, sentence 1 HGB, financial instruments held for trading are valued at fair value less a deduction for risk.

Pursuant to Section 255, paragraph 4, sentence 1 HGB, the fair value corresponds to the market price of the financial instrument. Loans that are listed in the trading portfolio are listed at current cash value.

#### 4.2.7 Other assets

This position mainly includes tax receivables (TEUR 1,647), asset-side adjustments from currency conversions (TEUR 570) and receivables from paid security deposits (TEUR 186).

#### 4.2.8 Liabilities to customers

The liabilities include call money (EUR 210 mil.), accounts for payment transactions (EUR 72 mil.), security deposits (EUR 8 mil.) and fixed-term deposits (EUR 377 mil.).

#### 4.2.9 Other liabilities

Other liabilities all have a residual maturity of up to one year and are comprised of the following:

	30.06.2017 TEUR	30.06.2016 TEUR
Liabilities from services provided	107	386
Obligations from bonus programmes	0	15
Other liabilities	76	115
Liabilities from wages and salaries	95	86
Social security liabilities	0	2
Passive liabilities from currency conversions	124	0
Liabilities for current year's sales tax	131	200
Liabilities for withholding tax	219	102
<b>Total</b>	<b>752</b>	<b>906</b>

Liabilities from services provided include primarily not yet due accounts. Other liabilities consist mainly of liabilities from the payment commitment in the equity capital of the Varengold Capital Holdings Ltd., as well as an advance payment.

#### 4.2.10 Reserves for pensions and similar obligations

Pension reserves have been formed for dependents. The difference between the value of the pension provision with the 10-year average interest rate (TEUR 73) and the 7-year average interest rate (TEUR 78) is TEUR 5.

#### 4.2.11 Provision for taxes

For incalculable losses ("minimum taxation") commercial tax provisions (tax rate 16.45 %) in the amount of TEUR 24, as well as corporate accruals (tax rate 15 % plus 0.825% solidarity surcharge) of TEUR 22 were recorded.

The remaining tax provisions for pro-rata profits from the London business location for the year 2016, as well as the first half of 2017 amount to TEUR 87. A basis income tax rate of 20 % is used in this instance.

#### 4.2.12 Other provisions

This position is comprised of the following:

	30.06.2017 TEUR	30.06.2016 TEUR
Security loan fees	1,334	5,031
Anniversary provision	0 <sup>1)</sup>	199
Vacation accrual	186	194
Compensation Scheme German Banks	221	0
Negative interest	30	0
Outstanding invoices for IT services	47	79
Audit and annual report costs	174	171
One-time EdB payment	313	0
General Shareholders' Meetings	0	40
Temporary employment	51	127
Archiving costs	55	0
Prime Brokerage fees	54	198
Legal and consulting fees	211	366
Arbitration fees	0	53
Bonus payments	525	557
Aval fees	85	0
Commission fees	152	0
Other	51	94
<b>Total</b>	<b>3,489</b>	<b>7,109</b>

1) The voluntary anniversary payment was discontinued at the end of 2016 in order to increase the contribution to the company pension plan.

#### 4.2.13 Instruments of additional regulatory core capital

On 19 August 2014, Varengold Bank AG issued additional Tier-1 bonds ("AT1 bonds") in the amount of EUR 5 million. The additional AT1 bonds constitute unsecured and subordinated bonds of Varengold Bank AG. The semi-annual interest payments for these debts are measured at their nominal values and the development of the EURIBOR. Varengold Bank AG is both obligated and has the 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 the coming year to compensate for possible cancelled interest payments in the previous year. The bonds have no date of maturity. They may be called by Varengold Bank AG only after five years after their date of issue and after each interest payment due date. Furthermore, under certain conditions, they may be prematurely called. The bond regulations include, among others, that Varengold Bank AG must call the bonds in their entirety, not in portions, as long as there are supervisory review process or tax reasons to do so. Each premature calling of the bonds requires the prior approval of the controlling authorities. The repayment and the nominal value of the bonds may be reduced by producing the facts of the situation. Such an instance of factual circumstances would be if the Tier-1 core capital ratio of Varengold Bank fell below 5.125 %. The bonds may be attributed by providing documentation of the factual circumstances under certain conditions.

The limited interest expenses for these bonds was TEUR 0.00 on 30 June 2017.

On 30 June 2017 the outstanding additional Tier-1 bonds were the following:

Currency	Amount in EUR	Type	Date of issuance	Interest rate	Due date
EUR	5,000,000	Variable interest, cumulative subordinated	19 August 2014	variable	without maturity date

#### 4.2.14 Implementation of the approved cash capital increase contribution

Due to the near-equity financing resource of the implemented cash capital increase, the balance sheet entry appears in a separate item. As of 30 June 2017, the contribution may be listed in the commercial register after full placement of all new shares. The entry into the commercial register took place on 7 July 2017.

#### 4.2.15 Share equity

Fully paid-up share capital (TEUR 2,923) is divided on the balance sheet date into 2,922,552 no-par value registered shares.

The capital reserve in the amount of TEUR 30,607 comes mainly 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), 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) and 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). In addition, The Board of Directors was authorised by resolution of the General Shareholders' Meeting of Varengold Bank AG on 26 August 2015 to increase the share capital of the Company with the approval of the Supervisory Board from EUR 1,948,368.00 against cash contributions up to EUR 974,184.00 to up to EUR 2,922,552.00 through the issue of 974,184 new bearer shares with no-par value (unit shares), each with a pro rata share of the share capital of EUR 1.00 under exclusion of subscription rights.

With this authorisation, the Board of Directors, with the approval of the Advisory Board, increased the capital of the Company from EUR 1,948,368.00 against cash contributions of EUR 974,184.00 to EUR 2,922,552.00 by issuing 974,184 new bearer shares through a public offering and a subsequent private placement. The shares were issued at a premium of EUR 12.00 per share (TEUR 11,690). The entry of the capital increase into the commercial registry took place on 23 February 2016.

The Board of Directors was authorised in a resolution passed by the Annual General Meeting on 24 August 2016 to increase the Company's share capital by 23 August 2021, with the approval of the Supervisory Board, on one or more occasions, up to a total of EUR 1,461,276.00 by issuing up to a total of 1,461,276 new no-par value bearer shares (ordinary shares), each with a proportionate share in the share capital of EUR 1.00 each, against cash or non-cash contributions ("Authorised Capital 2016"). Both ordinary shares and/or preferred shares without voting rights can be issued. The new shares can be acquired by one or several banks stipulated by the Management Board or a company which operates according to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) KWG with the obligation to offer these to the shareholders (indirect subscription right). The Board of Directors is authorised, with the approval of the Supervisory Board, to define the further details and terms of the capital increases from authorised capital and share issue and to exclude subscription rights of shareholders within the scope of the Articles of Association and legal regulations.

In the Annual General Meeting resolution on 8 August 2012, the Board of Directors was authorized, with the approval of the Supervisory Board, to issue by 7 August 2017, on one or on successive occasions, to the bearer and/or the bearers, convertible bonds, bonds with warrants, convertible participatory rights, participation rights, participation rights and/or income bonds (hereinafter referred to as "instruments") in an aggregate principal amount of up to EUR 5,000,000.00 with a maturity not exceeding 15 years and to grant the holders of these financial instruments conversion or option rights to new no-par value bearer shares, with a pro rata amount of share capital of up to EUR 586,174.00 in accordance with the detailed measures of the instruments. The issuance of the instruments may be in exchange for cash and/or kind. In order to pay the instruments, the share capital was conditionally increased by resolution of the Annual General Meeting on 8 August 2012 by up to EUR 586,174.00, by issuing up to 586,174 no-par value bearer shares for the purpose of granting stock subscription rights (Conditional Capital 2012 I).

In an Annual General Meeting resolution on 8 August 2012, according to Section 4, paragraph 8 of the Articles of Association, there was a further increase in conditional share capital. The share capital was conditionally increased by up to EUR 140,000.00 by issuing up to 140,000 no-par value bearer shares ("Conditional Capital 2012 II"). The conditional capital increase will only be carried out insofar as the holders of stock options issued in accordance with the resolution of the General Meeting under the stock option programme of 2012 ("AOP 2012") in the period up to 8 August 2017 (inclusive) exercise their rights to subscribe shares of the Company and the Company does not fulfil the subscription rights of its own shares, or a cash settlement is granted. The new shares will participate in profits distribution from the beginning of the financial year in which they are created in the exercise of subscription rights. The Annual General Meeting

2012 serves as a target-oriented performance incentive for the programme participants and should simultaneously foster a bonding between the participants and the Company.

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

Based on the existing authorisation, the Supervisory Board made a stock option offer of a total of 85,500 shares to management personnel of the Company at the end of the reporting period. In total 45,000 shares options were distributed to other particular high-performers. An additional 40,500 options were given to members of the Board of Directors; 31,000 of these could not be exercised due to the departure of the respective Board members. Until the end of the first-half of 2016, stock options in the number of 11,250 were issued to particular high-performers of the Company.

The distribution block pursuant to Section 268, paragraph 8 HGB attributed to deferred tax assets in the amount of TEUR 1,905.

As of 30 June 2017, liabilities from guarantees and indemnity agreements, primarily in the form bank guarantee credits, amounted to TEUR 659 (30 June 2016: TEUR 1,687). The risk of contingent liabilities is deemed to be low since the line item on the balance sheet was already mainly attributed. The risk of loss from contingent liabilities is reduced, through the possibility of recourse for the individual customer, and is therefore mainly associated with the credit risk of the customer.

The Bank estimates the risk that a loss will result from a contingent liability, prior to a binding execution of their responsibilities in the context of a credit review of the customer and where appropriate an assessment of the expected fulfillment of underlying obligations for each customer.

As of 30 June, other obligations in the form of an irrevocable credit commitment in the amount of TEUR 1,500 (30 June 2016: TEUR 0) towards a customer who may make partial withdrawals if necessary. In this event, certain prerequisites for disbursement must be met, which are verified before each respective payout. The Bank estimates the risk that a loss will result from the irrevocable credit commitment, prior to making a binding obligation by conducting a credit review.

## 5 Notes to the profit and loss statement

All earnings occurred on the domestic market.

### 5.1 Interest income

The interest income is derived mainly from loans granted and fixed-income securities. Negative interest paid (mainly incurred at the German Central Bank and for securities deposited as collateral) is openly deducted from interest income.

Interest expenses (daily, fixed-term deposits) mainly include interest on customer deposits. Received negative interest for security deposits are also openly deducted from interest expenses.

### 5.2 Income from shares and other variable-yield securities

Income from shares and other variable-yield securities are all distribution from investment funds.

### 5.3 Commission revenues/expenses

Commission income includes fees from the Prime Brokerage division (TEUR 13,055), the Commercial Banking division (TEUR 1,018). The commission expenses are mainly comprised of fees from the Prime Brokerage division (TEUR 8,115), the Commercial Banking division (TEUR 76), as well as expenses for payment transactions.

	30.06.2017 TEUR	30.06.2016 TEUR
Commission revenues	14,073	17,741
Commission expenses	8,254	12,021
<b>Commission surplus</b>	<b>5,819</b>	<b>5,720</b>

#### 5.4 Net income in the trading portfolio

The revenues of the trading portfolio result entirely from the Prime Brokerage division.

#### 5.5 Other operating income

Other operating income is mainly generated from reversal of provisions and income during other periods.

#### 5.6 Personnel costs

	30.06.2017 TEUR	30.06.2016 TEUR
Wages and salaries	3,166	3,631
Social security benefits	329	388
Expenses for pensions and employee benefits	125	2
<b>Total</b>	<b>3,620</b>	<b>4,021</b>

The decrease in personnel expenses was mainly due to the reduced number of employees.

#### 5.7 Other administrative costs

	30.06.2017 TEUR	30.06.2016 TEUR
Occupancy	233	301
Premiums and insurance	295	116
Vehicle costs including leasing (without road tax)	15	37
Advertising, entertainment, travel expenses	103	225
IT-Aufwendungen	658	881
Communication expenses	192	296
Office supplies, magazines, training	109	41
Consulting, accounting and auditing costs	982	1,291
Other management costs	469	1,151
<b>Total</b>	<b>3,056</b>	<b>4,339</b>

The total auditor's fees calculated and/or set aside for the financial year were TEUR 340. Of which TEUR 182 was for auditing services, TEUR 126 for tax consulting services and TEUR 32 for other consulting services.

#### 5.8 Depreciation and value adjustments on receivables and certain securities and accruals for provisions in the credit business

At TEUR -554 the majority of the valuation results come from the interest-driven valuation from securities or liquidity reserves. Bonds on the market for European government bonds, with interest rates considerably higher than the current interest rate, were purchased above par. The resulting write-downs is therefore attributed to the lowest interest rate and not to a change in the credit rating of the borrower.

The remaining TEUR -39 are related to write-downs and risk provisions in the credit business.

#### 5.9 Depreciation and value adjustments on participations, shares in associated companies and securities treated as assets

Based on a review of the valuation of Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg a write-down of TEUR 350 on the expected liquidation proceeds of TEUR 640 was performed in the first half of 2017.

The net results from sales of investments were TEUR 165.



## 6 Other information

### 6.1 Institutions

#### 6.1.1 Supervisory Board

Dr. Karl-Heinz Lemnitzer Tax advisor and auditor	Chairman
Michael Stephen Murphy Investmentbanker	Deputy Chairman
Alexander Körner Banker	

Mr. Körner was elected to the Supervisory Board of Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg, effective 21 March 2016.

Dr. Lemnitzer, Mr. Murphy and Mr. Körner have not accepted any other appointments to statutory supervisory boards or comparable control bodies as defined by Section 125, paragraph 1, sentence 5 of the AktG.

#### 6.1.2 Management Board

Herr Dr. Bernhard Fuhrmann  
Back Office

Herr Frank Otten  
Market

Dr. Bernhard Fuhrmann and Mr. Otten are each entitled to represent the Company jointly with another Board member or an authorised representative

#### 6.1.3 Mandates held in supervisory bodies

As of the balance sheet date, Dr. Fuhrmann was also Chairman of the Supervisory Board of ViaLight Communications GmbH, Gilching, in addition to his role as director of Varengold Bank AG. In addition, Dr. Fuhrmann has held a seat on the board of Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg since 4 February 2015. As of 2 June 2017, he accepted the position of CEO of JUCLA Invest GmbH, Hamburg.

In addition to his duties on the Board of Directors of Varengold Bank AG, Mr. Otten is also Chief Executive Officer (CEO) of Ahrensburg Consult GmbH, Molfsee and member of the Supervisory Board of KERNenergie GmbH, Großwallstadt, as well as Chairman of the Supervisory Board of Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg.

Mr. Lukas Diehl, authorised representative of Varengold Bank AG, is also a member of the Board of Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Hamburg.

#### 6.1.4 Remuneration and loans

Total remuneration of TEUR 958 was paid to the Board of Directors in the period 1 January 2017 to 30 June 2017 (first half year 2016: TEUR 886).

Members of the Board received total remuneration of TEUR 193 (first half year 2016: TEUR 225) for their work during the period 1 January 2017 to 30 June 2017. This includes net remuneration in the amount of TEUR 150 (first half year 2016: TEUR 144). The difference mainly results from travel expenses incurred in addition to sales tax.

As of the balance sheet date, there are no credit claims against members of either the Supervisory Board the Board of Directors.

### 6.2 Employees

The total average number of staff employed in the first half of 2017 financial year was 59 (first half year 2016: 69), of which 23 (first half year 2016: 25) were female employees. With the exception of 6 employees, all staff work in Germany.

### 6.3 Disclosure report

Varengold Bank AG published a Disclosure Report as of 31 December 2016 pursuant to the regulatory law requirements of the Basel III framework, as well as the Capital Requirements Regulation (Regulation No. 575/2013).

### 6.4 Other financial obligations

The other financial liabilities amounting to TEUR 998 (30 June 2016: TEUR 1,657) primarily include obligations from rental and leasing contracts with residual terms of up to 4 years.

### 6.5 Forward transactions

Forward transactions not yet processed on the balance sheet date are for trading purposes within the framework for special cover and are recorded at fair value.

	Nominal TEUR	Positive market value TEUR	Negative market value TEUR
Foreign currency	14,413	570	124

### 6.6 Supplementary report

With the authorisation of the General Shareholders Meeting on 24 August 2016 ("Authorised Capital 2016"), the Board of Directors with the approval of the Supervisory Board, implemented the capital increase of EUR 2,922,552.00 against cash deposits of EUR 1,217,730.00 to EUR 4,140,282.00 through the issuance of 1,217,730 new shares in the course of a subscription offer and a subsequent private placement. The shares were placed at a premium of EUR 2.99 per share (premium TEUR 3,641). The entry of the capital increase into the commercial register took place on 7 July 2017.

No further events of particular importance have taken place since the end of the reporting period.

### 6.7 German Corporate Governance Code

From 20 March 2007 to 28 February 2017 the shares of Varengold Bank AG (ISIN DE0005479307) were listed in Entry Standard on the German stock exchange. Since the discontinuation of Entry Standards, Varengold stock has been listed in Basic Board on Open Market since 1 March 2017. 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 according to Section 3 paragraph 2 of the Code.

Hamburg, 21 August 2017

Varengold Bank AG



Dr. Bernhard Fuhrmann

Frank Otten

## MANAGEMENT'S DISCUSSION AND ANALYSIS



## A Principles of Varengold Bank

Varengold Bank AG is a German bank with its headquarters in Hamburg and an office in London. With the core business divisions of Prime Brokerage and Commercial Banking, Varengold Bank AG offers its customers and business partners a wide variety of products and services. The customers include institutional clients for whom the Varengold Bank AG operates in all business areas, as well as private customers for whom primarily money and fixed-deposit products are offered.

Since its founding in 1995, the core competency of the Company has been to provide alternative and intelligent investment solutions. Today, the Prime Brokerage division covers this area, and also offers services for processing trading transactions. The over 20-year expertise of Varengold Bank in offering comprehensive services with respect to securities is seated in the Prime Brokerage division. The focus of business activities lies in financing solutions and services for international customers who are specialized in securities trade, as well as the management of “real estate investments” and “short term receivables.”

Varengold Bank presents the Commercial Banking division as global partner that provides individualised products and solutions for demanding customers, giving our business partners the possibility to process transactions and trading activities over international borders. This division has a particular focus on savings and deposit accounts, international payment transactions, as well as export and trade finance.

## B Economic report

### 1 Macro-economic and industry-related conditions

The macroeconomic and industry-related conditions continued to be influenced in the first half of 2017 by low interest rates and various political events. The global economy was affected by a cautious US economy, while the economic development in the emerging markets, specifically China, showed signs of recovery and also the economic development in the euro zone gradually improved. Strengthened by increasing global demand and a simultaneous robust domestic market, the German economy was stable.

The current most important geographic markets of Varengold Bank are Germany, the other European countries with a future focus on the Eastern European region, as well as the Middle-East-North-Africa (MENA) region. While the German market is relevant for the company, in particular for private customers in the deposit business, as well as commercial customers for payment transactions and the trade finance business; Great Britain remains of great interest to the customers and business partners in the Prime Brokerage division. The MENA Region plays an important role for nearly all business areas of the Bank.

The German banking sector is also generally influenced by developments on the global financial markets. Since the Brexit decision was taken, further concerns about the potential effects based upon London having

occupied a central financial position of the banking. The business activities and the market environment of Varengold Bank was recently influenced specifically by low interest rates, geopolitical risks and stronger regulation. The continuing low interest rates make it increasingly difficult for banks to place the cash flows from customer deposits profitably on the capital market. This not only negatively effects the profitability of the deposit business, but also the volume of customer deposits due to the less attractive conditions for the customers.

The regulatory environment for banks was particularly informed by intensifications in regulatory requirements, but also through changes with regards to the sale of deposit products and tax regulations. The tendency toward stricter regulatory requirements may on the one hand lead to banks imposing additional obligations, and on the other the adherence to and implementation of changed regulatory requirements is usually associated with a stronger allocation of resources and an increase in the related administrative efforts.

The business activities of Varengold Bank are regulated by numerous requirements on the European, as well as the national level. In particular, the requirements to implement the Basel III Capital Accord for credit institutions (CRR) and Capital Requirements Directive IV (CRD IV) specify strict requirements on the quality and the quantity of the capital of a credit institute and require that a capital buffer that exceeds the minimum capital requirements set aside to be used in times of economic downturns or in stress situations. Additional obligations are stipulated by EU financial market guidelines (MiFIR), as well as the revised EU financial market guidelines (MiFID II), both of which come into effect as of January 2018.

Although the comprehensive regulatory intensification has already made the European banking system noticeably more stable, is it also increasingly clear that German banks must operate within strict boundaries compared to global competitors, which requires strict time management, risk minimization and the continuous review and as appropriate adjustment of the strategic orientation.

## 2 Business development

The business development of Varengold Bank AG in the first half of 2017 were particularly focused on the consistent implementation of the strategy defined at the end of 2015; to expand business activities with existing customers in the Commercial Banking division and to develop new customer relationships in the Prime Brokerage division, with an emphasis on institutional customers whose focus is on the "real estate" and "short-term receivables" asset classes. These customers have a strong affinity for technology and utilise the services of Varengold Bank as innovative provider of services for young high-growth companies.

While implementing the ongoing strategic reorientation, the Bank monitored the ever-increasing regulatory requirements and deemed it essential to further strengthen its equity position in the medium-term. For this reason, the Bank conducted a cash capital increase at the end of the first half of the year from the existing capital authorization. The capital stock of the company was increased from EUR 2,922,552.00 against cash deposits of EUR 1,217,730.00 to EUR 4,140,282.00 through the issuance of 1,217,730 new shares and subsequent private placement.

In February 2017 the Board of Directors and the Supervisory Board decided to include Varengold Bank AG stock in the "Basic Board" stock exchange segment on the Open Market, because the German Stock Exchange discontinued the former Entry Standard segment as of 1 March 2017 and introduced a new stock exchange segment.

## 3 Position

### 3.1 Asset position

In financial year 2017 total assets increased by 10.4 % from EUR 634.1 million to EUR 699.8 million and thereby lightly recovered. Customer deposits at approximately EUR 666.7 million, or 95.3% of total assets, remain the predominant position of the assets. In the use of funds, the reduction of loans and debt securities (EUR -140.5 mil.) on the reference date lead to an increase in balances with Central Banks of EUR 154.9 million. The balance of fund investments (EUR +39.5 mil.) sets off a reduction in obligations to credit institutes by EUR -25.2 million and the active trading portfolio of EUR -4.7 million.

#### Asset and liability structure

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

Assets	30.06.2017	30.06.2016	Change
Short-term receivables (< 1 year)	86.5%	67.8%	18.7
Medium-term receivables (1 to 5 years)	13.1%	29.8%	-16.7
Long-term receivables (> 5 years)	0.0%	0.8%	-0.8
Participations / Shares in associated companies	0.4%	0.6%	-0.2
Fixed assets	0.0%	1.0%	-1.0

Schulden	30.06.2017	30.06.2016	Veränderung
Short-term debt (< 1 year)	92.2%	94.2%	-2.0
Medium-term debt (1 to 5 years)	4.4%	2.4%	2.0
Long-term debt (> 5 years)	1.4%	0.8%	0.6

Since the implementation of the authorised cash capital increase income may first be claimed as regulatory equity capital only after it has been entered into the commercial registry, the core capital ratio (T1) as of the reporting date on 30 June 2017 was 14.76% after 21.86% on 30 June 2016. Had the entry taken place before 30 June 2017, the core capital ratio (T1) could have been posted at 18.70%.

In addition to obligations to customers (TEUR 666,662; 30 June 2016: TEUR 601,449), there are remaining obligations to banks (TEUR 4,363; 30 June 2016: TEUR 971), as well as other obligations to our suppliers and business partners (TEUR 752; 30 June 2016: TEUR 906) and provisions valued at TEUR 3,689 (30 June 2016:

TEUR 7,431). Instruments of additional regulatory core capital (co-called additional TIER 1) exist in the amount of TEUR 5,000. In addition, the income from the authorized capital increase income amounted to TEUR 4,738.

Varengold Bank AG has an orderly 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. In the first half of 2017 the resulting distribution restriction was TEUR 393.

The deferred tax assets are subject to the legal dividend distribution restriction.

### 3.2 Financial position

At EUR 511.5 million, or 73%, liquid assets comprise the majority of the assets on the balance sheet. In the securities area, freed liquidity was only partially reinvested. This resulted in growth of liquid assets by about one third. The regulatory liquidity coefficient was, therefore at 961.95% exceptionally high on the reporting date. The liquidity situation of the Bank was at no time at risk.

### 3.3 Profit situation

The interest income of the company grew from TEUR 2,545 in 2 the first half year 2016 to TEUR 3,035 in the first half year 2017. The increase of TEUR 490 is explained through the increase in interest income from the credit business for loans granted mainly in the Prime Brokerage division of TEUR 666, as well as by the falling interest income from fixed-rate securities of TEUR 176, which resulted from limited stock levels. Interest income contains negative interest primarily for bank deposits and security deposits in the amount of TEUR -683. The interest income from fixed-interest securities fell from TEUR 731 to TEUR 556. The largest portion (TEUR 468) of that amount resulted from interest income from the liquidity reserve. In addition, the interest expenses decreased due to the continually declining interest rates to TEUR 989. Interest expenses contains negative interest from security deposits from customers in the amount of TEUR 214. In total, an interest surplus of TEUR 2,047 was recorded.

In addition, distributions from real estate and short-term receivables funds in the amount of TEUR 649 (first half year 2016: TEUR 129) were achieved.

The commission revenues at TEUR 14,073 in the first half year declined by 21% due to slightly reduced 2017 Prime Brokerage activities. Commission expenses were also driven by the light decline in Prime Brokerage activities from TEUR 12,021 to TEUR 8,254, holding commission results in the first half year 2017 nearly constant at TEUR 5,819 (first half year 2016: TEUR 5,720). In addition to the Prime Brokerage division results (TEUR 4,939), the Commercial Banking division contributed commission revenue in the amount of TEUR 943. Payment transaction fees reduced the commission result by TEUR 63.

The net income of the trading portfolio at TEUR 3,901 declined by TEUR 36. The total trading revenue was generated in the Prime Brokerage division (first half year 2016: TEUR 2,656), since the Capital Markets

Brokerage division was discontinued in the fourth quarter of 2016 and the activities of the Treasury area concentrated on the liquidity reserves in the first half year 2017.

Other operational income declined by TEUR 144 to TEUR 927. This includes income from the previous year from currency conversions in the amount of TEUR 882. In the first half year 2017 expenses related to currency conversion amounted to TEUR 201, which are posted under other operational expenses.

The general administrative expenses of the company declined by TEUR 1,684 (from TEUR 8,359 to TEUR 6,675). The main reasons for this were the reductions in personnel expenses from TEUR 4,021 to TEUR 3,620; auditing and consulting fees from TEUR 1,291 to TEUR 982, as well as IT costs (from TEUR 881 to TEUR 658). Similarly, the other remaining administration expenses declined by TEUR 469 to TEUR 1,151, due mainly to the reduced sales expenses in the Commercial Banking division and lower expenditures for subcontracting and outsourced services. In addition, contributions and insurance increased by TEUR 179, which is mainly attributable to an increased contribution to the indemnification obligation of German Banks.

Depreciation and value adjustments to intangible assets and fixed assets decreased from TEUR 161 in the first half year 2016 to TEUR 92.

The other operating expenses increased by TEUR 172 to TEUR 473 in the first half year 2017. This is mainly attributable to expenses for currency conversion in the amount of TEUR 201.

The position depreciation and value adjustments decreased from TEUR 985 to TEUR 593. This resulted primarily from the TEUR 443 lower risk management costs in the credit business. The interest-induced depreciation of securities in the liquidity reserves of TEUR 554 (first half year 2016: TEUR 502), which were purchased over par, set off interest income in the amount of TEUR 468 (first half year 2016: TEUR 633).

Depreciation and value adjustments on shareholdings and securities investments increased from TEUR 81 to TEUR 185. The expenses of the first half year 2017 mainly resulted from write-offs from Varengold Verwaltungs AG (previously: Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen), Hamburg, in the amount of TEUR 350. The sum was offset by sales of fund investments in the amount of TEUR 165.

The total results of normal business activities of Varengold Bank AG in the first half year amounted to TEUR 675 (first half year 2016: TEUR 1,847).

There were no extraordinary expenses in the first half year 2017 (first half year 2016: TEUR 637).

Sales and income tax resulted despite the existence of a loss ("minimum taxation") through the new provisions for corporate tax (TEUR 22) and business tax (TEUR 24). In addition, the reduction of deferred tax assets in the amount of TEUR 393 due to loss carryforwards, was a burden to the tax results for the first half of the year. A tax provision of TEUR 18 was formed for the branch office in London.

Thus, the annual net profit for the first half year 2017 was TEUR 219 after TEUR 1,651 in the first half year 2016.

The return on investment according to Section 26a KWG calculated as the quotient of net profit and balance sheet total for the first half year 2017 was 0.03%.

### 3.4 Financial performance indicator

The central performance indicator is the pre-tax results. For the first half year 2017 a pre-tax result of TEUR 202 was planned. The net results of the Prime Brokerage and Commercial Banking divisions were better than planned. In addition, higher appreciation had a positive effect on the profit situation. After deductions for planned administration expenses and considerably higher write-offs, an above plan result of TEUR 675 before taxes was achieved.

---

## C Outlook, risk and opportunity report

---

### 1 Outlook report

The Company is subject to regulatory requirements of their business activities with respect to the capital base for the purpose of solvency. The Company believes that to secure the planned expansion of business volume and the associated risks, additional equity capital will be necessary and that future capital buffer requirements will affect the liquidity of the Company. In addition, the requirements with respect to calculations of the equity capital will become successively more restrictive in the coming years as the transitional provisions expire. In order to fulfill the banking supervisory requirements for equity capital in the future, in particular due to the planned expansion of business volume, the core capital of the business should be further increased.

The equity requirements for the major European banks increased on average by 50 basis points this year, according to the European Central Bank (ECB). The ECB attributes this to the progressive introduction of higher general capital requirements in the context of the Basel III framework, as well as requirements that arise from the individual risk profile of the institution. Since the global financial crisis of 2008/2009, the regulatory authorities have tried to make the banks more secure and to prevent the situation where banks would again need to be saved with public funds. One step toward accomplishing this is to increase the amount of equity capital step by step by 2019. As part of this process, the equity capital requirements increased 20 basis points in context of the so-called first pillar of the Basel III framework.

The Supervisory Review and Evaluation Process (SREP) requirements additionally increase as individual equity capital requirements. These are determined in a regular verification process where the actual risk profile is compared to the measures taken by the institution for risk limitation. The risks assessed are, among others, business model, credit, market and operational risks.

In addition, the regulatory environment with respect to mediation and sales of financial investments have already been permanently intensified and the introduction of additional future restrictions on the EU or national levels cannot be excluded.

The German banking and financial services sector is extremely competitive. Specifically in the business of private investments, there are considerable over capacities. Furthermore, these competitive German service providers compete with numerous foreign service providers who have noticeably expanded their presence in the German market over the past years. Some of the existing and potential competitors of Varengold Bank AG have access to considerably larger financial and personnel resources. These companies could be in the position to conduct more expansive and cost-intensive market initiatives and to also offer customers better conditions. Companies with higher equity capital reserves can also react with more flexibility due to the equity capital requirements for deposit institutions.

In the continuing course of the year 2017, the overall economic environment will be affected by various events and uncertainties and could seriously weaken the economic development at the global level. Political hot spots, terrorism, the separation of Great Britain from the EU and stagnating global trade could have corresponding impact.

According to an International Monetary Fund (IMF) study published in July 2017, the German economic output will grow better than expected by roughly 1.8% within the full year 2017 and by about 1.6% in year 2018. Expectations of economic growth in the Euro zone are for increases of 1.9% in 2017 and 1.7% in 2018. Reasons cited by the IMF for the positive outlook for Germany are robust domestic demand and the recovery of the global economy, which particularly benefits German exports. In addition to strong private consumption, Federal Bank experts also increasingly see industry as a solid factor behind the upturn. Therefore, the global growth is expected to reach 3.5% this year and 3.6% in the next year.

On the finance and capital market an extremely expansive money policy and the ongoing low interest environment will continue to be the focus and could lead to price bubbles on the asset side and an inducement to engage in higher risk. For an undetermined time, low interest rates could further increase the pressure on the earning capacity of banks. The pressure on profitability continues to impact the banking sector.

The effects of all internal and external factors upon the remaining course of business year 2017 are not currently quantifiable and prevent the making of an absolute prognosis. Trends, obligations or events which could greatly impact the outlook of Varengold Bank in the coming months are not known at this time. The Board of Directors expects the stronger focus of the product and service offering, for, among others, institutional customers, to positively affect the results of the Bank. Based on the successful implementation of the planned business goals and the increase in operational efficiency, a positive revenue before taxes (as a main financial performance indicator) of between TEUR 200 and TEUR 700 is expected for business year 2017.

## 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 business of the Company, the Bank applies a risk-control and risk-management system that conforms to the “Minimum Requirements for Risk Management” (MaRisk) of the Federal Financial Supervisory Authority (BaFin).

Risk is defined as the negative difference between expected results and actual results. Events that are expected by definition carry a lower risk. The primary focus of this risk management system is the categorisation of significant risks into counter-party risk, liquidity risk, market risk, operational risk and other risks which, among other things, include the risk to reputation, strategic risks and risk concentrations.

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

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

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

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.

Every potential future risk must be fully transparent from the beginning. Only with complete transparency can it be evaluated, whether a risk should be taken. This decision is made by the Board of 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 firmly established risk tolerance that is stipulated primarily in the risk-bearing capacity assessment 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 continuously to adjust to changing market conditions. In this fast-paced environment, Varengold Bank AG generated correspondingly volatile income. Therefore, the risk-bearing capacity analysis of risk monitoring takes place on a monthly basis. The methodology of the analysis

is continuously monitored for plausibility and to ensure that it adheres to the most current requirements of the regulatory environment.

To determine the risk capacity of Varengold Bank AG, the going concern value method is used. Under the going concern method, risks will only be undertaken to the extent that the regulatory minimum requirements of Pillar 1 can still be fulfilled. Such an approach requires the Bank to reserve the necessary capital. To cover potential losses, this capital is not available to the risk carrying capacity assessment, so that it cannot become a part of the risk coverage potential.

The Going Concern approach of Varengold Bank AG is based on the calculation of risk capacity of the balance sheets and income statements. Of the reported risk-bearing capacity of TEUR 8,054 recorded on 30 June 2017, TEUR 7,510 were used as risk-covering assets. The not to be used TEUR 544, served as a buffer to cover risks which are difficult to quantify (strategic and reputation risk, as well as other risks).

In principle, the maximum tolerable capacity is limited to 100%. Utilisation over 100% within the individual types of risk require the approval of the Board of Directors.

The utilisation of the risk-covering assets on 30 June 2017 was 43%.

Common models are used to monitor the important default and money price risks.

The market price risk is quantified with the help of the value at risk. This is measured for the trading book, as well as the banking book at a confidence level of 99% through historical simulation with an observation period of one day and a lookback of 260 days. The monitoring and regulation of the market price risk is oriented on the limit system which calculates the market price risk on the basis of risk coverage potential. The limits for the liquidity and investment portfolio are recorded and specified in each of the investment guidelines. These are also monitored daily by the risk control process.

The quantification of default risk is conducted with the key risk figures expected loss and unexpected loss. The expected loss value is determined on the basis of the probability of default with consideration of the LGDs (Loss Given Default). The unexpected loss value is quantified with the help of a credit risk model with a confidence level of 99% and a time period of one year. The calculation is based on the Gordy model, which the Basel Committee for Banking Supervision uses to model the capital adequacy requirements in the context of Basel II and in the continued development of Basel III. The credit risk model determines the amounts of the individual borrowers and shareholdings of unexpected loss on the portfolio level, which are then combined to determine an unexpected loss factor for the entire portfolio. In addition, and when available, the external or when applicable internal default probabilities (PDs) and the transaction specific established loss quota (LGD) are utilized. The determination of the other model parameters is conducted under consideration of the standard requirements according to Basel III. In addition to the default probabilities and loss quotas, the correlation between the competitors, as well as the granularity of the portfolio and the remaining maturities are considered.

All measures to limit risk are fundamentally implemented from an economically viable perspective which considers the size of the institution, the capital resources, as well as the particular business model using a reasonable method.

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

### 3 Opportunity report

Given the international perspective of the Bank, the geopolitical environment continues to be a factor of uncertainty. The business invested heavily in the growth of the Bank to ensure a solid sustainable foundation. Varengold Bank AG is a global niche provider of banking services in high-growth business segments with lower competitive intensity. The Bank sets itself apart from its competition in particular through short decision-making paths, custom-designed products and a well-established infrastructure.

The competitors for the Commercial Banking division's international payment transaction services are basically all German banks that conduct foreign payment transactions.

Varengold Bank has the advantage here, whereby as a result of its modest size it can acquire customers who do not appear profitable to traditional providers. In the Trade Finance division of the Bank benefits from long-standing relationships between customers and Varengold employees.

The focus of the Commercial Banking division is on the expansion of their positioning as specialised service provider of trade finance solutions with a trading concentration in the eastern European and Middle East regions. The product offering includes the development of payment transactions, as well as credit businesses and guarantees.

In the Prime Brokerage division, the Varengold Bank strategy concentrates on partnering with institutional customers, in particular small and mid-sized managers of the asset classes of securities, real estate and short-term receivables to support targeted customers and give them access to services and financial solutions, who despite demonstrated competence and performance are limited due to their size relative to other competitors. In particular, business activities with institutional customers with a strong affinity for technology (marketplace lending), and an interest in the "real estate loan" and "short-term receivables" asset classes should be expanded.

The strategic orientation of Varengold Bank AG is focused on growth through the acquisition of new customers and the resulting expansion of the business volume. Toward this aim, customer satisfaction and organizational stability play a deciding role. Varengold Bank is currently operating within a consistent continuous development of the business model to increase profitability. The Board of Directors establishes the amount of the acceptable total risk, as well as the distribution of the individual types of risk. In this context, care is constantly taken to ensure that the various business activities are secured with an adequate amount of equity capital. All measures to limit risk are fundamentally conducted in an economically reasonable fashion, which considers the size of the institution, the capital resources, as well as the particular business model.

To further these goals, the equity position of the Bank was increased. It was decided at the general stockholders meeting of Varengold Bank AG on 23 August 2017 to authorise a right of subscription cash capital increase in 2:1 relation, which resulted in an increase in the base capital of up to EUR 2,070,141.00. The planned further increase of the equity capital base is intended to enable an expansion of business activities on a stable foundation in order to capitalise on market opportunities and to be able operate with flexibility.

The Board of Directors is confident that the established goals will be reached and that Varengold profitability will continue to increase.

Hamburg, 13 September 2017

Varengold Bank AG



Dr. Bernhard Fuhrmann



Frank Otten

## CORPORATE INFORMATION

Varengold Bank AG  
Große Elbstraße 14  
22767 Hamburg

T +49.40.66 86 49 0

F +49.40.66 86 49 49

E-Mail: [info@varengold.de](mailto:info@varengold.de)

<http://www.varengold.de>

Board of Directors

Dr. Bernhard Fuhrmann

Frank Otten

Supervisory Board

Dr. Karl-Heinz Lemnitzer

Michael Stephen Murphy

Alexander Körner

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](http://www.bafin.de).

Approvals of Varengold Bank AG

- Investment business (§ 1 para. 1a sentence 2 no. 2 KWG)
- Deposit consulting (§ 1 para. 1a sentence 2 no. 1a KWG)
- Deposit placement (§ 1 para. 1a sentence 2 no. 1 KWG)
- Deposit management (§ 1 para. 1a sentence 2 no. 11 KWG)
- Deposit business (§ 1 para. 1 sentence 2 no. 5 KWG)
- Proprietary transactions (§32 para. 1a KWG)
- Proprietary trading (§ 1 para. 1a sentence 2 no. 4 KWG)
- Investment business (§ 1 para. 1 sentence 2 no. 1 KWG)
- Factoring (§ 1 para. 1a sentence 2 no. 9 KWG)
- Financial leasing (§ 1 A para. 1a sentence 2 no. 10 KWG)
- Financial commission business (§ 1 para. 1 sentence 2 no. 4 KWG)
- Financial portfolio management (§ 1 para. 1a sentence 2 no. 3 KWG)
- Guarantee Business (§ 1 para. 1 sentence 2 no. 8 KWG)
- Credit business (§ 1 para. 1 sentence 2 no. 2 KWG)

Deposit insurance

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



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 financial 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. This work is protected by copyright. All rights, especially the rights of distribution, reproduction, translation, reprinting and reproduction and storage in data processing systems are, even when only partially used, reserved by Varengold Bank AG.

Varengold Bank AG

Große Elbstraße 14  
22767 Hamburg