

Annual Report

2014



Varengold

BANK

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

	2014	2013	Change
Key figures per share	in EUR	in EUR	in EUR
Earnings per share	0.12	-2.28	+2.4
Shareholder's equity per share	9.79	5.38	+4.41
Average number of employees	74	57	+17
Profit and loss statement	31.12.2014 in EUR thousand	31.12.2013 in EUR thousand	Change in EUR thousand
Interest income	634	125	+509
Commission income	4,978	2,034	+2,944
Net income from trading portfolio	8,670	3,095	+5,575
Other operating income	176	-428	+604
Income from investments/securities	27	90	-63
Administrative expenses	12,778	8,741	+4,037
Depreciation and value adjustments	1,177	1,609	-432
Income from normal business operations	530	-5,434	+5,964
Income/loss for the year	209	-3,681	+3,890
Balance sheet	31.12.2014 in EUR thousand	31.12.2013 in EUR thousand	Change in EUR thousand
Balance sheet assets without trust assets	353,103	53,034	+300,069
Share equity	12,078	8,677	+8,668
Equity ratio	11.8 %	23.5 %	-11.7 %

Disclaimer:

This English version of the annual report 2014 is for informational purposes only.

Legally binding is solely the German version of the Annual Report 2014.

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Dear Shareholders,

Looking back over the business year 2014 reminds the Varengold Bank AG team in particular of the periodically long path toward the development of the internal processes due to the new infrastructure of the bank. Varengold was able to develop into a stronger and more responsible bank, without losing the balance between organisational stability and reorientation. This balancing act was, however, accompanied by an extreme level of commitment to future growth.

The bank operated in 2014 in a challenging environment of low interest rates, increasing geopolitical risk and increased regulatory pressure. The initially slow ongoing momentum of the global economy accelerated slightly over the course of the last year. The growth slowed in emerging and developing countries, while Russia slipped closer toward a recession. Many industrial nations such as Japan, recorded on the whole, positive economic development, could not however, make considerable progress due to the engaged handbrake.

The low interest rates in 2014 made it particularly difficult for banks to economically viably position the outflow of funds from customer deposits on the capital market. The transformation from short-term funds into long-term assets was questioned by the investors. The decision of the European Central Bank to back deposits there with negative interest led to banks feeling forced to reduce their deposits at the European Central Bank to an absolute minimum.

The bank regulatory environment was newly characterized by the implementation of additional requirements such as new regulations for the establishment of reasonable capitalisation, disclosure requirements,

as well as jumbo loans. Furthermore, the revised financial market guidelines (European Union Legislation "MiFID II") may have future additional effects upon securities transactions. The banks are therefore expecting to have to further strengthen their capital base in an environment with increasing risk, while facing additional regulatory requirements.

Varengold Bank AG closed business year 2014 with an annual net profit of 209 EUR thousand (previous year: -3,681 EUR thousand). The total includes the results of normal business activities of 530 EUR thousand in comparison to the reporting period 2013 at a value of 53,112 EUR thousand to 353,181 EUR thousand. Overall the costs of expanding the business activities within the scope of the since mid-2013 credit institution licensing framework, continued to be a burden.

The overall business of Varengold Bank AG displayed positive developments in the past year. The results of the Capital Markets Brokerage division increased in comparison to year 2013, because the net results of the trading holdings improved considerably, despite reduced commission yields due to reduced trading activity. The business division concentrated substantially on the winning of new cooperation partners in addition to the support of institutional clients, and through these efforts realised an increasing number of new deposits. The revenue in the Commercial Banking area resulted mainly from interest and commission payments from payment and credit transactions. In the beginning of 2014, the treasury department launched a no-cost daily allowance account for private customers which due to the related positive reception of this product enabled the offering a no-cost fixed-deposit account. Capital

Markets, whose business area also includes Asset Management, showed continuous development over the course of the year. The revenues in Capital markets resulted mainly from payments for the provision of infrastructure and commission revenue from the Varengold Investment Stock Company with partial business assets. The results in this branch were burdened through substantially increased management expenditures due to business expansion in London, Dubai and Hong Kong.

Hamburg, June 2015

The Board of Directors of Varengold Bank AG



Yasin Sebastian Qureshi



Steffen Fix



M. H. Dastmaltchi



Dr. Bernhard Fuhrmann



Frank Otten

The Varengold Bank AG was founded in 1995 by Yasin Sebastian Qureshi and Steffen Fix as an asset management boutique and initially focused on the development of unique, specialized hedge fund strategies from the managed futures space that achieved top international rankings. With the Capital Markets, Commercial Banking and Capital Markets Brokerage divisions, Varengold currently has a diverse product and service portfolio at their disposal.

As an independent German private bank, the company has enjoyed the trust of institutional and private customers who value the individual, transparent and high-performance solutions offered by Varengold's expertise. The security and quality of our service offerings is always a priority in our domestic and international activities and is the core of our ideology of intelligent investments.

ALTERNATIVE INVESTMENTS AS CORE COMPETENCE

To imagine and execute the planned strategies, founders Steffen Fix and Yasin Sebastian Qureshi chose to work with the derivative financial instrument of futures, because:

- they allow for participation in declining, as well as increasing markets
- the stock exchange listing enables precise, objective valuations in real-time and is failure-resistant
- a high liquidity is guaranteed through the securities
- all investment transactions through the securities exchange (stock, loans, raw materials, currencies) are available
- extreme cost efficiencies are reached due to the low transaction costs in relation to the trading

Both founders initially implemented self-developed trading strategies that focused on the systematic trading of raw materials and stock indexes that were very successful and with this were able to rank in the Top 10 of the International Traders Research Inc. (ITR Ranking) for Managed Futures Manager. Very quickly they recognized the extreme importance of diversification of different trading strategies: the individual trading strategy was augmented by complimentary strategies at the umbrella fund level for custom-tailored portfolios which led to a reduced-risk return profile. Today's business area Capital Markets was born of the many years of experience of the founders.

In 1999 the transformation of the business from a "GmbH" into a publicly-held company took place. Four years later Varengold received the license to be a commercial paper trading bank (German law: i. S. d. Section 1 Paragraph 3d Sentence 3 of the KWG). In the summer of 2013, the bank continued its successful entrepreneurial development with the license extension to operate as a credit institute. In the course of this new licensing the business area Commercial Banking was established and additional product solutions in the Investment Banking division were put on the market.

THE FORMATION OF THE CAPITAL MARKETS BROKERAGE

Already in the development stages of the earlier business area Asset Management it became clear that transparency of the managed futures strategies was necessary at the level of each individual transaction in order to ensure a successful monitoring and management of trading strategies. To meet this need a managed account platform was designed and implemented on which the trading activities of individual managers was visible. In so doing, Varengold Bank AG utilized the possibilities of the internet

early on and was a pioneer in financial services innovation. The transaction processing structure which Varengold made available, enabled real-time trading and online reporting. The Capital Markets Brokerage was established and attracted additional customers. Among these were not only professional traders and private investors, but also companies with international cash flows that wished to reduce their risk with respect to currency value fluctuations. Today around 10,000 customers worldwide, with a transaction volume of over EUR 20 billion per year use the Varengold services for international finance markets for securities, as well as non-securities products, such as Forex and Contracts for Difference (CFD).

FOREX AND CFD TRADE WITH THE VARENGOLD BANK FX

In 2007 Varengold Bank AG introduced the financial platform "Varengold Bank FX" which offered professional, private and institutional traders the possibility to take part in and profit from global FZ trading. Furthermore, customers had the unique opportunity to trade in not only different currency pairs, but also a wide palette of international CFDs. These tools were combined on a single platform – the world's most widely-used trading software: MetaTrader 4. Varengold played a leading role in this newly-developing global financial service business. In addition to the continuously developing product offering for the end customer segment, the bank enables institutional partners direct access to the global foreign exchange markets through its custom-tailored solutions and thereby also generates significant added value for other banks, hedge funds and brokerages.

STRATEGIC ORIENTATION FOR THE FUTURE

The bank currently has a staff of over 100 employees at the corporate headquarters in Hamburg, locations in Dubai and London, as well as subsidiaries in Hong Kong and the USA. In this reporting year, the bank was able to recruit many new qualified employees and can thereby ensure its secure future. One year after receiving their comprehensive banking license, Varengold Bank AG further expanded its service offerings in the divisions of Investment Banking and in the Capital Markets Brokerage. As a Credit Institute, the bank is striving to further develop all business areas, with a particular focus on Commercial Banking. The existing company infrastructure allows the bank to realise significant scaling benefits within its growth strategy without incurring many additional fixed-cost increases.

ASSET MANAGEMENT / CAPITAL MARKETS

For over a decade Varengold Bank AG's Asset Management business unit has been pursuing the goal of increasing the capital of its customers while limiting risk. Customers can participate in our innovative ideas and forward-looking expertise with our custom-designed product and service offerings.

By combining all of the sub-sections and teams of Varengold Bank AG with the Asset Management business unit in 2010, Varengold Investment Securities Company with Sub-funds unit was founded. This group offers the possibility of investing directly over a secure, transparent and liquid Managed Account Platform.

With their expertise in alternative investments, Varengold Bank delivers the complete service spectrum: from classic manager due diligence and the analysis and evaluation of international asset managers, to tailor-made institutional portfolios in individual structures, various consulting and research service offerings, to classic public investment funds.

Institutional customers profit among others from established research network and the unique investment process of Varengold. Through the independent operations of their own quantitative trading system in the early years and their know-how in surveying trading systems Varengold created unique added value. This opportunity to peek behind the curtain enabled an optimization in manager selection. Beginning with a clearly-defined, individually-tailored mandate profile led the way from a comprehensive market overview to the derivative of long-lists and short-lists to beauty contest. Thereby both quantitative, as well as qualitative criteria flow into the valuation procedure which is transparent to the customer at all times.

In fall of 2014 the business area was restructured and the Capital Markets area was expanded. The Capital Markets business unit offers international asset and fund managers, high net worth individuals (HNWIs) and hedge fund managers the entire value-added-chain for processing their trading businesses. The emphasis lies on meeting the requirements of the customer through offering tailor-made solutions, in order to optimally support the often complex and very individual trading strategies.

In addition to the pure trading processing of futures trading, securities and bond positions, as well as currency transactions, the bank also offers account services from one centralized source. The Equity Finance group rounds out the service offering palette.

Varengold Bank AG has many years of experience on the global financial markets and always strives to offer their investors and partners a portfolio of excellent product solutions. In the area of Investment Banking, Varengold combines this expertise with innovative consulting approaches, which enable their international business partners to strengthen old paths while successfully adopting new paths. Your strategic business success is always our top priority.

According to our mission statement, intelligent investment banking is evidenced by agility, long-term thinking and an optimized decision-making process. This approach guarantees us and our customers every innovative energy that is indispensable for sustainable success in today's changing markets.



COMMERCIAL BANKING / TREASURY

Debt Capital Markets

Our Capital Markets specialists offer our customers direct access to a wide range of corporate financing – on a global basis. Together with you, we structure the most appropriate solution for your company to provide you with an efficient liquidity flow. Our consulting approach places the value upon independence where the priority is placed on customer needs and benefits. Our customers have access to the following bond markets:

- Private placements in Europe and Asia
- Corporate bonds
- Syndicated bonds
- Convertible bonds
- Promissory notes

Our use of forward thinking and innovative approaches makes it possible for our customers to achieve their strategic business goals with custom solutions designed to meet their needs whether they be growth targets, acquisitions or refinancing. As a global and future-oriented bank, we develop long-term partnerships and sustainable concept implementation, which forms the basis of intelligent financing.

In the area Commercial Banking, Varengold Bank AG presents itself as a global partner that offers individualised products and solutions for demanding customers and investors. Giving our business partners the opportunity to develop global transactions and trading activities with the help of our products and services is our mission. Receiving the license as a deposit-taking institution in June of 2013 from the German authorities has enabled us to offer an expanded product palette of banking services.

We benefit in this segment from our long-term expertise, especially that of our new employees, and based on our international competencies, we offer custom-designed products and services for business customers. Regardless of where our customers are active in the global market today or in the future, Varengold Bank AG is always a reliable partner.

Deposit Accounts

The bank offers private customers free money market accounts which offer the full flexibility of a daily disposable savings account with an attractive interest rate which provides a reliable basis for every investment portfolio. In addition to a guaranteed interest rate and monthly compounding, customers benefit from the statutory deposit guarantee of up to 100,000 Euro.

Payment Services


Cross-border payment capabilities have become increasingly important due to the increasing requirements of the globalised world. Varengold Bank AG is facing these requirements and offers customers around the world tailored solutions for international payment transactions. To be globally successful means being able to rely upon secure, efficient and transparent payment services - even across international borders.

Structured Finance

Companies are always faced with individual challenges that require customized financing structures. The specialists of Varengold's Structured Finance business assist in financing projects of small and medium-sized publicly-listed and privately-owned companies. We attach great importance to working closely with our customers to ensure an optimal structure for provided solutions. Discretion and integrity are a highly-valued part of our identity, as is our constant striving to provide excellent quality of services. The credit structured by Varengold Bank is generally at least 1 million Euro, with the ability to settle hundreds of millions of Euro through the existing syndication.

Export Trade & Finance

In the Export Trade & Finance division, Varengold Bank AG bundles selected solutions for financing as well as bank guarantees for international business activities. The Company-wide guarantee business covers classical payment guarantees, warranties and delivery and performance guarantees from particular transaction protection through to documentary loans.



WHILE TOKYO SLEEPS - EUROPE IS DOING BUSINESS.
WITH VARENGOLD, YOU DO BUSINESS ANYWHERE IN
THE WORLD, AT ANY TIME

Forex enables trade on global markets and is one of the fastest growing investment classes.

Forex is unique in the investment world, making trade possible around the globe and around the clock, thereby offering enormous growth potential. As opposed to other investment classes, it is not necessary to wait for the next trading day to profit from a strong market position. Varengold Bank AG offers its customers the newest technologies to fully access market potential.

CAPITAL MARKETS BROKERAGE

In 2007, Varengold Bank AG currency trading (Forex trading) was integrated into the Capital Markets Brokerage business, which is accessible to a global audience on the cutting-edge trading platform MetaTrader.

Today, the Forex market is the world's largest liquid financial market with a daily turnover of more than USD 5 trillion, which is available to anyone who owns a computer or a cellular phone with an internet connection, allowing trading almost around the clock. Various international currency pairs are traded against each other and use existing leverage effects in order to achieve high returns. The timelessness of this market results from its place-lessness. In contrast to stocks, bonds and commodities, there is no fixed Forex market. The currencies are traded in a virtual network of bank relationships.

MetaTrader is one of the best known and most popular trading platforms through which Varengold Bank AG provides its customers with online access to the worldwide foreign exchange markets. A special element here is that transactions are executed purely electronically. In contrast to other services, a manual order desk only springs into action if there is a technical breakdown. The bank is able to pass the resulting cost savings directly on to its customers. In addition, execution speed is increased, which is particularly noticeable in very fast market periods of high trading frequency.

As a pioneer for MetaTrader-based Forex and CFD trading in Germany, Varengold Bank's customers use this platform free of charge. The Varengold MetaTrader trading platform is one of the most stable systems in this area and, in addition to pure order placement, has many other functions that make it very popular with professional traders:

- Execution and booking in real time
- Unlimited chart analysis capabilities
- Trading with a single mouse click
- Support of various time frames
- Large number of technical indicators and studies
- Use of automatic trading systems (Expert Advisor)
- Real-time data export via DDE protocol
- Internal E-mail system
- Generation of confirmations
- Real-time invoicing

MetaTrader Varengold software is offered by Varengold Bank AG not only for computers, but also for cellular phones. This flexible trading platform guarantees every trader anywhere and at any time 100 percent control over his trading account, making trading Forex and CFDs even more efficient.

In addition to the retail business, Varengold Bank AG also offers unique business solutions in the field of brokerage and enables institutional partners to participate directly in the global foreign exchange market. These solutions include both partnerships in the retail brokerage and individual white label, prime brokerage and platform solutions, in which Varengold covers broad market and customer segments. Both private and business customers benefit from the direct connection to the interbank market and the resulting excellent order execution, as well as competitive conditions.



Varengold Bank AG has remained an independent private bank even after their entry into the Entry Standard of the German Stock Exchange. Varengold Bank's shares (WKN: 547930) have been listed on the Frankfurt Stock Exchange and XETRA electronic trading system since March 20, 2007. In addition, the stock is traded on the Stuttgart, Berlin and Düsseldorf stock exchanges.

Important Key Data

Stock	Varengold Bank AG
WKN	547930
ISIN	DE0005479307
Stock Symbol	VGB
Market Segment	Free Trading
Transparency Level	Entry Standard
First Day of Trading	March 20, 2007
Type of Stock	No par value, bearer common shares
Number of Shares	1,948,368 Shares (As of 31 December 2014: 1,771,405 shares)
Total Capital	1,948,368 EUR (As of 31 December 2014: 1,771,405 EUR)
Designated Sponsor	Oddo Seydler Bank AG

Conditions and Development

The course on the global stock markets visibly increased during the fluctuation-prone year of 2014, yet the dynamic slowed in comparison with the previous year due to stock market relevant events such as the conflict in the Ukraine, the arming of terrorist groups, the falling oil price or the ongoing discussion about the European debt crisis. The largest growth took place in the stock markets of the industrialised countries. The Dow Jones increased approximately 7.5 %, while the Japanese Nikkei Index grew by about 7.1 %. The DAX fluctuated between 10.093 and 8.354 points over the course of the year.

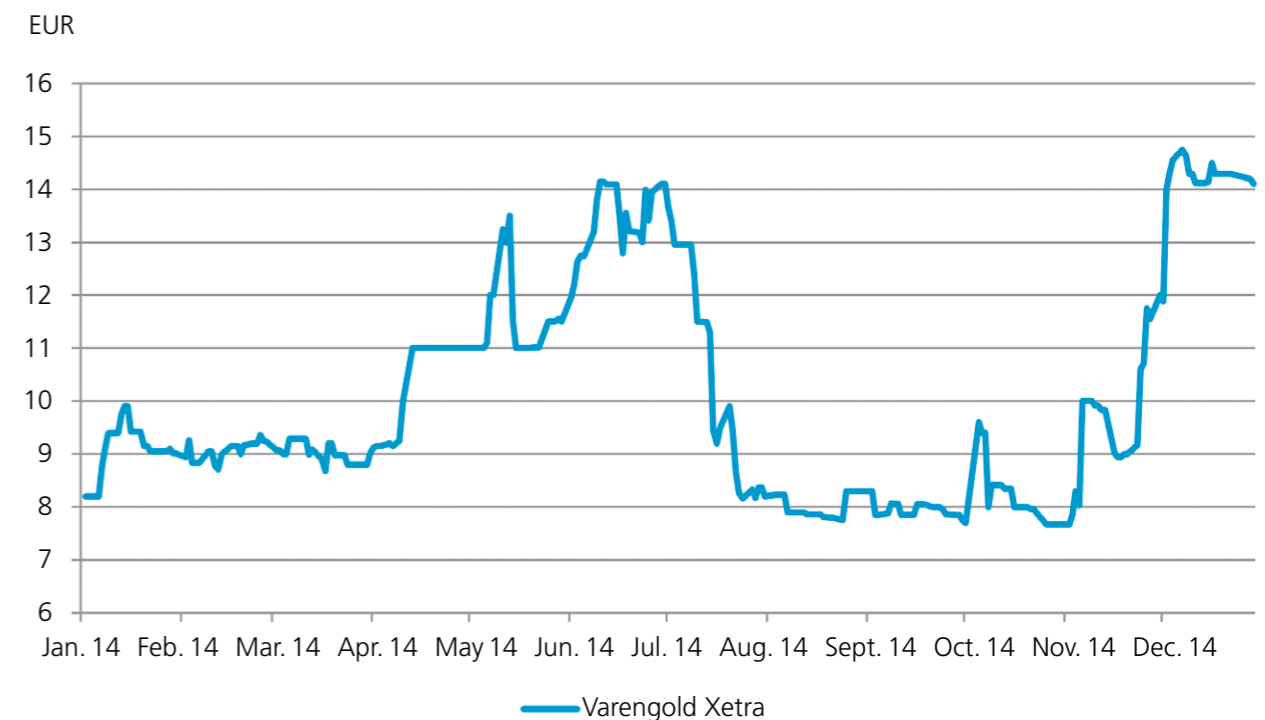
Despite the political and economic circumstances, numerous companies stepped onto the market floor in 2014. On the European scene, a study by PriceWaterhouseCoopers (PwC) found that there were 344 initial public offerings trading at a volume of close to 50 billion Euro by the end of November. This is another indicator of impressive growth of 84 % in comparison to 2013. Another study by Ernst & Young examined the global growth of initial public offerings and estimated the increase at a value of approximately 35 %.

Shares of Varengold Bank AG displayed themselves relatively unaffected by the market volatility in the first quarter of 2014. They started the year according to Xetra data at 8.20 EUR, mildly fluctuated during the first

three months and reached a maximum high of 9.89 EUR. The lateral movement ended in the middle of April with a clear increase which, apart from a few exceptions within the following three months, moved between a value of around 11.00 and 13.00 EUR. After a significant fall to the year's low point of 7.67 EUR on October 27, 2014, a stable increase with periodic volatile increases in value followed. By the end of November, the share prices recovered and reached at their peak a yearly high of 14.75 EUR on December 8, 2014. Varengold was able to maintain this level until the end of the year and eventually dropped to a value of about 10.00 EUR at the beginning of the second quarter in the month of July.

The average share price increased in comparison to reporting period 2013 from 7.364 EUR to 10.023 EUR. The average number of traded shares was 1,459.19 in 2014. The trading results per share grew in comparison to reference date December 31, 2013 from -2.28 EUR to +0.12 EUR to reference date December 31, 2014. The equity per share also demonstrated a clear increase of 4.41 EUR to 9.79 EUR (2013: 5.38 EUR).

Price history of Varengold Shares in 2014





Dear Shareholders,

The Supervisor Board would like to thank all customers, shareholders and business partners of Varengold Bank AG for their trust, as well as all employees and management for their personal and professional engagement in the development and processing of new business opportunities of Varengold Bank as a young deposit credit institute in business year 2014.

Cooperation between the Supervisory Board and the Board of Directors

The Supervisory Board of Varengold Bank AG concerned itself comprehensively with the business and strategic development of the Company in its four regular meetings. Over the entire business year 2014, the Supervisory Board fulfilled its responsibilities in accordance with statute and law, playing a monitoring and advisory supervisory role to the Board of Directors. We determined the monitoring objectives at the beginning of the year. In addition, outside of the regular meetings the Supervisory Board and the Board of Directors were in close contact in order to discuss strategic options and issues related to current business policy. In order to broaden our information base and our own impressions of the development of the Company, we also made independent inquiries of, for example, senior staff and external consultants. We therefore always remained up-to-date, receiving very current written information on the business status from the Board of Directors in addition to the detailed reports in the joint meetings on a monthly basis. The continuous, comprehensive and timely written and oral reports provided by the Board of Directors to the Supervisory Board complied with the requirements under Section 90 of the AktG (German Stock Corporation Act).

Supervisory Board Meetings in 2014

The four regular meetings of the Supervisory Board in 2014 took place on January 15, May 6, August 11 and November 11, 2014. All meetings took place with the participation of all Supervisory Board members and members of the Board of Directors. On January 14, May 5, July 14, August 12, November 10 and December 8 of 2014, a total of five information and working meetings took place in which all three Supervisory Board members participated.

In the meeting on January 22, 2013, the current situation of the Company, particularly the specific development of individual lines of business, was discussed. Furthermore, the prospects of the Company were discussed with regard to an extension to their license for deposit-taking during 2013.

Within the scope of the cooperative Supervisory Board/Board of Directors meetings, the Board of Directors provided the Supervisory Board with current written and oral reports on business policy, fundamental questions regarding the future management of the Company, the economic status (monthly transactions, including balance sheets, profit and loss statements, as well as economic evaluations and account balances), strategic development and the risk situation including analysis and risk management and made recommendations to the Board of Directors. The Supervisory Board was, in addition, always involved with the monitoring

of ongoing financial reporting processes and convinced of the effectiveness of the internal financial and control systems.

- At the meeting on January 15, 2014, the Board of Directors presented the performance of the preceding year, with a focus on individual deviations and specific occurrences, in addition to reporting on the current economic developments. Within the scope of the objectives planned for the year, the Supervisory Board and the Board of Directors discussed the projected results, the staff development plan, the forthcoming stock option program, as well as the compensation structure for senior management.
- The focus of the May 6, 2014 meeting was again the economic relationships, which were clearly explained to the Supervisory Board. Furthermore, Management's Report on the financial year 2013, the business and risk structure of Varengold Bank AG and the planned capital increase were reported on comprehensively.
- The meeting on August 11, 2014 again covered the economic situation, which was analysed and discussed in detail. The results of this discussion of the Advisory Board and the Board of Directors was the development of new perspectives of both new or expanded, concretely planned business models. The staff development program, which in the future will be the responsibility of the Board of Directors, was also presented and discussed. The current litigation, causes and perspectives for success were presented to the Supervisory Board in detail.
- In addition to the presentation, analysis and discussion of the economic situation, the meeting on November 11, 2014 focused on the presentation and discussion of expected revenue perspectives. Additional main agenda items were the topics of Director's and Officer's liability insurance, a discussion about the criteria to evaluate the reliability of bank Boards of Directors, a current report on the planned holdings structure, as well as a preview of the topics planned for extraordinary shareholder's meeting scheduled to take place on January 20, 2015.

According to law, Supervisory Board committees need to be larger than three members in order to form a quorum. Since the Supervisory Board in 2014 consisted of only three members, no committees were formed.

Granting the Audit Engagement to NPP Niethammer, Posewang & Partner

In the ordinary General Shareholder's Meeting on August 12, 2014, audit firm NPP Niethammer, Posewang & Partner, Hamburg, was appointed as auditors for financial year 2014. The appointment resulted from a shareholder vote in accordance with clear legal rules with regard to specifics of annual audits. We adhered to detailed standards regarding annual audits, areas of evaluation and the interaction of these standards.

Audit Committee Meeting on May 6, 2014

The annual auditor of the accounting firm NPP Niethammer, Posewang & Partner GmbH has audited the final annual financial report of Varengold Bank AG of December 31, 2014, consisting of balances, profit and loss statement and attachments and has furnished an unqualified auditor's opinion that the report is in accordance to required standards.

The auditor's report for financial year 2014, the annual report of the Board of Directors for business year January 1, 2014 to December 31, 2014, as well as the management's discussion and analysis for 2014 were provided to the auditing committee in a timely fashion for review and examination. The Supervisory Committee, together with the Board of Directors had an extensive discussion with the Auditing Committee on April 28, 2015 about the results of the audit, control and risk management as related to the accounting process and organisational issues. The auditors reported on the important results of the audit and answered questions. The representative of the auditors explained in particular that no conflicts of interest exist and no non-auditing services were performed. The auditors agreed upon the scope, focus and costs of the audit. All reports were discussed intensively at the Supervisory Board meeting in the presence of the auditors. The results of the audit were accepted by the Supervisory Board after their own review without objection.

On June 2, 2015, we received the final version of the audit report, the annual report and the management's discussion and analysis, each of which was not materially revised since the April 28, 2015 draft which was audited and furnished with the auditor's unqualified opinion that the annual financial report of Varengold Bank AG of December 31, 2014 meets statute Section 9 Paragraph 4 of the Varengold Bank AG company bylaws regarding circular resolution. The annual report of Varengold Bank AG's is therefore complete.

for the Supervisory Board
Hamburg, June 2, 2014



RA Hans J.M. Manteuffel
Chairman of the Supervisory Board

in accordance with the German Commercial Tax Code (HGB)
For the year ending December 31, 2014

Varengold Bank AG

Große Elbstraße 27
22767 Hamburg

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Varengold Bank AG, Hamburg

BALANCE SHEET as of December 31, 2014

Assets

	EUR	Business year EUR	Previous year EUR thousand
1. Cash reserves			
a) Cash on hand	59,64.45		0.9
b) Balances with Central Banks	15,349,053.43		4,127.3
- of which:		15,408,317.88	4,128.2
with the German Central Bank:			
15,349.1 EUR thousand (previous year: 4,127.3 EUR thousand)			
2. Claims on banks			
a) Repayable on demand	73,650,771.21		11,551.5
b) Other receivables	610,450.00		110.5
		74,261,221.21	11,661.9
3. Claims on customers		20,123,121.00	6,910.9
- of which:			
to companies on which an interest is held:			
1.0 EUR thousand (previous year: 848.3 EUR thousand)			
4. Bonds and other fixed-income securities			
a) Bonds and debt			
aa) from public issuers	35,500,705.65		19,188.5
- of which:			
with the German Central Bank:			
34,772.0 EUR (previous year: 19,000.0 EUR thousand)			
ab) from other issuers	7,500,000.00		0
		43,000,705.65	19,188.5
5. Shares and other variable-yield securities		1,508.00	1,150.3
5a. Trading portfolio		187,345,370.07	4,434.7
6. Shareholdings		450,976.03	286.2
7. Shares in affiliated companies		1,873,344.74	0
8. Trust assets		78,398.75	77.4
9. Intangible assets			
a) Expenses for start-up of business operations	0.00		0
b) Self-created industrial and similar rights and assets	58,898.00		241.2
c) Concessions acquired for a fee	413,483.00		680.2
		472,381.00	921.3
10. Fixed assets		496,272.50	419.7
11. Other assets		3,683,165.31	552.5
12. Accruals		3,689,079.57	764.4
13. Deferred tax assets		2,297,479.03	2,615.7
Total assets		353,181,340.74	53,111.6

Liabilities

	EUR	Business year EUR	Previous year EUR thousand
1. Liabilities to credit institutions			
a) Repayable on demand	3,530,756.28		0
b) With agreed maturity dates or periods of notice	20,000,000.00		17,600.0
		23,530,756.28	17,600.0
2. Liabilities to customers			
a) Other liabilities			
aa) Repayable on demand	273,920,007.30		22,592.9
ab) With agreed maturity dates or periods of notice	30,379,970.40		0
		304,299,977.71	22,592.9
2b. Trading portfolio		2,252,281.10	1,544.0
3. Trust liabilities		78,398.75	77.4
4. Other liabilities		3,978,236.80	701.7
5. Prepaid expenses and deferred charges		757,422.43	41.9
6. Accrued liabilities			
a) Provisions for taxes		0.00	72.2
b) Other provisions		1,206,443.92	945.1
7. Secondary liabilities		5,000,000.00	0
8. Funds for general banking risks		0.00	859.5
- of which allocations according to Section 340e, Paragraph 4 of the HGB EUR 0,00 (previous year: EUR 859.5)			
9. Share equity			
a) Subscribed capital		1,771,405.00	1,611.8
b) Capital reserves		15,554,868.80	12,523.0
c) Retained earnings			
ca) Legal reserve	1,700.00		1.7
cb) Reserves Section 269 Paragraph 2 of the HGB	16,700.00	18,400.00	16.7
d) Net loss		-5,266,850.05	-5,476.2
Total liabilities		353,181,340.74	53,111.6
10. Other liabilities			
a) Irrevocable loan commitments		699,300.70	0.00

Varengold Bank AG, Hamburg

PROFIT AND LOSS STATEMENT
for the Period from January 1, to December 31, 2014

	EUR	Business year EUR	Previous year EUR thousand		EUR	Business year EUR	Previous year EUR thousand
1. Interest income from				14. Income from attribution of shares, shares in affiliated companies and capital asset traded values	33,780.91	-166,449.88	7.0
a) Credit and money market transactions	536,108.37		261.3	15. Income from ordinary activities		530,081.42	-5,434.4
b) Fixed income securities and debt register claims	1,458,775.07		50.3	16. Taxes on income and earnings	-317,664.87		1,757.1
		1,994,883.44	311.7	17. Other taxes	-3,056.00	-320,720.87	-3.4
2. Interest expenses		-1,360,445.90	-187.2	18. Annual profit/loss		209,360.55	-3,680.7
		634,437.54	124.5	19. Loss from previous year		-5,476,210.60	-1,795.6
3. Current income from				20. Net loss		-5,266,850.05	-5,476.2
a) Shares and other variable-yield securities	26,942.15		77.2				
b) Investments	0.00		12.5				
		26,942.15	89.7				
4. Fee and commission income	5,639,473.13		2,102.4				
5. Fee and commission expenses	-661,762.90		-68.0				
		4,977,710.23	2,034.4				
6. Net earnings from trading portfolio	13,995,228.26		7,937.7				
7. Net expenses from trading portfolio	-5,324,945.11	8,670,283.15	-4,842.2				
- of which: Allocations according to section 340e, Paragraph 4 of the HGB 859.4 EUR thousand (previous year: 343.9 EUR thousand)							
8. Other operating income		226,099.07	58.7				
9. General and administrative expenses							
a) Personnel costs							
aa) Wages and salaries	-5,302,185.42		-3,837.0				
ab) Social security contributions and expenses for pensions and other employee benefits	-533,315.24		-448.4				
- of which: including for pensions 4.2 EUR thousand (previous year: 3.5 EUR thousand)	-5,835,500.66		-4,285.4				
b) Other administrative expenses	-6,942,453.07		-4,455.4				
		-12,777,953.73	-8,740.8				
10. Depreciation and amortization of intangible assets and property		-761,596.14	-978.2				
11. Other operating expenses		-50,174.21	-487.1				
12. Depreciation and value adjustments on receivables and certain securities and additions to provisions in lending business		-249,216.76	-405.1				
13. Depreciation and value adjustments on investments, shares in companies and assets traded securities	200,203.79		233.0				

NOTES

for the time between January 1, 2014
through December 31, 2014

1. General information

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

2. Accounting and valuation methods

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

In accordance with Section 248, Paragraph 2, of the HGB, the right to elect to use 2010 to 2012 development costs as internally generated intangible assets over the years, was activated. There were no further asset creations in financial years 2013 and 2014. The amortization of all intangible assets (EUR 181 thousand) is reported under "Depreciation and amortization of intangible and tangible fixed assets." The intangible assets are amortized over four years. The asset conversion of these accounting aids is also subject to the distribution block according to Section 268, Paragraph 8 of the HGB.

The distribution, in accordance with Section 268, Paragraph 8 of the HGB, is structured as follows:

	Book value EUR thousand	deferred tax liabilities EUR thousand	Blocked amount EUR thousand
Internally generated intangible assets and rights of use	59	19	40
Deferred tax liabilities			2,316
Total			2,356

Deferred tax liabilities arose from the capitalisation of internally generated intangible assets and from start-up and expansion expenses. This is offset by deferred tax assets in the amount of 2.316 EUR thousand from unused tax losses and write-downs made with non-permanent impairment. The deferred tax assets are subject to the distribution block. The Board expects the full use of the tax losses carried forward in the amount of EUR 7.134 thousand for corporate tax and EUR 7.219 thousand for commercial tax in the next five years. A tax rate of 32.275 % was used for the calculation.

The cash position and deposits in central banks are recorded at nominal value.

Claims to banks and customers were recorded at nominal value. To the degree required, possible counterparty risks were accounted for by the formation of specific valuation allowances. Bad debts were written off.

Bonds and other fixed-income securities and shares and other variable-yield securities are valued in accordance with the applicable rules for fixed assets at cost, less any value impairments to the lower fair value.

According to Section 340e, Paragraph 3, Sentence 1 of the HGB, financial instruments held for trading are measured at fair value, less a risk discount. On this basis (asset and liability), any open trading positions in the FX and CFD business are measured and recognised at fair value.

The fair value, according to Section 255, Paragraph 4, Sentence 1 of the HGB, is the market price of the financial instrument because there is an active market for all FX and CFD positions of Varengold Bank AG.

The risk premium is determined using the VaR method with a 99% confidence level, 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 December 31, 2014, the risk premium of EUR 47 thousand (December 31, 2013), was adjusted by EUR 116 thousand (December 31, 2014) and trade expense of EUR 69 thousand was reported according to Section 340c Paragraph 1 of the HGB.

Investments are valued in accordance with the applicable rules for fixed assets at cost, less any value impairments to the lower value.

The evaluation of customer funds resulting from fiduciary liabilities is based on the redemption amount, which is equal to the nominal value of the properties held as collateral, in particular with brokers and banks assets. Customer deposits are recorded in a separate account.

Purchased software is recognized under intangible assets, and tangible assets classified as assets are measured at amortized cost less scheduled depreciation. The fiscal depreciation rates are always used as a basis (asset depreciation).

Other assets are stated at their nominal value.

In the prepaid expenses, pursuant to Section 250, Paragraph 1 of the HGB, an earned premium was booked due to the purchase of bonds at a market value in excess of the nominal value (EUR 734 thousand). The remainder constituted declared prepaid charges for insurance, seminars, rent and other contributions.

Liabilities are carried at their settlement amount.

Accruals and deferred income (mainly interest received in advance) are reported in accordance with Section 250, Paragraph 2 of the HGB.

Provisions are measured at the amount expected to become payable in accordance with reasonable commercial judgment. All provisions have a term of less than one year.

According to Section 340e, Paragraph 4, Sentence 1 of the 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 340 of the HGB. According to Section 340e, Paragraph 4, Sentence No. 2 of the 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 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. To balance the previous year's loss, the right to liquidate special items, according to Section 340e Paragraph 4 Sentence 2 Number 3 of the HGB was exercised in 2014.

In the reporting year an evaluation unit, according to § 254 of the HGB was formed. On the balance sheet, micro-hedge units, comprised of a portion of investment assets (book value EUR 50 million) and the corresponding address selection and market price risk safeguarded total return swap, were reported using the so-called net hedge presentation method.

The irrevocable loan commitments and other financial obligations are reported in their nominal amounts.

Income and expenses are reported on an accrual basis.

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

3. Currency conversions

The amounts under "Commission income," "Net trading income" and "Net expense in the trading portfolio" are, to a considerable extent, due to foreign currencies: U.S. dollar (USD), Swiss francs (SFR), British pound (GBP), Japanese Yen (JPY), Arabic dirham (AED), Australian dollar (AUD) and the Canadian dollar (CAD). During the year, cash-settled income with the current exchange rates was booked in the profit and loss statement. The resulting foreign currency balances were converted on the following reference dates at the following closing rates in Euro in accordance with Section 256a of the HGB:

1 EUR = USD 1.2141
 1 EUR = CHF 1.2024
 1 EUR = GBP 0.7789
 1 EUR = JPY 145.23
 1 EUR = AED 4.4644
 1 EUR = CAD 1.4063
 1 EUR = AUD 1.4829

Gains or losses from foreign currency exchanges are included in the profit and loss statement and reported in net interest income in accordance with Section 340h of the HGB.

On December 31, 2014, the following balance sheet items were recorded in foreign currencies:

Balance Sheet Items	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Cash reserves	56	0
Claims on banks	32,280	4,696
Customer receivables	3,600	2,475
Shares and other variable-yield securities	0	145
Shares in affiliated companies	106	0
Income from shareholding	1,599	0
Trust assets	78	28
Other assets	1,091	92
Prepaid expenses	294	30
Liabilities to banks	3,531	0
Liabilities to customers	55,209	8,536
Trust liabilities	78	28
Other liabilities	832	78
Deferred income (liabilities)	12	42
Reserves	369	181

Changes in the value of the closing rate of converted trust assets shall be in the favor or to the detriment of the trustor.

4. Notes to the Balance Sheet

4.1 Overall Disclosures

4.1.1 Relationships with companies in which an investment is held and to shareholders

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Customer receivables	20,123	6,911
of which with companies, in which an investment is held	1	848

In positions which involve claims against Varengold Investment Corporation with its sub-fund (EUR 1 thousand).

4.1.2 Breakdown by remaining maturity

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Claims on banks	74,261	11,662
to three months	74,261	11,662
Customer receivables	20,123	6,911
to three months	3,614	1,174
more than three months to a year	2,104	5,388
more than a year to five years	8,580	287
more than five years	5,825	62
Liabilities to banks	23,531	17,600
to three months	23,531	17,600
Liabilities to customers	304,300	22,593
to three months	273,920	22,593
more than three months to a year	29,914	0
more than a year to five years	466	0

Except for loans to customers from the lending business in the amount of USD 3.3 million (maturity more than a year to five years), all loans to customers that are denominated in foreign currency are due on demand.

4.1.3 Securities

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

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Bonds and other fixed-income securities	35,501	19,188
Listed	35,501	19,188
Securities and other variable securities	1	2
Listed	1	2

4.1.4 Shares in Investment Funds

The portion of the domestic and international alternative investment funds in the trading portfolio constitute more than 10% combined. The book value has a market value of EUR 52.9 million. Since these are reinvestment funds, there were no distributions in 2014. A refund of the shares is possible on a monthly basis at the end of each month.

4.2 Post-individual disclosures

4.2.1 Receivables and liabilities to customers

The customer receivables consist primarily of collateral loans as well as commissions.

The liabilities consist of call deposit accounts (EUR 137 million), transfer accounts (EUR 103 million), margins from the CMB business (EUR 34 million) as well as fixed-term deposits (EUR 30 million) combined.

4.2.2 Bonds and other fixed-income securities

This position contains exclusively European government bonds, total reserves of which were EUR 171 thousand on the reference day.

4.2.3 Investments

Varengold Bank AG holds the following unlisted shareholdings:

Company	Ownership interest	Book value	Owner's equity 31 December 2014	Results 2014
	%	EUR thousand	EUR thousand	EUR thousand
ALGAS Farming & Marketing GmbH, Langenfeld (Rheinland) ¹⁾	51.00	13	23 ¹⁾	-2 ¹⁾
Peer Dealer Limited, Berkeley, United Kingdom ²⁾	35.00	156	-2 ²⁾	-2 ²⁾
Draco Capital Markets, Inc., New York, USA	100.00		-57 ³⁾	-111 ³⁾
Hanseatic Brokerhouse Securities AG, Hamburg	75.00	58	1,635 ¹⁾	1,621 ¹⁾
HPI Securities & Futures Limited, Hong Kong	100.00	1,710	8,767 ⁴⁾	-830 ⁴⁾
Lava Trading Ltd., Valletta, Malta	49.79	11	0 ⁵⁾	-20 ⁵⁾
Varengold Investment Stock Company and Sub-fund, Hamburg	48.99	190	448 ⁶⁾	135 ⁷⁾
VirtuFX GmbH i.G., Hamburg	50.01	150	25 ⁸⁾	0 ⁸⁾

1) Preliminary equity as of December 31, 2014

2) Information not yet available

3) Stated in USD based on preliminary information available December 31, 2014

4) Stated in HKD based on information available March 31, 2014 (financial year)

5) Financial statements from March 31, 2014 (financial year)

6) Company assets as of November 30, 2014 (financial year)

7) Results as of November 30, 2014 (financial year)

8) Opening balance on July 14, 2014

Varengold Investment Stock Company and Sub-fund issued Varengold Enhanced Fund Corporate shares solely for the sub-fund. The capital of this part of the Company's assets amounted to EUR 448 thousand on November 30, 2014. Varengold Bank AG claimed compensation with respect to this participation.

Hanseatic Brokerhouse Securities AG holds shares in Varengold Bank AG in the amount of 2.94 % on the reference day.

4.2.4 Gross Fixed Assets

	Purchase costs			Depreciation			Book value	
	01 January 2014	Sources 2014	Uses / Reclassification 2014	Accumulated	Sources 2014	Uses 2014	31 December 2014	31 December 2013
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Intangible assets								
Internally generated industrial and similar rights and assets	2,398	0	0	2,339	182	0	59	241
Concessions, industrial and similar rights and assets, and licences to such rights and assets	1,884	150	294	1,327	415	292	413	680
Tangible assets	1,338	308	120	1,030	164	52	496	420
Total	5,620	458	414	4,696	761	344	968	1,341
Change^{*)}								
Notes and other fixed-income securities			23,813				43,001	19,188
Shares and other variable-yield securities			-1,148				2	1,150
Investments			165				451	286
Shares in affiliated companies			1,873				1,873	0

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

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

The accruals in financial year 2014 are mainly attributable to investments in fixed-income securities and the acquisition of shares of affiliated companies.

4.2.5 Trading Portfolio

The trading portfolio is comprised of the following:

Assets	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Derivative financial instruments		
Trading portfolio assets FX	2,216	1,839
Trading portfolio assets CFD	3,095	2,643
Sub-total	5,311	4,482
Trading portfolio securities	129,237	0
Trading portfolio fund shares	52,913	0
Risk discount	-116	-47
Total	187,345	4,435

Liabilities	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Trading portfolio liabilities FX	1,108	113
Trading portfolio liabilities CFD	1,144	1,431
Total	2,252	1,544

According to Section 340e, Paragraph 3, Sentence 1 of the HGB, financial instruments held for trading are measured at fair value, less a risk discount.

Fair value, pursuant to Section 255, Paragraph 4, Sentence 1 of the HGB, is the market price of the financial instrument because there is an active market for all FX and CFD positions of Varengold Bank AG.

4.2.6 Trust Assets and Liabilities

Trust assets and trust liabilities include interests held under the commission agreements client funds.

The trustee-administered client funds were held in U.S. dollars based on each transaction.

Trust assets are divided into the following asset positions:

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Claims on banks	78	77

The trust liabilities are divided into the following liability positions:

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Liabilities to customers	78	77

Trust assets and trust liabilities are solely attributable to the Capital Markets Brokerage division.

4.2.7 Other Assets

This position includes receivables from detection agents (EUR 1,025 thousand), receivables from a not-yet mature sale of funds (EUR 801 thousand), receivables from customers in loyalty programs (EUR 258 thousand), receivables from tax over-payments (EUR 850 thousand), interest receivables from fixed-income securities (EUR 850 thousand), receivables from internal money transfers (EUR 287 thousand) and receivables from paid deposits (EUR 76 thousand).

4.2.8 Deferred Tax Liabilities

Deferred tax liabilities were recorded for the following items on December 31, 2014:

	Trade balance EUR	Tax balance EUR	Difference EUR	Tax rate %	Deferred tax assets EUR	Deferred tax liabilities EUR
Loss carried forward						
- Corporate tax	0.00	7,133,522.04	-7,133,522.04	15.825	1,128,879.87	
- Trade tax	0.00	7,218,859.49	-7,218,859.49	16.450	1,187,502.39	
Self-generated intangible assets	56,545.50	0.00	56,545.50	32.275		18,250.06
Usage rights	2,352.50	0.00	2,352.50	32.275		759.27
Shares / Securities	1,508.00	1,836.75	-328.75	32.275	106.10	
					2,316,488.36	19,009.33
Active / passive deferred tax balance						2,297,479.03

The tax rate of 32.275 % is composed of corporate tax (15.0 %), a solidarity surcharge (0.825 %) and trade tax (16.45%) combined.

The recognition of deferred tax assets is a business plan for a substantial capital increase based on tax losses that is expected within the forecasted period 2015-2019.

4.2.9 Other liabilities

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

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Liabilities from provision of services	2,241	389
Liabilities from bonus programs	258	182
Internal money transfer	0	66
Other liabilities	1,371	3
Liabilities from wages and salaries	8	1
Wage tax liabilities	95	58
Liabilities for social security	2	1
Liabilities for current year's sales tax	3	2
Total	3,978	702

The liabilities from provision of services includes mainly not-yet mature receivables, outstanding commission payments to cooperating partners for services provided, outstanding purchase payments for the share of an affiliated company. Claims for dividends is included in other liabilities.

4.2.10 Other provisions

This line item is comprised of the following:

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Personnel costs	0	123
Annual provisions	138	0
Vacation accrual	299	43
Outstanding invoices for IT services	21	28
Audit and annual report costs	166	44
General Shareholders' Meetings	35	35
Temporary employment	12	0
Storage costs	5	5
Professional association fees	10	10
Reserves for BaFin	11	37
DATEV costs	1	0
Prime brokerage fees	14	43
Legal and consulting fees	115	449
Goodwill payments	0	20
Commissions	344	63
Marketing	0	22
Rental costs	2	23
Insurance	4	0
Other	29	0
Total	1,206	945

4.2.11 Subordinated debt

On August 19, 2014 Varengold Bank AG issued additional Tier-1 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 previous 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 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 EUR 9 thousand on December 31, 2014 and is reported under other provisions.

On December 31, 2014 the outstanding additional Tier-1 bonds were the following:

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

4.2.12 Share equity

Fully paid-up share capital (EUR 1,771 thousand) is divided into 1,771,405 no-par value registered shares. The capital reserve (EUR 15,555 thousand) comes mainly (EUR 5,371 thousand) from the capital increase that occurred in the first half of 2012, and from the capital increase in the second half of 2013 (EUR 3,352 thousand). In 2012, 133,100 new shares at a premium of EUR 40.35 per share were issued. In 2013, new shares were issued at an amount of 146,397 at a premium of EUR 22.90 per share, as well as the issuance of 159,571 new shares at a price of EUR 19.00 per share.

The Board of Directors was authorized in an Annual General Meeting resolution on January 15, 2014 to increase the share capital of the Company by July 15, 2014, with the approval of the Supervisory Board on one or on successive occasions, up to a total of EUR 162,183.00 through new issues of up to a total of 161,183 new bearer shares with no-par value (unit shares), with a pro rata share of the share capital of EUR 1.00 each, to raise denominated shares with no-par value of respectively EUR 1.00 against cash or contributions in kind (authorized capital). During the first half of 2014, the 159,571 par-value bearer shares were issued under exclusion of subscription rights of existing shareholders as a part of this authorization.

In an Annual General Meeting resolution on August 8, 2012, the Board of Directors was authorized to issue, by August 7, 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 an amount of share capital of up to EUR 488,174.00, 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 August 8, 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.

In an Annual General Meeting resolution of August 8, 2012, according to Section 4, Paragraph 8 of the Articles of Association, there is a further increase in conditional share capital. The share capital is 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 as the holders of stock options issued pursuant to the resolution of the Annual General Meeting August 8, 2012, under the stock option program of 2012, in the period up to August 8, 2017 (inclusive) of the Company, 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.

According to the 2012 share distribution, up to a total of 95,000 stock options could be distributed to members of the Board of Directors, as well as an additional up to 45,000 stock options to selected management and other service providers of the company. Each stock option contains the option to purchase the share of Varengold Bank AG stock at the exercise price. The exercise price for one share of Varengold Bank AG stock; the stock received by exercising the options, is the mathematical mean of the closing price of Varengold stock trading on Xetra on the previous thirty stock exchange trading days before the distribution of the stock options (strike/exercise price).

The distribution of the options will occur in at least three yearly installments, whereby no installment 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. The exercising of subscription rights only possible within seven years after the distribution of stock options outside the blocking periods and provided that the price of Varengold Bank AG stock trading on the Xetra within the previous thirty trading days before the exercising of the options increased by at least 30% over the exercise price.

The Supervisory Board was authorised in the Annual General Meeting to make a stock option offer in the financial year 2014 to current Board members Yasin Sebastian Qureshi, Steffen Fix, Mohammad Hans Dastmaltchi and Dr. Bernhard Fuhrmann, as well as management personnel Lukas Diehl and Sören Bech, which was accepted. Within the scope of its authorization, the Supervisory Board decided to distribute 12,000 stock option shares to Mr. Qureshi, 9,500 stock option shares to Mr. Fix, 9,500 stock option shares to Mr. Fuhrmann, 9,500, as well as 5,625 stock option shares to Mr. Diehl and 5,625 stock option shares to Mr. Bech. The stock options were documented and held in trust by Varengold Bank AG.

5. Notes to the profit and loss statement

5.1 Interest income

Interest expenses are currency exchange gains in the amount of EUR 97 thousand (previous year: exchange loss EUR 40 thousand).

The interest income is derived mainly from fixed-income securities, as well as income from currency differences and interest income from loans. Interest payables is comprised mainly of interest on customer deposits (on-demand, fixed rates and term deposits), as well as losses from currency differences and interest obligations from business on the open market.

5.2 Income from shares and other fixed-income securities and equity investments

Income from shares and other fixed-income securities, income from shares and investment funds are included.

5.3 Fee and commission income / expenses

Commission income includes fees from the Capital Markets Brokerage division and the Banking division, as well as income from the Asset Management division. Fee and commission expenses relate mainly to management fees from the Asset Management business.

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Fee and commission income	5,640	2,102
Commission expenses	662	68
Commission surplus	4,978	2,034

5.4 Net income / expense in the trading portfolio

According to Section 340c, Paragraph 1, Sentence 1 of the HGB, the following income and expenses are included in the net result of the trading portfolio: Valuation losses and valuation gains of trading positions, commission income and commission expenses related to trading positions (e.g. expenses for sales partners), risk deductions and booking to the special line item "funds for general banking risk."

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Net income in the trading portfolio	13,995	7,938
Net expenses in the trading portfolio	5,325	4,842
Net results in the trading portfolio	8,670	3,096

5.5 Other operating income

Other operating income was primarily generated from services to third parties and from the reversal of provisions.

5.6 Personnel costs

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Wages and salaries	5,302	3,837
Social benefits	529	445
Expenses for pensions and other benefits	4	3
Total	5,835	4,285

The increase in personnel expenses resulted mainly from the newly-hired employees.

5.7 Other Administrative Expenses

	31 December 2014 EUR thousand	31 December 2013 EUR thousand
Cost of operating premises	759	494
Contributions and insurance	107	125
Vehicle expenses including leases (excluding road tax)	143	141
Advertising, entertainment, travel expenses	579	966
Maintenance of office equipment, hardware and software	1,358	945
Communications expenses	340	233
Office supplies, magazines, training	156	70
Consulting, accounting and auditing costs	2,155	1,103
Other management costs	1,345	378
Total	6,942	4,455

The total expenditures for the auditing for the business year were EUR 144 thousand. This total was comprised of EUR 128 thousand for controlling services, EUR 9 thousand for tax consulting services and EUR 7 thousand for other services.

6. Other Information

6.1 Institutions

6.1.1 Supervisory Board

Herr RA Hans J. M. Manteuffel Independent Attourney	Chairman
Herr Willi Müller Chartered Accountant	Vice Chairman (until August 8, 2014)
Herr Prof. Peter Andree Professor TU Hamburg-Harburg	Vice Chairman (since August 8, 2014)

Mr. Manteuffel is also Vice Chairman of the Board of Volksbank eG Mönchengladbach, Mönchengladbach and is Vice Chairman on the Supervisory Board of Algas Farming & Marketing GmbH, Langenfeld. The other members of the Supervisory Board have not accepted other appointments to statutory supervisory boards or comparable control bodies according to the definition of Section 125, Paragraph 1, Sentence 3 of the AktG.

6.1.2 Board of Directors

Mr. Yasin Sebastian Qureshi Capital Markets, Corporate Development, Legal, IT, Asset Management, Sales CMB	Chairman
Mr. Steffen Fix Personnel, Business Development	
Mr. Mohammad Hans Dastmaltchi Capital Markets, Trading & Sales CMB, Marketing	
Mr. Dr. Bernhard Fuhrmann Risk Management, Finance, Operations, Credit Processing, Compliance, Financial Control and Internal Auditing	
Mr. Frank Otten Commercial Banking, Treasury	

Mr. Yasin Sebastian Qureshi and Mr. Steffen Fix are authorized representatives of The Company. Mr. Mohammad Hans Dastmaltchi, Dr. Bernhard Fuhrmann and Mr. Frank Otten are authorized representatives jointly with another member of the board or an authorized officer.

Mr. Qureshi is, in addition to his duties as CEO of Varengold Bank AG, the Chief Executive in the Varengold Investment Stock Company and Sub-Fund, Hamburg, and holds a position as a member of the Supervisory Board of the Hanseatic Brokerhouse Securities AG, Hamburg until February 4, 2015 and changed effective on February 4, 2015 to the Supervisory Board of the Company. In addition to his duties as a board member at Varengold Bank AG, Mr. Fix was also on the Board of Varengold Investment Stock Company and Sub-Fund, Hamburg. Mr. Dastmaltchi, in addition to his office as director of Varengold Bank AG, is on the Supervisory Board of Varengold Investment Stock Company and Sub-Fund, Hamburg. Dr. Fuhrmann is, in addition to his office as director of Varengold Bank AG, active Chairman of the Supervisory Board of Hanseatic Brokerhouse Securities AG, Hamburg and is since February 4, 2015 on the Board of the Varengold Investment Stock Company and Sub-Fund, Hamburg. In addition to his activity as a Board member of Varengold Bank AG, Mr. Otten is also CEO of Arensburg Corporate Consulting UG, Molfsee and is a member of the Advisory Board of KERNenergie GmbH, Hamburg. In addition, he is Chairman of the Supervisory Board of Algas Farming & Marketing GmbH, Langenfeld, since January 15, 2015.

6.1.3 Remuneration and loans

The total remuneration of the Board of Directors in the period January 1, 2014 to December 31, 2014 was EUR 1,490 thousand (previous year: EUR 1,086 thousand). This contains, as in the previous year, exclusively success-independent components.

The members of the Supervisory Board received, for their activities from January 1, 2014 to December 31, 2014, a total remuneration of EUR 139 thousand (December 31, 2013: EUR 113 thousand). This total contains net remuneration in the amount of EUR 113 thousand (previous year: EUR 91 thousand).

At the reporting date, credit claims against the Board amounted to EUR 424 thousand (previous year: EUR 178 thousand). These are with interest of 3.3 to 5.0 % per annum in the period January 1, 2014 to December 31, 2014 and repayments in the amount of EUR 30 thousand.

Furthermore, as of the balance sheet date, credit claims against the Board were in the amount of EUR 41 thousand (previous: EUR 41 thousand).

6.2 Employees

The average number of staff employed on December 31, 2014 totaled 74 (previous year: 57), of which 23 (previous year: 18) were female. With the exception of twelve employees, all staff work in Germany.

6.3 Memberships

Varengold Bank AG has been a 2013 member of the German Banks Compensation Scheme GmbH (EdB) of Berlin since receiving its commercial banking license in June. Until the license was issued, Varengold Bank AG was a Member of the Securities Trading Companies Compensatory Fund (EdW) of Berlin.

6.4 Disclosure

Varengold Bank AG has published a Disclosure Report as at December 31, 2012 pursuant to Section 26 of the Banking Act, in conjunction with Section 319 onwards on Declared Solvency.

Other financial liabilities in the amount of EUR 1,088 thousand (Dec 31, 2012: EUR 1,335 thousand) includes all liabilities from rental and leasing contracts.

6.5 German Corporate Governance Code

Varengold Bank AG (ISIN DE0005479307) has been listed in the Entry Standard of the Frankfurt Stock Exchange since March 20, 2007. 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.

Free and Hanseatic City of Hamburg, April 24, 2015

Varengold Bank AG



Yasin Sebastian Qureshi



Steffen Fix



M. H. Dastmaltchi



Dr. Bernhard Fuhrmann



Frank Otten

A. BUSINESS AND GENERAL CONDITIONS

1. The Operating Environment

Although it has been six years since the historically meaningful Lehman financial crisis, the basic mistrust of the financial market has grown and left palpable indications of caution on the part of the investors, even today. After periods of this type of crisis, the demand for liquidity is high. The inflation rate in Europe decreased. This sinking inflation gave the European Central Bank latitude to further loosen its monetary policy. The interest rates settled at a low level and the focus of regulation of the banking sector, in particular with respect to topics of capital and debt, increased. Global economic growth in 2014 remained at 2.6% at the level of the previous year. In general the leading Asian economies and the USA grew and spurred an economic recovery, while the development of the Euro zone displayed modest growth. Increasing private consumption and a no longer faltering fiscal policy generated growth in both large countries. Last year the Euro zone was confronted with significant trouble spots, such as for example the Russian attack on the Ukraine early in the year. With this behaviour in violation of international law and the attack on East Ukraine, Russian President Putin seriously damaged the European transnational trust and laid the cornerstone for a budding recession in his own country. These political events canalized the awareness of people and in the meantime curbed the capital investment boom in parts of Europe. This also created further strains on the labour market and led to a light reduction in unemployment. A positive development however, was the growth of the German economy, reaching a growth rate of approximately 1.5 % compared with the previous year and with a reasonably low unemployment rate within Europe. The growth in countries which had already been plagued by recession, Portugal and the Netherlands reported somewhat less growth. Growth rates in France, Austria, Finland and Italy were moderate to limited. The growth rates in Great Britain, Poland, the Czech Republic, Sweden and Switzerland experienced considerably faster than European average growth.

The yields on government bonds in European countries sank and reached extraordinary low values. Significant tensions arose in the financial and capital markets within the emerging economies at the beginning of the year, which led to investors withdrawing capital due to perceived risks and thereafter diverse currency devaluations. The exchange rate of the Euro lost value against some foreign currencies. The results against the US Dollar and the British Pound as of the middle of 2014 were particularly evident. In contrast, the situation in Russia was completely different. The withdrawal of foreign capital due to political conflict led to a massive increase in the yields for government bonds.

The monetary policy in developed economies was always expansive. For the first time ever, the European Central Bank left the deposit rate of interest for banks for the year at a negative 0.2 % by, among other actions, lowering the prime rate to 0.05 % in the third quarter of 2014.

The financial market continues to confront banks with numerous regulatory plans and reform measures. A central concept is, for example, the revision of the jumbo loan guidelines, as well as the multiple revisions of the minimum requirements for risk management regulations (MaRisk) document.



2. The Development of Varengold Bank AG

Varengold Bank AG invested heavily in the growth of the Bank in financial year 2014 to achieve solid development. All business areas were responsible for generating an overall satisfactory and balanced performance of the bank and the business operations.

The volatile operating environment of the global financial markets again exerted its influence on the business activities of the bank and reiterated the need for a massive capital resource foundation. The year 2014, therefore started with an Extraordinary Shareholder's Meeting on January 15, 2015 in Hamburg. At this meeting the shareholders voted to increase the equity against cash contributions under exclusion of the prescription right. Based on this decision, 159,571 no par-value bearer shares were offered at a price of 20.00 EUR per share in May 2014. This led to an influx of 3,191,420.00 EUR. The funds flowed fully into the business and were used to further develop existing business opportunities.

On August 12, 2014 the ordinary General Shareholder's Meeting of Varengold Bank AG took place in Hamburg. At this meeting the Board of Directors, with a majority vote of 99.97%, and the Supervisory Board, with a majority vote of 99.96% were both exonerated from liability for financial year 2013. In addition, the auditors NPP Niethammer, Posewang & Partner GmbH were elected for financial year 2014 with a majority vote of 99.99%. Furthermore, the acting members of the Supervisory Board were elected for an additional term in office with 99.99% of the vote of the company membership. The Shareholders also decided to end a variable remuneration plan for business leaders and employees that could lead to up to 200% of the fixed-salary of each business leader or employee.

In the middle of the third quarter Varengold successfully issued so-called "CoCo bonds" (Contingent Convertible Bonds) with a total value of EUR 5 million and placed them all with one business partner. Issued CoCo bonds provide an opportunity to write down or write up subordinated bonds. Whereas large European banks have been accustomed to issuing such bonds, Varengold was one of the few German banks to also utilize this instrument.

In the fourth quarter Varengold Bank acquired 100% shares in a Hong Kong company which, due to its existing broker-dealer license, was able to be integrated directly into the Varengold Group. The company name has been changed to "Varengold Capital Securities Limited" as the acquisition was based upon previously announced expansion goals. In the Capital Markets Brokerage division, the priorities were development and strengthening of internal sales on the global financial markets, with a focus on the institutional customer base. Due to external influences, this division had to struggle with considerable negative results on a monthly basis during this past year. On a yearly basis, the existing market volatility led to a palpable increase in trading activity and an increasing number of new deposits in comparison with the previous year.

The business area Commercial Banking, which focused its efforts on the development of business relationships with numerous domestic and international business customers, developed very satisfactorily. The treasury division introduced the cost-free deposit account for private customers at the beginning of the year. After the positive reception of the introduction of this Varengold product, a cost-free fixed-term deposit account was also introduced at the end of the year.

The entire Capital Markets division, which was established after a restructuring in November 2014 and includes the Asset Management area, demonstrated a modest development over the course of the year. While the Asset Management division started the year off sluggishly, it was able to deliver satisfactory results by the middle of the year. On one hand, the increasing stock prices supported the administrative yields from customer accounts and emphasized larger investments in assets classes associated with more risk, but potentially higher returns. On the other hand, due to the partially calm market activities, the frequency of portfolio turnover declined, leading to a reduction in trading intensity which was accompanied by a reduction in the Bank's commission results.

The total 2014 results are based upon a series of factors. In addition to the individual business area activities, the results since the reception of the authority to operate as a deposit credit institution in Fall of 2013 which was essential for the development of the Bank, have been burdened by considerable administration efforts throughout the Bank. Many of these administration positions have a unique character and serve the strategic new orientation of the Bank.

B. COMPANY POSITION

1. Asset Position

In 2014 total assets increased six-fold from EUR 53,112 thousand to EUR 353,181 thousand. The increase in total assets is primarily due to growth in fixed-income securities of EUR 153,050 thousand. Of these fixed-income securities total, EUR 129,237 thousand are assigned to the trading portfolio. In addition the claims on credit institutions grew to EUR 62,599 thousand and fund investments to EUR 52,913 thousand.

Asset and capital structure

The asset and capital structure compared to the previous year:

Assets	31 December 2014	31 December 2013	Change
Short-term receivables (< 1 year)	82.8 %	58.0 %	24.8 %
Mid-term receivables (1 to 5 years)	2.4 %	0.5 %	1.9 %
Long-term receivables (> 5 years)	1.6 %	0.1 %	1.5 %
Equity ownership / shares in affiliated companies	0.7 %	0.5 %	0.2 %
Fixed assets	12.4 %	40.8 %	-28.4 %

Debt / Capital	31 December 2014	31 December 2013	Change
Short-term exposures (< 1 year)	93.7 %	82.0 %	11.7 %
Mid-term exposures (1 to 5 years)	1.4 %	0.0 %	1.4 %
Long-term exposures (> 5 years)	1.4 %	0.0 %	1.4 %
Other accounts	0.0 %	1.6 %	-1.6 %
Share equity	3.5 %	16.3 %	-12.9 %

The equity ratio – in view of the accounting for deferred tax assets amounting to EUR 2.3 million (previous year EUR 2.6 million) - is about 3.4 % (previous year about 18 %). This decrease is due to the 2014 regulatory requirements regarding the reporting of equity ratio and the newly-issued Contingent Convertible Bonds (so-called CoCo bonds; subordinate bonds which are seen by the regulations as hard equity). The core capital ratio was 11.8 % and declined to 23.5 % by the end of 2013, mainly due to the increase in risk-weighted assets (overall risk position). The overall risk position at the end of 2014 was EUR 133.9 million.

In addition to the obligations to customers (EUR 304,300 thousand; previous year: EUR 22,593 thousand), reported by the Company in point 4.2.1 in the Notes, there are also obligations to credit institutions

(EUR 23,531 thousand, previous year: EUR 17,600 thousand) as well as other obligations to our suppliers and business partners (EUR 3,978 thousand; previous year: EUR 702 thousand) and accrued liabilities with a balance of EUR 1,206 thousand (previous year: EUR 1,017 thousand). In the year 2014, the Company recorded subordinated bonds in the amount of EUR 5,000 thousand for the first time. The short-term debt (commitments and accrued liabilities) exceed the short-term assets.

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 losses are expected within the next five years. As a supportive measure to achieve sustainable profitability during this period, an increase of equity in the amount of approximately EUR 3.5 million is assumed for the 2015 financial year.

Total intangible assets amounting to EUR 57 thousand are recognized (previous year: EUR 241 thousand), which are amortized over four years. The block on distribution, after the deduction of deferred tax liabilities and attribution of the reported backlog of deferred tax assets, is EUR 2,356 thousand (previous year: EUR 2,857 thousand).

In accordance with voting rights outlined in Section 340e Paragraph 4, Sentence 3 of the HGB were made use of to dissolve funds for general bank risks in the amount of EUR 859 thousand.

2. Financial Position

The financial statements for 2013 are used to make the following cash flow statements necessary for business administration (SG), prepared in accordance with the rules of the German Association for Financial Analysis and Asset Management (DVFA) / Schmalenbach Society:

Varengold Bank AG, Hamburg	2014	Previous year	Change
<i>Cash Flow Statement 2014</i>	in EUR thousand	in EUR thousand	in EUR thousand
Annual result	209.3	-3,681	3,899.9
+/- Depreciation / Write-ups of fixed assets	928.4	1,129	-201.0
= Cash Flow as per DVFA / SG	1,137.7	-2,552	3,688.9
+/- Increase / Decrease in trading portfolio	68.7	-125	193.8
+/- Increase / Decrease in banking provisions for risks	249.2	0	249.2
+/- Increase / Decrease in funds for general banking risks	-859.5	344	-1,203.4
- Income from the dissolution of accruals	-144.2	0	-144.2
+/- Deferred income taxes, net	318.2	-1,757	2,075.0
= Cash flow adjusted for non-cash expenses / income	770.1	-4,090	4,859.3
-/+ Profit / Loss from the disposal of fixed assets	0	-77	76.8
+/- Increase / Decrease in reserves	333.5	439	-105.3
-/+ Increase / Decrease in loans and advances to customers, usual assets and other assets	-19,517.1	-6,092	-13,425.3
+/- Increase / Decrease in loans and advances to customers, usual liabilities and other liabilities	285,699.5	21,225	264,474.2
+/- Change in net trading assets	-182,271.1	-774	-181,497.4
+/- Increase / Decrease of shares and other non-fixed interest securities	948.5	-670	1,619.0
+/- Increase / Decrease in debt securities	-23,812.2	-19,188	-4,623.8
+/- Increase / Decrease in debts to banks	2,400.0	17,600	-15,200
= Cash Flow from operating activities	63,781.1	12,463	51,318.2
Proceeds from disposal of fixed assets	66.9	92	-25.2
- Payments for investments in tangible fixed assets	-307.9	-35	-273.1
- Payments for investments in intangible assets	-148.4	-314	165.9
- Payments for investments in financial assets	-2,004.6	-216	-1,788.6
= Cash Flow from investment activities	-2,394.0	-473	-1,921.0
Proceeds from capital (subscribed capital)	159.6	146	13.2
+ Proceeds from capital increases (capital reserves)	3,031.9	3,353	-320.6
+ Proceeds from subordinated debt	5,000.0	0,0	5,000
= Cash Flow from financing activities	8,191.5	3,499	4,692.6
Net change in cash and cash equivalents	70,348.7	11,399	58,949.1
+ Trade inventory at the start of the financial year	15,790.1	4,391	3,526
= Trade inventory at the start of the financial year	86,138.8	15,790	70,348.7
Composition of cash and cash equivalents at end of financial year:			
Cash reserves	15,408.3	4,128	11,280.3
Loans and advances to credit institutions	74,261.2	11,662	69,872.7
Obligations to credit institutions (due on demand)	-3,530.7	0	-3,530.7
Trade inventory at the end of the financial year	86,138.8	15,790.1	70,348.7

In financial year 2014 the cash flow from business operating activities increased by a total of EUR 51,318 thousand to EUR 63,781 thousand. The cash flow from financing activities in the amount of EUR 8,192 thousand came from the issuance of Coco bonds of EUR 5,000 thousand in the third quarter of 2014, as well as the capital increase in the first half of the year 2014. New shares of stock numbering 159,571 were issued at a price of EUR 20.00 per share. Cash flow from investment activities (EUR -2,394 thousand) were in the negative, because the Company used liquidity for investments in intangible financial and fixed assets. Consequently, the Company booked a cash flow in the amount of EUR 70,349 thousand. The liquid funds increased EUR 15,790 at the beginning of the year to EUR 86,139 thousand by the end of the financial year. In addition to its receivables from credit institutions amounting to EUR 74,261 thousand (previous year: EUR 11,662 thousand), the Company had accounts with brokers which, according to the KWG, must be recorded as receivables from customers. On the reference day, the Company held EUR 339 thousand (previous year: EUR 653 thousand) liquid funds at a brokerage.

3. Income

The interest income of the Company increased from EUR 312 thousand in 2013 to EUR 1,995 thousand in financial year 2014. This was mainly driven by interest income from loans given out by the Company's Commercial Banking division. In addition, the interest costs, based upon attracting customer deposits increased to EUR 1,361 thousand, resulting in an interest surplus of EUR 634 thousand in financial year 2014.

In 2014 no income from investments in the Varengold Investment Stock Company with Sub-funds (previous year: EUR 12 thousand) were recorded. Furthermore, interest and dividend income from stock and fixed-price securities in the amount of EUR 27 thousand (previous year: EUR 77 thousand) were recorded.

Commission income of the Company more than doubled from the 2013 results of EUR 2,102 thousand to EUR 5,639 thousand in 2014. Commission expenses increased by almost ten times from EUR 68 thousand to EUR 662 thousand. Commission results thus grew from EUR 2,034 thousand to EUR 4,978 thousand. This was driven primarily by business activities in the Capital Markets division.

The net income from the trading portfolio again demonstrated growth. The income increased from EUR 7,938 thousand in financial year 2013 to EUR 13,995 thousand in 2014. Included here are EUR 859 thousand funds for general bank risks. The expenses from the trading portfolio were recorded at EUR 5,325 thousand (previous year: 4,842 thousand) at year's end. The net income from the trading portfolio increased from EUR 3,095 thousand to EUR 8,670 thousand. After adjusting for the dissolution of funds for general bank risks, the results from the trading portfolio reached EUR 7,811 thousand.

Other operational income rose from EUR 59 thousand to EUR 226 thousand.

General administrative expenses of the Company grew by EUR 4,037 thousand (from EUR 8,741 thousand to EUR 12,778 thousand). This was due in particular to the increase in consulting and auditing costs of EUR 1,103 thousand to EUR 2,155 thousand, the IT costs of EUR 945 thousand to EUR 1,358 thousand and the personnel costs (from EUR 4,285 thousand to EUR 5,385 thousand). In addition, the usual administrative expenses increased from EUR 378 thousand to EUR 1,345 thousand, which was mainly connected to the

operations costs of the Commercial Banking division. The depreciation and value adjustments of intangible and fixed assets decreased from 978 thousand in the previous year to EUR 762 thousand in 2014. Other operating expenses decreased significantly from EUR 487 thousand (in 2013) to EUR 50 thousand in financial year 2014 due to the elimination of the provision for litigation in the previous year.

Depreciation and value adjustments on receivables, which decreased from EUR 405 thousand (2013) to EUR 249 thousand in the financial year 2014, included flat-rate value adjustments in the amount of EUR 35 thousand.

Also the depreciation and value adjustments on investments slightly decreased in 2014 (from EUR 226 thousand to EUR 200 thousand). This was due to a value adjustment of an investment fund.

In total, the income from normal business activities of Varengold Bank AG amounted to EUR 530 thousand (previous year: EUR -5,434 thousand); the net income amounted to EUR 209 thousand (previous year: EUR -3,681 thousand).

C. SUPPLEMENTARY REPORT

With the decision of the General Shareholder's Meeting of Varengold Bank AG on January 20, 2015, and the approval of the Supervisory Board, the Board of Directors was authorized to raise the share capital of the Company from EUR 1,771,405.00 against cash reserves to up to EUR 1,948,368.00 through the issuance of up to 176,963 new bearer shares without a nominal value (no-par bearer shares) with a portion of the share capital of EUR 1.0 per share. The new shares carry full dividend rights as of January 1, 2016. The shareholders legal subscription right is excluded. The Board of Directors was authorized, with approval of the Supervisory Board, to determine the further details of the raising of the capital and its execution, in particular the selection of the subscribers or subscriber and the terms for the issuance of the stock options. With this authorization and approval of the Supervisory Board, the Board of Directors executed this plan and placed 176,963 shares at an initial price of EUR 20.00 per share with an international investor. The recording of the capital increase took place on April 20, 2015. The priority for the use of the new funds is to further expand the Capital Markets and Commercial Banking business areas.

In February 2015 Varengold Bank AG increased the existing investment in Varengold Investment Stock Company with Sub-funds from 49% to 100%. The Bank would thereby like to solidify an already close business relationship from an operational perspective.

In December 2014 Varengold Bank AG submitted an application for recognition as a financial holding company to the Federal Financial Supervisory Authority, in accordance with Article 7 and 8 of the cash reserve requirement ratio (CRR). The decision of the regulatory authorities is still outstanding.

No other developments of particular importance occurred after completion of the 2014 financial year.

D. FORECAST

In general, with an eye on the current developments in the market environment we're looking at financial year 2015 with reserved confidence and anticipate a low growth rate, without losing sight of the regional differences in the financial and capital markets.

The development of the economy in 2015 and 2016 will be confronted with a variety of exposure and uncertainty factors. The global economic situation has definite potential to record an additional upsurge. In Great Britain and the USA, the economies have already shown indications in an upward direction and this picture ought to be able to continue without incident. In Germany we expect light growth which could be strained by the introduction of the minimum wage and the "retirement at 63" initiative, even though the low oil price and resulting devaluation of the Euro function as an economic stimulation program on the dividend market.

The interaction of low interest rates in times of a slowly strengthening economy signals positive effects for the financial markets. The stagnating low interest rates, however, make a profitable deposit of customer monies difficult and may be connected to a difficult to anticipate risk-awareness of the investor. The geopolitical risks newly ignited "hot-spots" must continue to be monitored, due to the possibility that an escalation could affect currently fragile market activities.

The monetary policy of the Central Banks has been effected in a variety of ways. The USA and Great Britain will likely increase their prime rates. The European Central Bank and the Bank of Japan, however, are expected to maintain their expansive monetary policy, in particular considering a low inflationary pressure. The different directions of the Central Banks will also exert considerable influence on the development of the currency exchange markets.

The tendency toward more strict regulatory demands will continue in 2015. Among others, the legal act for the specification of the general regulations of the CRR regarding liquidity requirements is obligatory as of the fourth quarter 2015. Also for Varengold Bank AG, this means an ongoing strengthened connection of resources. In anticipation of adherence to the new regulations, the Company has already begun to develop relevant processes within the scope of project work.

E. RISKS

In general, it is not possible to earn income without entering into risks in the banking business. Consequently, consciously dealing with risk, and the active and ongoing management, identification and monitoring of risk are core elements of the performance-based management of Varengold Bank AG's business.

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).

Events that are expected by definition carry a lower risk. The primary focus of this risk management system is the categorization 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 whole process includes the following steps which build on each other:

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

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

Varengold Bank AG is responsible for controlling risk to monitor adherence to the risk strategy. All risk reduction measures are transparently reported by the management in order to enable an adequate control mechanism.

Core elements of the risk management measures of Varengold Bank AG are the risk strategy, the risk-bearing capacity concept, the limit system and control process which are oriented toward 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 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 took 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 position of the regulatory environment.

To establish the risk-bearing capacity of Varengold Bank AG, the Going Concern Principle is applied. This follows the goal, to safe-guard the continuity of the bank even when a loss of the general risk profile occurs within a monthly observation period. Such an approach requires the bank to have the necessary capital reserves. In order to cover such possible losses, this capital is not available to the risk-bearing capacity observation, to prevent it from being a part of the risk coverage potential.

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

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

F. OPPORTUNITIES FOR VARENGOLD BANK AG

The strengthening of the capital base continues to be an essential element of the business strategy for business year 2015. The future capital measures to stabilize the foundation of the Bank will continue, as in the past, to focus on the institutional investors to identify potential opportunities within co-operations.

The Bank operates in a very dynamic market situation which is always informed by the surrounding macro-economic environmental requirements. This continuously creates new possibilities for the personal strength of the Company in the form of flexibility is very important. In this ongoing process, concrete market opportunities are identified and potential plans of the Board of Directors is fine-tuned with operations management and then implemented within the framework of the centrally managed project activities. The analysis of the operational environment with consideration of the challenges and successes to date require an evaluation of the internal resources and a detailed assessment of the opportunities and risks, in order to build long-term business relationships with satisfied customers and to generate ongoing added value for the Bank and its shareholders. Customer satisfaction shall thereby be ensured, by providing good and service quality.

We would like to continue our course of growth and will therefore also make corresponding growth investments in operations and IT-side restructuring and further development. The general orientation of the Bank should also continue to be informed by innovation and sustainability in the provision of tailor-made, transparent and high-performance solutions and services on a global basis. It is therefore essential to strengthen the competitive position of the bank. This will be pursued through the increase of customer deposits in the Capital Markets Brokerage division by focusing on sales to institutional customers and white label partners. Varengold Bank AG distinguishes itself from market players such as classic brokerage houses in particular through its license to be a deposit credit institute. A considerable external influence factor is the basic demand for brokerage services. The existing infrastructure of the Commercial Banking division should be expanded. This applies especially to the expansion of the documentary credit, the Lombardi credit business, international payments and the treasury. The Capital Markets division will concentrate primarily on the securities business and investment projects. The external success factors are therefore mainly the availability of market liquidity, as well as owner's equity and debt capital. In the Asset Management business area, alternative investment solutions, arbitration strategies and structuring commissions remain a key component of our product portfolio.

The strategic positioning also focuses on customer satisfaction and organisational stability in addition to its growth goals. To accomplish this, the Bank consistently works to improve upon existing processes to distinctly minimize the operational risks. Among other activities, the technical automation process will be optimized and the capital base of the business will thereby be strengthened.

The implications of all internal and external factors upon the total results of 2015 are not quantifiable at this time and lead to an uncertainty with respect to a solidly defined prognosis. The Board of Directors expects an increase in revenue in the current year 2015.

Free and Hanseatic City of Hamburg, in April 2015

The Board of Directors of Varengold Bank AG



Yasin Sebastian Qureshi



Steffen Fix



M. H. Dastmaltchi



Dr. Bernhard Fuhrmann



Frank Otten

SEGMENT REPORTING



Reporting period 01 January – 31 December 2014	Total	Capital- Markets- Brokerage	Capital Markets	Commercial Banking	Corporate Center
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Interest income	1,995	0	0	1,995	0
Interest expense	1,360	0	1,224	136	0
Commission income	5,639	761	3,688	1,190	0
Fee and commission expense	662	0	15	647	0
Current income from shares	27	0	0	27	0
Securities and investments	0	0	0	0	0
Net income from trading portfolio	13,995	11,992	2,003	0	0
Net expenses from the trading portfolio	5,325	5,325	0	0	0
Other operating income	226	67	36	18	105
Administrative expenses	12,778	4,231	2,059	1,193	5,295
Depreciation	1,177	102	35	27	1,013
Other operating expenses	50	17	15	15	2
Income from ordinary business activities	530	3,145	2,379	1,211	-6,205

The Capital Markets Brokerage, Capital Markets and Commercial Banking business divisions produced positive results in financial year 2014, in contrast to the Corporate Center division. Through the expansion of the segmentation of Corporate Center, the deviations from the previous year arose mainly in the allocation of administrative expenses and their depreciation. All of the expenses that affected the bank as a whole, in particular personnel costs and expenses from/through the Boardroom, Board assistants and the Supervisory Board were assigned to Corporate Center. In addition, the following were recorded in Corporate Center: expenses for capital market obligations, control and auditing costs, legal and consultation costs of the entire bank, consulting costs of VG Holding GmbH, donations, intangible write-offs and self-created intangible assets, depreciation on financial assets as well as increases in financial assets. Income and expenses that are not directly attributable to the business divisions were divided by use-basis allocation.

The significant increase in profit in the Capital Markets Brokerage division, in comparison with the financial year 2013 was due to a number of factors: reduced commission income due to considerably lower administrative expenses through the allocation to Corporate Center, the nevertheless high administrative expenses were mainly caused by business expansion (subsidiaries in London and Dubai) and infrastructure costs (in particular IT).

The results of Commercial Banking developed positively. The income resulted primarily from commission income from payments and credit business. In comparison, high commission for one-time closing of business expenses were recorded in this category. The income in Capital Markets resulted mainly from payments for

the implementation of infrastructure and commission income from the Varengold Investment Stock Company with Sub-funds. The results in this division were strained by considerably increased administrative expenses due to business expansion in London, Dubai and Hong Kong. The increase in administration costs was largely due to legal and consulting, as well as IT infrastructure costs.

The considerable negative results of the Corporate Center division can be attributed to high legal and consulting costs, and infrastructure costs of the entire bank, as well as high travel costs related to the business expansion in London and Dubai.



AUDITOR'S REPORT

Objections according to Section 322 Paragraph 2, Sentence 1, Number 3 of the German Commercial Code (HGB) should not be raised to the Financial Statements of December 31, 2014 or to the Management's Discussion and Analysis. We therefore grant an unqualified audit certification to the financial statements of Varengold Bank AG, Hamburg, December 31, 2014 (Appendix 1) and to the management report of the Company on December 31, 2014 (Appendix 2):

We have audited the financial statements - comprising the balance sheet, profit and loss account and the notes - with the bookkeeping system and the management report of Varengold Bank AG, Hamburg, for the business year January 1 to December 31, 2014. The accounting records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the basis of our audit on the financial statements, including the accounting and the management report.

We conducted our audit in accordance with Section 317 of the HGB and promulgated by the Institute of Auditors (IDW) and generally accepted German auditing standards. Those standards require that we plan and perform the audit to detect misstatements materially affecting the presentation of operations in the annual financial statements in accordance with the principles of proper accounting and in the management report of the net assets, financial position and results, with reasonable assurance.

In determining the audit procedures, we took into account our knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements. During the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and management report are examined primarily on an evidence-sampling basis. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of the tests conducted, the financial statements comply with legal requirements and, in compliance with generally accepted accounting principles, give a true and fair view of the assets, financial and earnings position of the company. The management report is consistent with the financial statements as a whole, and provides a suitable view of the Company's position and suitably presents the opportunities and risks of applicable future development.

Without qualifying our opinion, we draw attention to the comments in the annual report on the financial position of Varengold Bank AG.

Hamburg, April 24, 2015



NPP Niethammer, Posewang & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Sven Ole Raap
Wirtschaftsprüfer

Stephan Buchert
Wirtschaftsprüfer

CORPORATE INFORMATION

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Steffen Fix
Mohammad H. Dastmaltchi
Dr. Bernhard Fuhrmann
Frank Otten

Supervisory Board

RA Hans J.M. Manteuffel (Chairman)
Prof. Peter Andree
StB Willi Müller

Corporate Register

District Court of Hamburg, HRB 7368

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) 100 and its registration is published under www.bafin.de.

Approvals of Varengold Bank AG

Varengold Bank operates an investment business within the meaning of Section 1, Para. 1, Sentence 2, No. 1 of the Banking Act, credit business in accordance with Section 1, Sentence 2, No. 2 of the Banking Act for the purchase and sale of financial instruments in its own name and for outside accounts (financial commission business) in accordance with Section 1, Para. 1, Sentence 2, No. 4 of the Banking Act, depot business per Section 1, Para. 1, Sentence 2, N. 5 of the Banking Act as well as guarantee business per Section 1, Para. 1, Sentence 2, No. 8 of the Banking Act. In addition, Varengold Bank AG is licensed as an investment and acquisition brokerage according to Section 1, Para. 1a, Sentence 2, Numbers 1 and 2 of the Banking Act, investment advisor per Section 1, Para. 1a, Sentence 2, No. 1a of the Banking Act, investment management per Section 1, Para. 1a, Sentence 2, No. 11, of the Banking Act, financial portfolio management in the sense of Section 1, Para. 1a, Sentence 2, No. 3 of the banking act, as well as proprietary trading per Section 1, Para. 1a, Sentence 2, No. 4 of the Banking Act for its own account (Section 32, Para. 1a of the Banking Act), for factoring per Section 1, Para. 1a, Sentence 2, No. 9 of the Banking Act, and financial leasing in the sense of Section 1, Para. 1a, Sentence 2, No. 10 of the Banking Act.

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. With the addition of rounded amounts and percentages, rounding differences may occur. All names that were used only in the masculine form, shall apply mutatis mutandis in the feminine form. This report contains forward-looking statements. Forward-looking statements are statements that include not only historical facts, but also statements about our 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 speak only as of 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

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