



Varengold
BANK

Interim Report for June 30
2022

Key Figures of Varengold Bank AG

Key figures per share	30.06.2022 in EUR	30.06.2021 in EUR
Earnings per share	1.15	0.71

		31.12.2021 in EUR
Market capitalization	38,163,457	44,390,126

Profit and Loss Statement	01.01.2022 to 30.06.2022 in TEUR	01.01.2021 to 30.06.2021 in TEUR
Interest income	3,462	3,877
Current income from shares and other non-fixed income securities and shares in affiliated companies	172	383
Commission income	28,578	19,303
Other operating income	808	63
Administrative expenses	-12,524	-9,908
Depreciation and value adjustments	-2,334	-5,602
Income from normal business operations	18,160	8,116
Balance for the year	11,563	7,088

Balance sheet	30.06.2022 in TEUR	30.06.2021 in TEUR
Total assets	1,739,033	1,205,285
Net assets	67,394	45,754

Preliminary Notes

The key figures contained in this half-year financial report, as well as the half-year financial report – consisting of the balance sheet, the profit and loss statement and the explanatory notes for the balance sheet, the profit and loss statement, as well as the interim management report – are unaudited.

Statement of the legal representatives:

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

16 September 2022

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



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01

Letter to the Shareholders



Dear Shareholders,

Once again, we are pleased to report increasing key figures and continued growth. Within the first six months of 2022 we succeeded in increasing the net income by 40% to 33.4 million EUR (previous year period: 23.8 million EUR) and thereby significantly exceeded our own targets. The earnings before taxes (EBT) grew to 18.2 million EUR (previous year period: 8.1 million EUR). Our Transaction Banking core business area continues to be a dependable revenue generator. Our customers in this area are in particular producers and wholesalers of foods and medications – currently 7 of the 10 largest food production or distribution companies conduct their transactions with us. They benefit from our many years of expertise in foreign trade business and participate in our global network. Not only that, the business development in Marketplace Banking is also picking up momentum. We were able to further develop the business volume with our existing customer base, in addition to attracting new customers. Moreover, we have secured our position as Lending and Banking-as-a-Service Partner and we have newly structured our team and responsibilities. With more product experts and clear areas of responsibility we are optimally positioned to also participate in future growth areas such as embedded finance – while maintaining the delivery of consistently high-quality service for our customers.

Yes, we are proud of these developments which demonstrate that:

- › our business model is viable and scalable – even in times of pandemic, war within Europe and a gloomy economic situation.
- › the consistent implementation of our New Work concept and sharpening of our employer brand are paying off. Repeatedly we are able to assert ourselves in the fierce competition for the best specialists.

- › our forward-looking conservative risk management and careful consideration of costs and benefits have proven to be correct in view of the current and expected conditions. Despite the very gratifying increase in our key figures, our administrative expenses increased only moderately. In the first half of 2022, we reassessed the profitability of our London office and decided to close it. Thanks to the extensive digitization of Varengold Bank and the English native speakers at the Hamburg headquarters, UK customers will be easily cared for from the Hanseatic city in the future.

Entrepreneurial action means taking responsibility. Corporate social responsibility has been a high priority in our company for many years. We are already working on a scoring model that maps the ESG performance of our client portfolio. The aim is for our strategy and real practices to be consistent with our vision of sustainable development and the external expectations.

Despite all the challenging framework conditions, our excellent results in the first six months and our well-filled transaction pipeline mean that we can expect a strong annual result. We are assuming that we will exceed our previous EBT forecast by 50 % and, despite a remarkably high level of planned risk provision of 10 million EUR, we now expect an EBT of 28 to 32 million EUR.

We thank you for your trust!



Hamburg, in September 2022

The Board of Directors of Varengold Bank AG

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

Dr. Bernhard Fuhrmann

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

Frank Otten

02 Core Business Areas

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



Marketplace Banking

Commercial Banking

Brief description

As “The Bank for the Marketplace Lending Industry” or “Partner of FinTechs” our focus lies with the clear vision to help innovative customers to make their business ideas become reality. Online credit marketplaces, for example, offer companies and consumers not only alternative financing solutions, but also significantly faster and easier loan processing than established banks. To do this, they need financial resources – the Varengold Bank has the capital, but also the efficient processes and agility for this modern type of banking. In this way, it helps its clients, who usually deal with receivables finance, real estate finance, trade finance, consumer finance or SME finance, to first realize their business models and later to scale them.

The anchor products in this area are structured financing (lending) and fronting services / banking-as-a-service. Throughout Europe, Varengold Bank makes its banking license available to marketplaces that want to offer products and services subject to a banking license, but do not themselves have the necessary structures and approvals. Credit products and account services are the most frequently “fronted” offerings.

In its core business area Transaction Banking / Commercial Banking, Varengold Bank supports international corporate clients in their global trading businesses and investment activities.

With the help of individualized products and solutions, Varengold gives customers the opportunity to implement transaction and trade activities securely, efficiently, and transparently across national borders. The trade focus is on the regions of Eastern Europe and the Middle East. Customers in this area are in particular producers and wholesalers of foods and medicines that are active in niche markets.

In the area of deposit business, German private customers are offered daily available and no-cost call money accounts. In addition, Varengold Bank offers term deposit accounts at attractive interest rates with different maturities. Deposit customers benefit from the statutory deposit insurance of up to EUR 100,000.

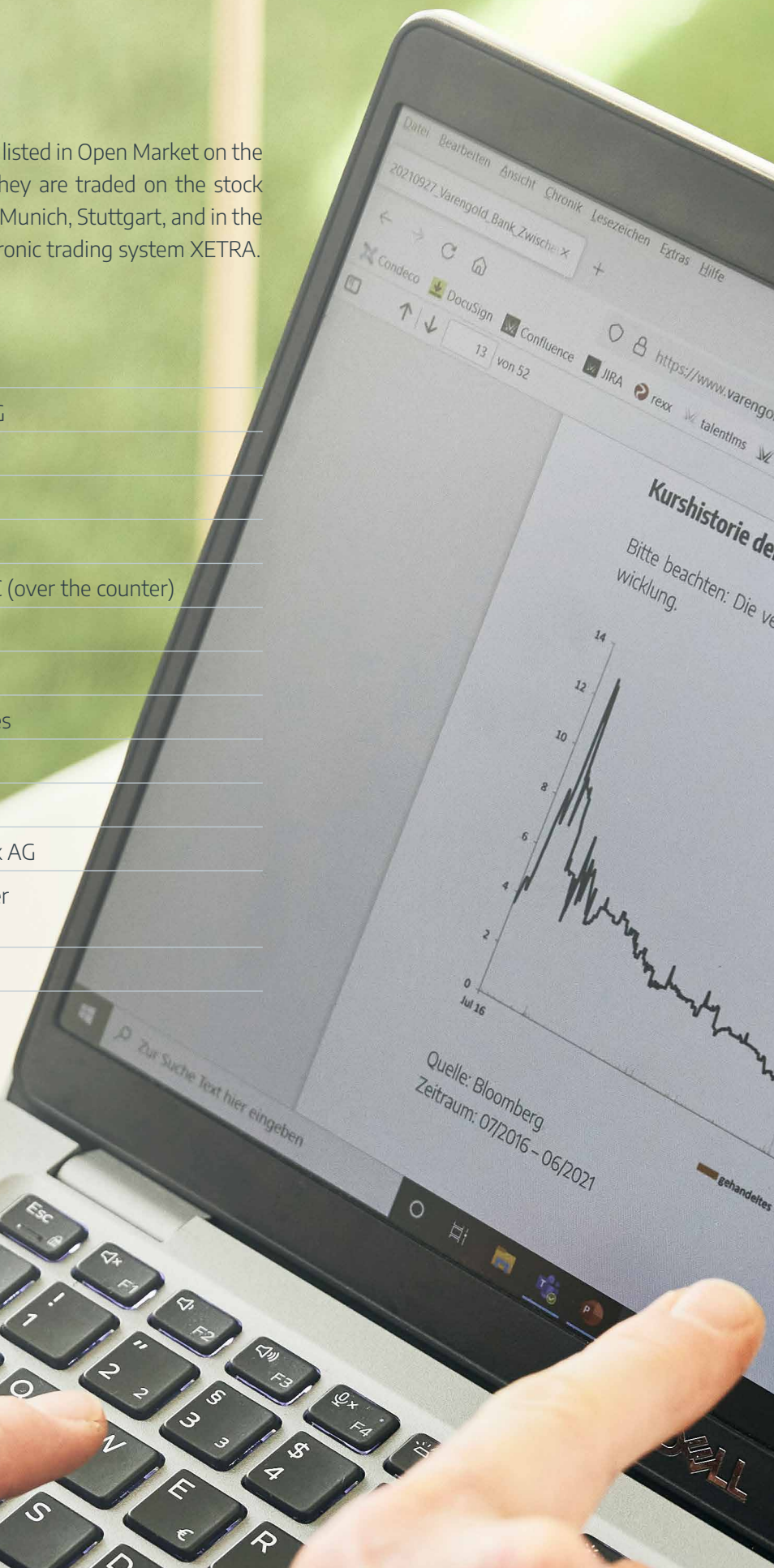
	Marketplace Banking	Commercial Banking
Products	<ul style="list-style-type: none"> › Lending › Fronting Services / Banking-as-a-Service › Debt Capital Markets › Equity Capital Markets 	<ul style="list-style-type: none"> › International Payment Transactions › Lombard Credits › Trade Finance Bank Guarantees Letters of Credit Forfaiting Debt Collection ECA-covered Export Financing › Deposit Accounts Daily Accounts Term Deposit Accounts
Profile	<ul style="list-style-type: none"> › Development of credit volumes with European-wide diversified credit portfolios › Strong network within the marketplace lending industry and institutional investors › Willingness to accompany companies in the early phase in order to grow together › Existing full banking license › Possibility of EU Passporting 	<ul style="list-style-type: none"> › Expertise in emerging markets with well-developed local networks › Dynamic adaptations to market changes › Status of a German regulated bank › Deposit protection of up to maximum EUR 100,000 per customer
Customer structure	<ul style="list-style-type: none"> › Credit marketplaces › FinTechs / Startups 	<ul style="list-style-type: none"> › Business customers › Private customers
Income components	<ul style="list-style-type: none"> › Interest income › Commission income 	<ul style="list-style-type: none"> › Interest income › Commission income

03 Shares

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

Current key figures

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



Development of Varengold shares in the 1st half-year 2022

The general conditions on the capital market were not the best in the first half of 2022 – investor sentiment was negatively burdened by political and global economic events and marked by uncertainty. The pandemic situation that has prevailed for years now, combined with production losses and supply chain disruptions, was followed at the beginning of the year by the Russian attack on Ukraine which brought significant economic influences in the energy sector, agriculture, and industry as a whole. Rapidly rising inflation and the accelerated departure from the low interest rate policy were among the consequences of these events. Meanwhile, the German leading index DAX was in a downward trend. It closed the trading month of June 2022 at a level of 12.784 points (June 2021: 15.531 points).

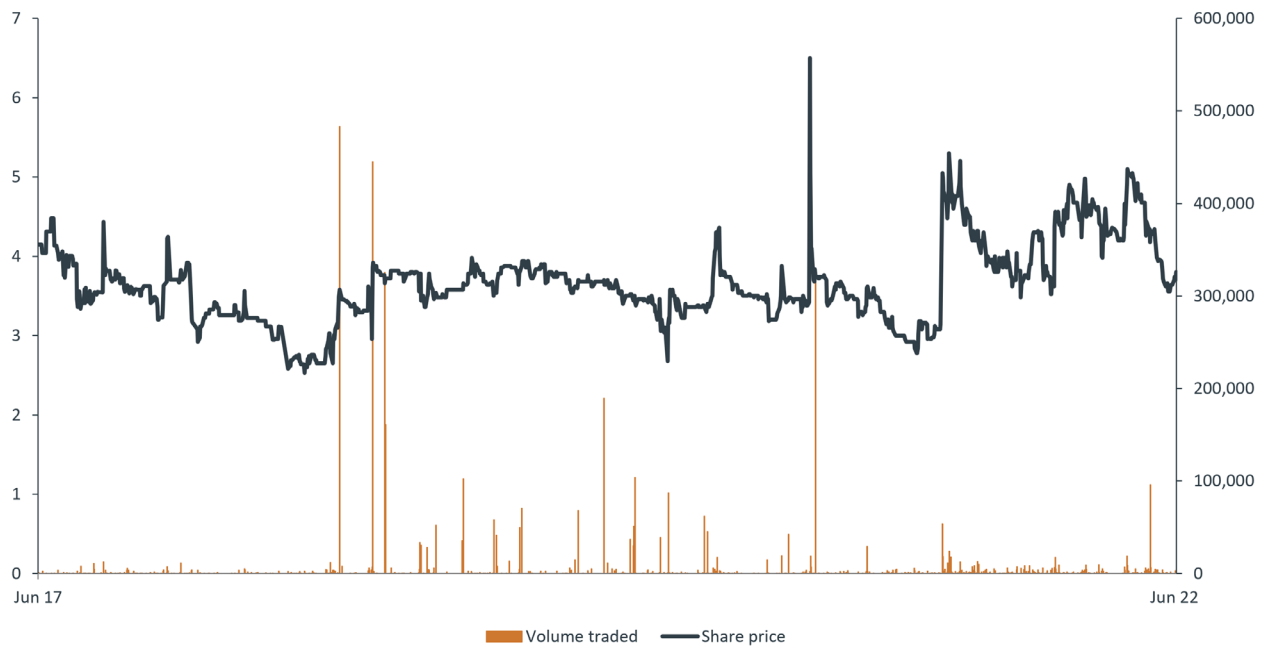
After the share value of Varengold Bank AG hovered initially in the first quarter of 2022 between EUR 4 and 5 EUR, it reached its previous high of EUR 5.10 in the first half of the year on 12.04.2022. As a result, the value slowly flattened out again and recorded a low of 3.56 EUR. Overall, the average share price rose from EUR 3.38 in the first half of 2021 to EUR 4.39 in the reporting period. The average number of shares traded daily also fell by 475 shares to 3,719 shares.

The stock of the Varengold Bank AG is, due to its low diversification, considered a “narrow market” stock and therefore tends toward intermittent to strong fluctuations as a reaction to company-relevant news. As in previous years, the total volume was due to an increased volume traded on only a few trading days. The average number of shares traded remained at a constant level of 3,715 shares (First half-year 2021: 3,719 shares). The highest volume on a trading day was 95,824 shares.

The market capitalization recorded a value of EUR 38,163,457 as of 30.06.2022 (reporting date 31.12.2021: EUR 44,390,126). Earnings per share rose significantly from EUR 0.71 in the first half of 2021 to EUR 1.15 in the first half of 2022.

Price history of Varengold shares

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



Source: Bloomberg

Time period: 07/2017 – 06/2022

04 Interim Report

In accordance with the German Commercial Tax Code (HGB)

**for the business year from 1 January 2022
to 30 June 2022**

Varengold Bank AG
Große Elbstraße 39
22767 Hamburg



Balance sheet as of 30 June 2022

Assets	Euro	30.06.2022 Euro	31.12.2021 TEuro
1. Cash reserve			
a) Cash balance	2,253.00		3.1
b) Credit with Central Banks	1,175,993,132.27		956,263.0
- of which:		1,175,995,385.27	956,266.1
With the German Central Bank: Euro 1,175,862,193.03			(954,717.8)
2. Loans and advances to credit institutions			
a) Due on demand	5,705,503.61		8,297.6
b) Other receivables	6,350.99		5.5
		5,711,854.60	8,303.1
3. Customer receivables		359,100,293.31	304,094.2
- of which:			
Secured by mortgages: Euro 43,664.44			(43.7)
Municipal loans: Euro 131,957,655.98			(93,963.5)
4. Bonds and other fixed-income securities			
Securities			
a) Bonds and debt			
aa) from public issuers		27,386,529.14	28,462.7
- of which:			
Acceptable as collateral at the German Central Bank: Euro 27,096,030.6			(28,295.0)
5. Shares and other variable-yield securities		122,752,967.93	122,657.1
6. Trading portfolio		3,378,224.96	660.7
7. Shares in affiliated companies		500,000.00	500.0
8. Intangible assets		40,650,473.39	42,379.4
- of which:			
Trust loans: Euro 40,650,473.39			(42,379.4)
9. Intangible assets			
a) Internally generated industrial property rights	121,103.92		157.2
		121,103.92	157.2
10. Fixed assets		210,268.63	229.0
11. Other assets		2,846,322.99	2,720.2
12. Accruals and deferred income		379,241.50	314.1
Total assets		1,739,032,665.64	1,466,743.8

Liabilities		30.06.2022	31.12.2021
	Euro	Euro	TEuro
1. Liabilities to banks			
a) due on demand		247,971,086.05	120,308.3
b) with agreed maturity dates or periods of notice		28,552,576.25	28,620.5
		276,523,662.30	148,928.8
2. Amounts owed to customers			
a) Other liabilities			
aa) due on demand		1,002,277,923.58	854,781.1
ab) with agreed maturity dates or periods of notice		327,063,052.27	343,546.3
		1,329,340,975.85	1,198,327.4
3. Trust liabilities		40,650,473.39	42,379.4
- of which:			
Trust loans: Euro 40.650.473,39			
4. Other liabilities		4,729,664.12	4,285.2
5. Accruals and deferred income		253,652.86	313.4
6. Provisions			
a) Reserves for pensions and similar obligations		231,733.00	231.7
b) Provisions for taxes		2,091,263.85	504.0
c) Other provisions		12,817,325.82	10,942.5
		15,140,322.67	11,678.2
7. Instruments of additional regulatory core capital		5,000,000.00	5,000.0
8. Share capital			
a) Subscribed capital		10,043,015.00	10,043.0
b) Capital reserves		44,705,492.65	44,705.5
c) Retained earnings			
ca) Legal reserves	1,700.00		1.7
cb) Other retained earnings	16,700.00		16.7
		18,400.00	18.4
d) Net gain		12,627,006.80	1,064.5
		67,393,914.45	55,831.4
Total liabilities		1,739,032,665.64	1,466,743.8
1. Contingent liabilities			
a) Liabilities from guarantees and indemnity agreements		50,000.00	50.0
2. Other liabilities			
a) Irrevocable loan commitments		76,405,707.94	38,087.3

Profit and Loss Statement

For the period from 1 January 2022 to 30 June 2022

	Euro	Euro	01.01.2022 to 30.06.2022 Euro	01.01.2021 to 30.06.2021 TEuro
1. Interest income from				
a) Credit and money market transactions	3,978,135.10			4,722.1
Less negative interest from bank balances	-2,527,359.52			-1,394.6
	1,450,775.58			3,327.5
b) Fixed-income securities and debt register claims	341,902.19			215.5
		1,792,677.77		3,543.00
2. Interest expenses	-1,075,283.17			-1,343.1
Less received negative interest from the banking business	2,744,147.63			1,677.1
		1,668,864.46		334.0
			3,461,542.23	3,877.0
3. Current income from				
a) Shares and other variable-yield securities		171,728.62		382.7
			171,728.62	382.7
4. Commission income		32,635,090.11		21,021.1
5. Commission expense		-4,057,492.88		-1,718.3
			28,577,597.23	19,302.8
6. Other operating income			1,145,547.35	191.5
7. General and administrative expense				
a) Personnel expense				
aa) Wages and salaries	-5,845,143.43			-4,344.9
ab) Social security contributions and expense				
For pensions and other benefits	-761,276.88			-590.5
- of which: for pensions Euro 221.846,63		-6,606,420.31		-4,935.4
b) Other administrative expenses		-5,917,340.81		-4,972.2
			-12,523,761.12	-9,907.6
8. Depreciation and amortization of intangible assets and property			-63,925.62	-51.7
9. Other operating expenses			-338,401.32	-128.7
10. Depreciation and value adjustments on receivables and certain securities and additions to provisions in lending business			-2,269,995.88	-5,550.2

			01.01.2022 to 30.06.2022	01.01.2021 to 30.06.2021
	Euro	Euro	Euro	TEuro
11.	Income from ordinary business activities		18,160,331.49	8,115.80
12.	Taxes on income and earnings	-6,597,812.69		-1,027.8
13.	Other taxes, as long as not posted under position number 9	-10.00		0.0
			-6,597,822.69	-1,027.8
14.	Annual net profit		11,562,508.80	7,088.0
15.	Gain from previous year		1,064,498.00	-16,101.0
16.	Net profit		12,627,006.80	-9,013.0

Varengold Bank AG, Hamburg
District Court Hamburg, HRB 73684

Notes

**For the financial year from 1 January to 30 June 2022
(Interim Report)**

1 General information

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

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

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

2 Accounting and valuation methods

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

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

Assets and liabilities are valued – unless otherwise stated above or below – according to the requirements of §§ 252 ff. HGB and additionally to the supplementary provisions of §§ 340 ff. HGB.

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

Loans and advances to credit institutions and customers are generally recognized at nominal value. Where necessary, possible counterparty default risks are carried by the formation of individual value adjustment account. The amount of risk provisions for individually considered counterparty default risks is based on the difference between the book value of the claim and the probable recoverable value. Irrecoverable debts are written off. The latent credit risks are carried through the creation of value adjustments. They are determined according to RS BFA 7 on the basis of an estimate of the expected loss from a non-contractual fulfillment of capital and interest obligations in the originally agreed upon amount or to the originally agreed payment date over the remaining term (expected loss); revenues from the valuation of credit securities are taken into consideration in the determination.

Shares and other variable-yield securities which are assigned to fixed assets are balanced according to the moderate lowest value principle. When allocated to liquidity reserve, they are balanced using the strict lowest value principle. The fixed assets are recorded as a holding in the amount of TEUR 63,722 (book value).

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

Trust assets and obligations are listed at nominal value.

Intangible assets (Software) and property, plant and equipment are measured at cost, which is reduced by the scheduled straight-line depreciation according to the useful life. This is based on the usage periods specified by the tax administration (depreciation table for generally usable fixed assets (depreciation table AV).

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

The other assets are recorded at nominal value.

Active prepaid expenses are recorded in accordance with § 250 para. 1 HGB and at nominal value.

Current liabilities are recorded at settlement value.

Deferred income (discount income from forfeiting transactions) is recognized in accordance with § 250 para. 2 HGB and dissolved over the term of the underlying transactions.

For materiality reasons, pension provisions were continued unchanged from the annual financial statements as of December 31, 2021. The following information therefore refers to it.

Pension provisions, which depend upon provisions for dependents, are calculated according to actuarial principles using the guideline tables of 2018G from Klaus Heubeck in accordance with the provisions of § 253 para. 2 HGB. For the valuation process, the modified partial-value method is used. It is based on an actuarial interest rate of 1.87 %, a salary and career trend of 2.0 % and an individual fluctuation rate.

Provisions, including tax provisions, are recognized in the amount of the settlement amount required by a reasonable professional assessment.

The relevant instruments regarding additional core capital are valued at nominal value.

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

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

Expenses and income are deferred on an accrual basis.

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

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

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

3 Currency translation

Receivables and liabilities are valued at the current exchange rate according to the ECB upon receipt.

There are both positions with and those without special coverage.

Since 01.11.2021, the company has been operating its currency hedging via a treasury fund, which means that in principle no special coverage is considered.

For transactions without special coverage no compensation of the results from currency translation by hedging transactions in the income statement has been made since 01.11.2021. For these items, currency results are taken into account in other operating expenses.

Exchange-rate-related overruns in the acquisition costs for these items are compensated by the formation of a liability correction item in accordance with the IDW Statement on Accounting for Special Features of the Foreign Currency Accounting under Commercial Law at Institutions (IDW RS BFA 4, item 21) (as of 18.08.2011), which is included in the "Other liabilities."

However, some of the receivables in foreign currency are also for the period from 01.11.2021 to transactions specially covered in foreign currency in the sense of § 340h HGB.

For these, both expenses and income from currency translation were recognized in profit or loss. In accordance with IDW RS BFA 4, the translation results from the currency translation of the specially covered items are included net in other operating income.

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

As of 30 June 2022, the following balance sheet items contain foreign currency amounts:

	30.06.2022	31.12.2021
	TEUR	TEUR
Balances with Central Banks	85	1,545
Loans and advances to credit institutions	4,755	7,192
Customer receivables	43,172	7,063
Shares and other variable-yield securities	38,366	37,082
Participations	611	611
Shares in affiliated companies	0	0
Other assets	44	45
Liabilities to customers	67,212	73,417
Other liabilities	4	17

4 Notes to the balance sheet

4.1 Overall disclosures

4.1.1 Relationships to affiliated companies

	30.06.2022	31.12.2021
	TEUR	TEUR
Customer receivables	359,100	304,094
Of which from affiliated companies	807	0

The "of which" position includes receivables against the Elbe2021 Incubator GmbH (31.12.2021: TEUR 0).

	30.06.2022	31.12.2021
	TEUR	TEUR
Customer receivables	1,329,341	1,198,327
Of which to affiliated companies	291	11

As of 30.06.2022, the of these items are generally liabilities to Elbe2021 Incubator GmbH. The figures as at 31.12.2021 resulted from liabilities to Varengold Verwaltungs AG i.L. and Varengold Capital Investment Company Limited, British Virgin Islands.

4.1.2 Breakdown of residual terms

	30.06.2022 TEUR	31.12.2021 TEUR
Loans and advances to credit institutions	5,712	8,303
Due on demand	5,706	8,298
Up to three months	0	0
Over three months to one year	6	5
Customer receivables	359,100	304,094
Due on demand	7,822	11,729
Up to three months	117,729	78,861
More than three months to one year	108,750	155,204
More than one year to five years	124,741	58,070
More than five years	58	230
Bonds and other fixed-income securities	27,387	28,463
Up to three months	2,519	130
More than three months to one year	6,937	9,542
More than one year to five years	17,931	18,791
Loans and advances to credit institutions	276,524	148,928
Due on demand	247,971	120,308
More than three months	24	0
More than three months to one year	25,915	0
More than one year to five years	2,614	28,525
More than five years	0	95
Customer receivables	1,329,341	1,198,327
Due on demand	1,002,278	854,781
Up to three months	67,418	33,249
More than three months to one year	127,332	168,608
More than one year to five years	130,337	141,024
More than five years	1,976	665

4.1.3 Securities

	30.06.2022 TEUR	31.12.2021 TEUR
Bonds and other fixed-income securities	27,387	28,463
Unlisted	0	0
Listed	27,387	28,463
- of which: publicly listed	27,387	28,463
Shares and other variable-yield securities	122,753	122,657
Unlisted	88,251	88,332
Listed	34,502	34,325
- of which: publicly listed	3,837	3,838
Shares of affiliated companies	500	500
Unlisted	500	500
Listed	0	0
- of which publicly listed	0	0
Participations	3,378	661
Unlisted	3,029	312
Listed	349	349
- of which publicly listed	0	0

4.1.4 Trust assets and trust liabilities

Since May 2020, the bank has been granting credit to customers within the KfW Rapid Credit Program. These are trust loans. Amounts owed to the KfW for this program are reported at the same amount under trust loans. The trust loan receivables and trust loan liabilities as of 30 June 2022 are TEUR 40,651 (31.12.2021: TEUR 42,380).

4.2 Individual post disclosures

4.2.1 Customer receivables

The receivables from customers of TEUR 359,100 (31.12.2021: TEUR 304,094) consist primarily of customer loans and municipal loans.

4.2.2 Bonds and other fixed income securities

The portfolio of bonds and other fixed-interest securities amounts to TEUR 27,387 (31.12.2021: TEUR 28,463) in bonds and bonds issued by public issuers.

4.2.3 Shares and other variable-yield securities

This balance sheet position contains shares in investment funds in the amount of TEUR 122,753 (31.12.2021: TEUR 122,308).

The postings consist of TEUR 97,948 (31.12.2021: TEUR 97,232), which are investment funds in which the Bank holds shares of more than 10% and which are structured as follows:

in TEUR	Investment objective	Book value	Market value	Hidden reserves/ Charges	Distribution in 2022
Dalma Corporate Bond Fund	Real estate	17,532	17,820	288	0
Quintar Strategic Trade Finance Fund (previously: Varengold Fixed Income Fund SP)	Trade finance	20,531	20,531	0	0
Varengold Spezial I	Pensions	49,885	43,871	-6,014	0
nordiX European Consumer Credit Fonds	Consumer credit	10,000	10,044	44	150

The return option for “Dalma Corporate Bond” funds is possible within three months and the “Quintar Strategic Trade Finance Fund” within 90 days to the end of a month. “Varengold Spezial I” funds have no restriction regarding the daily return option. The “nordiX European Consumer Credit Fonds” has a return option deadline of three months to 30.06 or 30.12 one year prior for pools of funds of more than TEUR 100.

On the occasion of the crisis caused by the Russian invasion of Ukraine, a devaluation of the fund “Varengold Spezial I” was carried out with a view to bonds held by the fund that could possibly be affected by the crisis. A further devaluation is avoided because it can be assumed that this is only a temporary impairment.

Fund units with a carrying amount of TEUR 63,722 (fair value TEUR 58,604) are allocated to fixed assets (31.12.2021: TEUR 63,989 and TEUR 64,646 respectively).

4.2.4 Participations and shares in affiliated companies

Varengold Bank AG holds the following unlisted shareholdings with a shareholding of more than 20% each. The stake in Lava Trading Limited, which was still included here until the previous year, has been eliminated following the dissolution (“strike off”) of the company.

Company	Participation rate		Equity capital	Results
	direct %	indirect %	30.06.2022 TEUR	2021 TEUR
Elbe2021 Incubator GmbH, Hamburg	100.00		493 ¹⁾	-7 ¹⁾
Hanseatic Brokerhouse Securities AG, Hamburg	33.00		-744 ²⁾	2,747 ²⁾
Klear Lending AD, Sofia	20.00		670 ³⁾	24 ³⁾

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

1) Preliminary figures as of 31.12.2021

2) Annual Report of 31 December 2020

3) Annual Report of 31.12.2021, entries in EUR were adjusted on the reporting date 31.12.2021; price BGN: 1.95583

4.2.5 Gross assets analysis

Fixed assets are shown in the investment listing below. Only those assigned to fixed assets are considered from debt securities and other securities, as well as from shares and other variable-yield securities. The remaining securities are allocated to current assets as part of the liquidity reserve.

	Purchase costs				Depreciation				Residual book value	
	Accruals		Uses		Depreciation rate		Uses			
	01.01.22	2022	2022	30.06.22	01.01.22	2022	2022	30.06.22	30.06.22	31.12.21
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets										
Self-created industrial and similar rights and assets	388	0	0	388	388	0	0	388	0	0
Acquired concessions, intellectual property rights and similar rights and assets, as well as licenses to such rights and assets	2,421	4	0	2,425	2,264	40	0	2,304	121	157
Fixed assets	744	4	0	748	515	24	0	538	210	229
Total	3,553	8	0	3,561	3,167	64	0	3,230	331	386
	Change^{*)}									
Bonds and other fixed-income securities					0				0	0
Shares and other variable-yield securities					-615				63,722	64,337
Participations					2,717				3,378	661
Shares in affiliated companies					0				500	500

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

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

4.2.6 Other assets

Other assets mainly include receivables from tax refund claims in the amount of TEUR 2,089 (31.12.2021: TEUR 1,937), from assigned claims of TEUR 450 (31.12.2021: TEUR 450) and receivables from deposits paid in the amount of TEUR 140 (31.12.2021: TEUR 262).

4.2.7 Deferred income

The deferred expenses and accrued income contain mainly prepaid insurance premiums (TEUR 199, 31.12.2021: TEUR 0), licenses (TEUR 93, 31.12.2021: TEUR 129) and contributions and fees (TEUR 84, 31.12.2021: TEUR 168).

4.2.8 Loan and advances to credit institutions

Liabilities to credit institutions include perpetual liabilities to 13 banks at TEUR 247,971 (31.12.2021: TEUR 120,308).

In addition, liabilities to the Deutsche Bundesbank from open market operations of TEUR 28,440 (31.12.2021: TEUR 28,440) are included, the remaining maturities of which are up to five years. Negative interest rates amounted to TEUR 267 (31.12.2021: TEUR 199).

Moreover, liabilities to KfW consist of a loan granted by the "Corona Emergency Aid" program (fiduciary credit) was transferred to the "Entrepreneur Loan" program (TEUR 380, unchanged from 31.12.2021).

4.2.9 Obligations to customers

The item liabilities to customers include liabilities due on the day in the amount of TEUR 1,002,278 (31.12.2021: TEUR 854,781) and liabilities with an agreed term or notice period in the amount of TEUR 327,063 (31.12.2021: TEUR 343,546). Liabilities consist of time deposits (TEUR 327,063, 31.12.2021: TEUR 343,546), current accounts (TEUR 798,729, 31.12.2021: TEUR 693,440), overnight allowances (TEUR 168,613, 31.12.2021: TEUR 121,779), security deposits (TEUR 30,458, 31.12.2021: TEUR 35,044) and other items (TEUR 4,435, 31.12.2021: TEUR 4,435). Accruals for negative interest rates from loans to customers (31.12.2021: TEUR 83) no longer exist.

4.2.10 Other liabilities

The other liabilities all have a remaining term of up to one year and mainly include a passive compensation item in accordance with the opinion of the IDW RS BFA 4 in the amount of TEUR 2,150 (31.12.2021: TEUR 725), payroll liabilities in the amount of TEUR 994 (31.12.2021: TEUR 228) and trade payables in the amount of TEUR 481 (31.12.2021: TEUR 1,739). This item also includes liabilities from tax matters in the amount of TEUR 1,096 (31.12.2021: TEUR 1,097).

4.2.11 Reserves for pensions and similar obligations

Pension reserves are held for dependents. For reasons of materiality, the approach of 31 December 2021 was retained. The following disclosures therefore refer to the financial statements as of December 31, 2021.

The difference between the measurement of pension provisions at the 10-year average interest rate (TEUR 232) and the 7-year average interest rate (TEUR 242) amounted to TEUR 10 and was subject to a dividend freeze (Section 253 (6) sentence 2 HGB). The actuarial interest rate was 1.87 % (average market interest rate from the past ten financial years). The interest expense from compounding amounted to TEUR 3 in 2021.

4.2.12 Provisions for taxes

The provisions for taxes position records corporate tax provisions (tax rate 15 % plus 0.825 % solidarity tax) in the amount of TEUR 764 (previous year: TEUR 188) and commercial tax provisions (tax rate 16.45 %) in the amount of TEUR 802 (previous year: TEUR 214).

Furthermore, there are tax provisions for pro rata profits of the permanent establishment in London for the year 2022 in the amount of TEUR 4 (previous year: TEUR 18). For this purpose, an income tax rate of 20% was used. In addition, a provision for tax on the result of the Sofia branch in the amount of TEUR 26 (previous year: TEUR 53) is included, which was calculated using a tax rate of 10%.

4.2.13 Other provisions

This item is broken down as follows, taking into account rounding adjustments:

	30.06.2022	31.12.2021
	TEUR	TEUR
Recovery claims ax administration KEST 2016	3,100	3,100
Provisions for litigation and claims	2,725	2,725
Commissions and refunds	2,064	0
Variable remuneration	1,663	2,728
Legal and consulting costs	836	710
German Bank Compensation Scheme	597	200
Lump-sum value adjustment irrevocable loan commitments	500	0
Financial statement preparation and audit costs	429	700
Holiday and overtime provisions	275	193
Archiving costs	95	84
Miscellaneous	533	502
Total	12,817	10,942

The claim for recovery of the tax authorities (decision of 22 December 2021) is based on the fact that a fund in which Varengold AG had a stake and which was already terminated in 2016 omitted a deduction of capital gains tax including solidarity surcharge required in the opinion of the tax authorities. An appeal was filed against the decision. Suspension of enforcement was granted. Included for the first time is the provision for the lump-sum value adjustment on irrevocable loan commitments.

4.2.14 Instruments of additional regulatory core capital

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

The deferred interest expense for these bonds amounts to EUR 0.00 as of June 30, 2022, as settlement and payment was made shortly before the reporting date of June 30, 2022.

On 30 June 2022, the outstanding Tier-1 bonds included the following:

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

Reference should be made to the resolution of the Annual General Meeting of 24 August 2022, which enables the issuance of a further "Tier-1 bond" (see 4.2.15).

4.2.15 Share equity

Fully paid-up share capital TEUR 10,043 (previous year TEUR 10,043) is divided on the reporting date into 10,043,015 no-par value registered shares.

In the last five financial years the capital reserve from the distribution of new shares has developed as follows:

Year	New shares	Premium	Reserve
2018	2,070,141	1.80	3,726,253.80
2019	3,105,211	1.50	4,657,816.50
2020	727,381	2.85	2,073,035.85
2021	0	0	0
to 30.06.2022	0	0	0
			10,457,106.15
Status 31.12.2017			34,248,386.50
Status 30.06.2022			44,705,492.65

In January 2020, the share capital was increased by EUR 621,000.00 with partial use of the "Authorized Capital 2018" and by EUR 106,381.00 with partial use of the "Authorized Capital 2019". Thereafter, the "Authorized Capital 2018" amounted to EUR 2,484,211.00 and the "Authorized Capital 2019" was EUR 1,446,225.00. At the Annual General Meeting on November 25, 2020, the cancellation of the "Authorized Capital 2018" and the "Authorized Capital 2019" and the new "Authorized Capital 2020" in the amount of EUR 5,021,507.00 took place.

In accordance with the resolution of the Annual General Meeting on August 8, 2012, there is still a "Conditional Capital 2012 II". At that time, the share capital was conditionally increased by up to EUR 140,000.00 by issuing up to 140,000 bearer shares without par value (no-par value shares). The conditional capital increase was in connection with a stock option program, which provided for the issuance of shares until August 8, 2017. Of the 140,000 possible subscription rights, 128,750 have so far been taken over by those entitled to do so but have not been exercised. These subscription rights have now expired. There are still 11,250 subscription rights open, which can be used until January 14, 2023.

In 2022, no stock options were issued by the end of the reporting period.

The following resolutions were passed at the Annual General Meeting on August 24, 2022:

- › (conditional) Cash capital increase of up to EUR 1,004,301.00 with an issue price of at least EUR 10.00 per share.
- › Authorization of the Management Board to issue profit participation rights and other hybrid bonds of up to EUR 2 million that meet the requirements for regulatory recognition as instruments of additional Tier-1 capital.
- › Carry-forward of the retained profit of the financial year 2021 in the amount of 1,064,498.00 to new account.

4.2.16 Contingent liabilities

On 30 June 2020 liabilities from guarantees and indemnity agreements exist mainly in the form of guaranteed credits in the amount of TEUR 50 (31.12.2021: TEUR 50). The risk is classified as low. The guarantees are entirely collateralized through cash, liquid securities, or a combination of both.

The risk of loss of utilization from possible liabilities is primarily the credit risk of the customer. The Bank assesses the risk of a loss resulting from the use of a contingent liability before entering into its binding commitment as part of a credit check of the principal and, where appropriate, on the basis of an assessment of the expected fulfillment of the underlying obligations by the respective principal.

As of 30 June 2022, other liabilities exist in the form of irrevocable credit commitments against customers in the amount of TEUR 76,406 (31.12.2021: TEUR 38,087) which may be called in installments if necessary. For these instances, the contractual prerequisites for distribution will be examined before each distribution. The Bank assesses the risk that a loss will result from the use of the irrevocable loan commitments before entering into its binding commitment as part of the credit check. In the interim financial statements as of June 30, 2022, a provision was recognized for the first time to account for a lump-sum value adjustment (TEUR 500; 31.12.2021: TEUR 0), see also section 4.2.13.

4.2.17 Transferred collateral

According to the conditions for open market operations, collateral in the form of securities (ECB eligible bonds) and mainly promissory note loans totaling TEUR 32,550 (31.12.2021: TEUR 31,117) were provided to the Deutsche Bundesbank, see also section 4.2.8.

5 Notes to the Profit and Loss Statement

5.1 Interest income

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

Interest expenses mainly include interest on customer deposits (on-demand, fixed-rate, and term deposits). Negative interest on deposits as security and customer deposits are also deducted from interest income. In the reporting period the negative interest was higher than the interest expenses, therefore the position interest expenses resulted in a yield.

5.2 Current income from shares and other variable-yield securities

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

5.3 Provision income

Commission income mainly includes income for commissions in payment transactions (TEUR 30,553, 30.06.2021: TEUR 18,759), lending business (TEUR 732, 30.06.2021: TEUR 1,062), guarantee and letter of credit business (TEUR 716, 30.06.2021: TEUR 867) and income from fronting services in the Marketplace Banking business (TEUR 549, 30.06.2021: TEUR 0). The proceeds from fronting services come from transactions that were only incurred after June 30, 2021.

Provision expenses mainly include transaction fees for the brokerage of business in the Transaction Banking area.

	30.06.2022	30.06.2021
	TEUR	TEUR
Provision income	32,635	21,021
Provision expense	4,057	1,718
Provision surplus	28,578	19,303

5.4 Other operating income

Other operating income primarily includes income from the reversal of provisions (TEUR 652; 30.06.2021: TEUR 3), tax liabilities (TEUR 250; 30.06.2021: TEUR 0) and additional costs (TEUR 230, 30.06.2021: TEUR 168).

5.5 Personnel expenses

	30.06.2022	30.06.2021
	TEUR	TEUR
Wages and salaries	5,845	4,345
Social benefits	539	365
Expenses for pensions and support	222	225
Total	6,606	4,935

The growth in personnel expenses is due to a further increase in the number of employees.

5.6 Other administrative expenses

	30.06.2022 TEUR	30.06.2021 TEUR
IT expenses	1,769	1,467
Consulting, accounting, and auditing costs	1,143	1,081
Premiums and insurance	1,092	582
Other services	935	721
Occupancy costs	350	439
Communication expenses	240	224
Advertising, entertainment, and travel costs	137	46
Office supplies, magazines, and training	152	122
Vehicle costs including leasing (excluding road tax)	19	21
Other administrative expenses	80	269
Total	5,917	4,972

“Other services” are the purchase of services from third parties, which cannot necessarily be assigned to one of the other categories.

5.7 Other business expenses

In the reporting period, there were primarily non-period-related expenses of TEUR 225 (30.06.2021: TEUR 5) and expenses from currency conversions of TEUR 75 (30.06.2021: TEUR 113).

5.8 Taxes from income and earnings

The basis of assessment for income taxes is mainly characterized by non-deductible depreciation and contributions on the one hand, and tax-free reversals of value adjustments from previous years on the other hand, as well as additions to the pension reserve in accordance with Section 340f of the German Commercial Code (HGB).

The tax result primarily results from domestic corporation tax including solidarity surcharge in the amount of TEUR 3,207 (30.06.2021: TEUR 511), as well as from trade tax of TEUR 3,351 (30.06.2021: TEUR 336).

6 Other information

6.1 Institutions

6.1.1 Supervisory Board

Dr. Karl-Heinz Lemnitzer Chairman
Independent tax advisor and auditor

Mr. Vasil Stefanov Deputy Chairman
Management Board, Euro-Finance AD; Head of M&A, Euroins Insurance Group AD

Mr. Francesco Filia
CEO Fasanara Capital Ltd.

6.1.2 Management Board

Dr. Bernhard Fuhrmann
Back Office

Frank Otten
Market

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

6.1.3 Mandates in Supervisory Boards

The following entries are current as of the reporting date 30.06.2022:

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

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

Mr. Filia is CEO of Fasanara Capital Ltd. (London) on the reporting day, in addition to his post as Supervisory Board member of Varengold Bank AG.

As of the balance sheet date, Dr. Fuhrmann will be the liquidator of Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg, in addition to his work as a member of the Management Board of Varengold Bank AG. In addition, he is Managing Director of JUCLA Invest GmbH, Hamburg. In March 2022, Dr. Fuhrmann received from the Supervisory Board of the Company the approval to function as Supervisory Board for "coinIX COINVEST Investmentaktiengesellschaft mit Teilgesellschaftsvermögen," whose entry in the commercial register took place on June 22, 2022.

Mr. Otten, member of the Management Board of Varengold Bank AG, also serves as Chief Executive Officer (CEO) at the management consultancy Arensburg Consult GmbH, Molfsee, is member of the Advisory Board of KERNenergie GmbH, Großwallstadt, Managing Director of KERNenergie Hamburg Store GmbH, Hamburg, and Chairman of the Supervisory Board of Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg. Since the beginning of 2021, he has also been Non-executive Director of Hanson Asset Management Ltd., London.

Mr. Lukas Diehl and Dr. Volkart Tresselt, authorised representatives of Varengold Bank AG, are also members Supervisory Board of the Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg. Mr. Lukas Diehl is Managing Director of Elbe2021 Incubator GmbH, Hamburg.

6.1.4 Board member remuneration and loans

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

The members of the Supervisory Board received total remuneration of TEUR 204 for their activities in the reporting period (01.01.2021 to 30.06.2021: TEUR 150). This includes activity remuneration in the amount of TEUR 200 (30.06.2021: TEUR 150) and TEUR 4 of travel expenses incurred.

As of the balance sheet date, there were no credit claims against members of the Supervisory Board or Executive Board. Deferred income includes amounts paid in advance for compensation components agreed across the year.

6.2 Employees

The average number of employees employed in the period during the reporting period is a total of 112 (01.01.2021 to 30.06.2021: 94), including 46 women (30.06.2021: 38). With the exception of 18 employees (30.06.2021: 17), all employees work in Germany. Nineteen employees work part-time (30.06.2021: 18). Seven senior employees were granted power of attorney. Mr. Kai Friedrichs was also granted general power of attorney as authorized signatory.

6.3 Other financial obligations

Other financial obligations mainly comprise obligations from room leases in the amount of TEUR 1,664 (previous year: TEUR 2,021) and from costs for software, hardware, and services, especially for ongoing IT operations, in the amount of TEUR 3,348 (previous year: TEUR 1,843). The remaining terms for the largest individual amounts are between 12 and 54 months.

6.4 Forward transactions

In 2021, the company changed its hedging of currency risks. This resulted in exchange-rate-related increases in value, which, in accordance with opinion IDW RS BFA 4, were compensated by the discontinuation of a passive compensation item shown in other liabilities.

6.5 Auditor's fee

The auditor's total fee calculated for the reporting period in accordance with Section 285 No. 17 HGB totals TEUR 269 (previous year: TEUR 775). An amount of TEUR 252 (of which TEUR 52 for previous years) is attributable to audit services and an amount of TEUR 17 to other confirmation services (audit in accordance with § 89 WpHG, examination of reports in accordance with the requirements for TLTRO transactions). The corresponding prior-year amounts amounted to TEUR 498 for audit services and TEUR 88 for other confirmation services. In the previous year, amounts of TEUR 189 had also been incurred for tax consulting services.

6.6 Notifications according to § 20 AktG

No notifications pursuant to § 20 para. 1 of the German Stock Corporation Act (AktG) were sent to Varengold Bank AG in the year under review and therefore no announcements pursuant to Section 20 para. 6 of the German Stock Corporation Act (AktG) were published in the Federal Gazette.

6.7 German Corporate Governance Code

From 20 March 2007 to 28 February 2017, the Varengold Bank AG share (ISIN DE0005479307) was listed in the Entry Standard of the German Stock Exchange. Following the closure of the Entry Standard, Varengold shares have been listed on the Basic Board on the Open Market since 1 March 2017. Varengold Bank AG refrains from publishing a declaration of compliance with the German Corporate Governance Code (§ 161 AktG), as the company is not listed on the stock exchange as defined by § 3 (2) AktG.

6.8 Supplementary statement

Since the operations recorded on 30 June 2021, no particularly meaningful events took place. The resolutions of the Annual General Meeting of 24 August 2022 have already been referred to in Section 4.2.15.

Hamburg, 16 September 2022

Varengold Bank AG



Dr. Bernhard Fuhrmann



Frank Otten

Interim Management Report

A. Fundamentals of the Varengold Bank

The Varengold Bank is a publicly listed German credit institute with a full banking license with headquarters in Hamburg and branch offices in London and Sofia. The Varengold Bank is registered with the Federal Ministry of Finance (BaFin) under number 109 520 and the Varengold shares (ISIN: DE0005479307) have been listed on Over the Counter/Basic Board of the Frankfurt Stock Exchange since 2007.

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

An anchor product in Marketplace Banking is structured financing (lending). In addition to debt and equity capital markets products, the portfolio also includes fronting services for products subject to banking licenses / Banking-as-a-Service (BaaS). Here, components of the banking license are “loaned” to lending marketplaces, which in turn have customers and a good product idea, but do not have a banking license. Customers of Varengold Bank are primarily start-ups and digital credit marketplaces (FinTechs for short) with a focus on Europe. They are active in the asset classes Receivables Finance, Real Estate Finance, Trade Finance, Consumer Finance or SME Finance. In principle, the Varengold Bank accompanies its customers in Marketplace Banking at an early stage of their business activities or in the start-up phase, which often leads to a growth phase. Varengold Bank positions itself as a partner of the mostly young marketplace operators. It has the capital, but also the efficient processes and agility for this modern type of banking.

In addition to Marketplace Banking, Varengold Bank’s second core business area is Commercial Banking (Transaction Banking) with the areas of international payments, trade finance and Lombard credits. Varengold Bank supports corporate clients worldwide in their global trading and investment activities. Varengold Bank supports corporate clients worldwide in their global trading and investment activities. In the area of trade finance, Varengold Bank bundles selected solutions for financing as well as bank guarantees and letters of credit for international trading activities. In addition to classic payout guarantees, the warranty business also includes warranty guarantees as well as delivery and performance guarantees. The trade focus is on the regions of Eastern Europe and the Middle East.

In the area of deposit business, German private customers are offered daily available, no-cost call money accounts with monthly interest credit. Moreover, the bank offers term deposit accounts with different maturities from one year to ten years. In addition to the deposits of payment customers, which are invested as German Central Bank balances, Varengold Bank refinances itself predominantly through overnight and term deposits made available to the bank by customers resident in Germany.

B. Economic report

1. Macro-economic and industry-related conditions

Last year was already fundamentally marked by rising inflation rates and increasing concerns about the economic outlook. Worldwide, the growth picture deteriorated in the first half of 2022. Persistent supply bottlenecks and

shortages of raw materials as a result of the Covid19 pandemic led to significant price increases which were further exacerbated, especially in the energy sector, by the invasion of Russian troops into Ukraine in February of the current year. The war in the middle of Europe since then has accelerated the already pronounced trend of economic uncertainty, further weakened consumer confidence, and caused inflation rates to continue to rise unabated in the first half of 2022. In addition, the West's sanctions against Russia and the countersanctions have led to an intensification of the already tense economic situation.

Since July 2021, inflation in Germany has been at record levels. In June 2022, consumer prices in Germany rose by 7.6 % compared to the same month last year.¹ The inflation rate in the Eurozone is estimated to rise to around 8.6 % in June 2022 compared to the same month last year, the highest level since the Eurozone was founded.² In addition to high commodity prices and disrupted supply chains, labor shortages are also having an accelerating impact on inflation. In addition, the course of inflation had a significant impact on private consumption and led to uncertainties among companies in individual sectors regarding the development of their profit margins.

This rising inflationary pressure also had an impact on the actions of Central Banks. The Federal Reserve Bank and the European Central Bank (ECB) ended their bond purchase programs much earlier than originally planned. In addition, they made a U-turn in interest rate policy and the ECB raised the key interest rate for the first time in more than ten years. In a first step, the key interest rate rose unexpectedly strongly from 0 % to 0.50 %, eliminating the negative interest rate on parked funds. A further increase of another 0.75 % took place at the beginning of September 2022 due to the prevailing record inflation, so that a fixed interest rate for the main refinancing operation of 1.25 % applies to the euro area.³ On the one hand, the departure from the long-term low interest rate environment in conjunction with a steeper yield curve is a positive development for the banks with regard to the interest income under pressure of most institutions. On the other hand, it can be assumed that economic momentum will continue to dampen. This, together with the threat of recession, would lead to increased risk costs. In addition, banks are also feeling the effects of rising inflation rates on the basis of material and personnel expenses, not least in the context of digitization projects.

For the EU, the European statistical office Eurostat reported a GDP increase of 0.6 % in the second quarter of 2022 compared to the previous quarter, according to provisional calculations. In the 2nd quarter of 2022, Germany's gross domestic product (GDP) increased by 0.1 % compared to the 1st quarter of 2022 in price, seasonally and calendar adjusted terms.⁴ The slight recovery of the German economy is due, among other things, to the lifting of the pandemic protection measures, which led to an increase in the service sector and private consumption in the first half of the year. Overall, however, the upswing is much more subdued than was expected in 2021, due to the effects of the geopolitical situation regarding the conflict with Russia.

For the financial markets, rising inflation rates, weakened growth prospects and the risk of a stagflationary environment mean noticeable volatility on the trading floor. Equity markets closed deep in the red in both the US and the Eurozone in the first half of 2022.

1 <https://de.statista.com/statistik/daten/studie/1045/umfrage/inflationsrate-in-deutschland-veraenderung-des-verbraucherpreisindex-zum-vorjahresmonat/>

2 <https://de.statista.com/statistik/daten/studie/72328/umfrage/entwicklung-der-jaehrlichen-inflationsrate-in-der-eurozone/>

3 <https://de.statista.com/statistik/daten/studie/201216/umfrage/ezb-zinssatz-fuer-das-hauptrefinanzierungsgeschaeft-seit-1999/>

4 https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/08/PD22_357_811.html

The deterioration of the macroeconomic environment has also hit FinTechs particularly hard, with valuations declining and access to finance becoming more difficult. Mass dismissals have recently been the result, among others. The crypto market also experienced noticeable turbulence during the reporting period. Cryptocurrencies have already experienced several major periods of depreciation in their history which can be the result of a variety of influencing factors.

The banking sector has so far experienced global activities and economic negative effects relatively moderately. As part of the SREP process, in addition to close monitoring with regard to COVID-19 and the effects of the Russian war of aggression in Ukraine, the ECB has once again intensified its focus on reviewing risk management. Other core topics of the ECB include interest rate risks, IT and cybersecurity, as well as the topic of sustainability (ESG - Environment, Social, Governance). In this regard, German banks in particular once again incurred an operating expense in view of the various regulatory tightening and legal requirements, the implementation of which continues to tie up both financial and human resources. This is a challenge accelerated by the pandemic and through targeted customer requirements – especially in the field of digitization. On the one hand, digital transformation modernizes the technologies of financial institutions, which goes hand in hand with the development of contemporary structures and products within the organization. On the other hand, the legislature drafts more and increasingly specific sets of rules to which the institutions must adapt their internal processes.

2. Business development

After the previous record year of 2021, Varengold Bank continued to improve its performance in the first half of 2022. As a result, the Bank succeeded in increasing net income by 40 % to EUR 33.4 million (previous year period: EUR 23.8 million) and thus significantly exceeded its own planning. Varengold Bank's earnings before taxes (EBT) increased by 46 %. Earnings before taxes (adjusted for loan loss provisions) was at EUR 20.0 million (previous year period EUR 13.7 million). Despite the very pleasing development, the Bank continues to act prudently and, in view of the unclear economic and social effects of the pandemic and the energy crisis, is maintaining appropriate loan loss provisions from the Bank's point of view.

The Transaction Banking core area was further expanded thanks to the steady acquisition of new customers and once again proved to be a dependable growth driver. Moreover, the strategic growth market of marketplace banking also provided strong impetus. Varengold Bank gained further customers in Germany and abroad in both lending and fronting/banking-as-a-service (BaaS) and expanded its product range as required. The transaction volume in new customer business amounted to roughly EUR 121 million at the end of the first half of 2022. In addition, Varengold Bank further expanded its existing customer business in the reporting period reaching a volume of around EUR 104 million.

Since February 2022, special attention has been paid to political and economic developments in Russia and Ukraine. In particular, the Bank's strong network in both core business areas has enabled it to remain on course for growth even in times of ongoing pandemic, as well as the war in Europe and the associated uncertainties. The scope of all business activities is closely coordinated internally and continuously adapted to market developments. In addition, the appropriate structures and processes have been established in recent years to sustainably participate in these market segments enabling Varengold Bank to prioritize creating added value for its customers.

The fact that Varengold Bank is keeping an eye on costs despite the growth in EBT and net income is demonstrated by the development of administrative expenses. In the first half of 2022, this rose by 22 % to EUR 12.1 million (previous year: EUR 9.9 million) with a renewed increase in staff and investments in the Bank's infrastructure and digital transformation. As of 30 June 2022, the Bank had 116 employees in Hamburg, Sofia, and London. This is an increase of 8 % after the end of the first six months of the current year (31.12.2021: 107 employees). There will be a reduction in the number of employees at the London location. Recently, one person was employed there and the Bank has decided to manage the UK business and the British customer base from its headquarters in Hamburg in the future. The branch at the London location is expected to be closed on 30.09.2022.

However, in order to be able to manage the bank's continued growth and to assert itself in the competition for the best specialists and young talents, the financial institution has further accelerated its cultural change and the continuous adjustment of the integrated New Work concept. Moreover, an optimization of internal and external communication was developed in order to be able to further develop the program step by step and on the basis of a modern information architecture. The employer profile was sharpened on various channels, a recruiting film, and an internal project on the subject of cooperation were developed and, as a result, the implementation of feedback training was initiated. The bank has been a member of the "Fair Company" initiative founded by German Business newspaper Handelsblatt since 2020. It is the largest employer initiative in Germany that is committed to fair working conditions in the long term. By participating, the Bank creates a high degree of transparency and orientation for both employees and the public. Varengold Bank's principle of business conduct is defined in a Code of Conduct which is intended to ensure the integrity and professionalism of all its actions.

Moreover, the idea of sustainability continued to be particularly present to the employees of Varengold Bank in the first half of 2022. As a central component of the business strategy, activities in this area were further advanced. In addition to raising awareness, the Bank focuses primarily on resource efficiency and environmental protection as well as social commitment. At the beginning of the reporting period a digitized Environmental Social Governance (ESG) questionnaire was also created and automatically made available to Varengold Bank's customers. This serves as the basis for the creation of a meaningful scoring model, which helps the bank to assess and align the customer portfolio in all business areas with regard to ESG factors. Furthermore, the ESG aspect is also included in the internal rating assessment of clients. Varengold Bank prepares the details of the individual measures annually in a separate sustainability report.

3. Position

The following information may include rounding errors.

3.1 Financial position

In the following, "Reporting Period" means the period 01 January 2022 to 30 June 2022; "Previous year period" means the period from 01 January 2021 to 30 June 2021.

The company's interest income decreased from TEUR 3,543 in the same period of the previous year to TEUR 1,793 in the reporting period. Interest income includes negative interest on German Central Bank assets in the amount of TEUR 2,527 (Previous year period TEUR 1,395). The disproportionate increase in German Central Bank assets and the resulting negative interest rates are thus the main reason the interest income has fallen so significantly.

Interest income continues to include income from fixed-income securities. These increased from TEUR 215 to TEUR 342.

Considering negative interest received, the item "2. Interest expenses" shows interest income of TEUR 334 in the same period of the previous year and TEUR 1,669 in the reporting period. This is mainly due to the negative interest rates received on customer deposits, which rose from TEUR 1,484 to TEUR 2,284. The reason for this is the increased deposit volumes of customers. The slight decline in interest expenses for time deposits from TEUR 1,236 to TEUR 1,025 (TEUR 211) also makes a contribution to this development.

Net interest income amounted to TEUR 3,462 (previous year's period TEUR 3,877).

Current income from shares and other variable-yield securities decreased from TEUR 383 to TEUR 172 and is characterized by distributions from investment funds. Recorded at TEUR 122,753, the portfolio is at the previous year's level of TEUR 122,657.

Commission income increased from TEUR 21,021 to TEUR 32,635. The main driver of this strong increase is the payments business, in which commission income increased from TEUR 18,759 to TEUR 30,553. This increase was achieved through generating higher business volume with existing customers and new customer acquisition. For the same reasons, commission expenses also rose from TEUR 1,718 to TEUR 4,057, especially in the Transaction Banking core business area, resulting in net commission income of TEUR 28,578 (previous year's period TEUR 19,303).

Other operating income of TEUR 1,146 (Previous year period TEUR 192) is primarily characterized by the reversal of provisions of TEUR 652 (previous year's period TEUR 3), reimbursement claims from input taxes of TEUR 250 (previous year's period TEUR 0) as well as fees and charges of TEUR 230 for project transactions (previous year's period TEUR 168).

The company's general administrative expenses increased by TEUR 2,616 (from TEUR 9,908 in the same period of the previous year to TEUR 12,524 in the reporting period). The main reasons for this are additional personnel expenses (TEUR +1,671) due to the hiring of new employees and the increase in variable remuneration. In addition, there was an increase in expenses for premiums and insurance (TEUR +510), which was mainly attributable to the expected increase in contributions to the compensation fund of German banks.

Other operating expenses rose from TEUR 129 in the same period of the previous year to TEUR 338 in the reporting period. The change in other operating expenses mainly results from non-period-related expenses of TEUR 225 from consulting services for the previous financial year (previous year period TEUR 5). The expenses to hedge foreign currency positions and exchange rate related income and expenses remained stable at TEUR 114 (previous year period TEUR 113).

Depreciation and write-downs on receivables and certain securities, as well as additions to provisions in the lending business amounted to TEUR 2,269 (previous year period TEUR 5,550). The item is characterized by the result of the securities of the liquidity reserve and by expenses for the formation of individual and lump-sum value adjustments.

In total, the result from normal operating activities of Varengold Bank AG amounts to TEUR 18,160 (previous year period TEUR 8,116).

Taking into account taxes on income and income, as well as other taxes, net income for the year amounted to TEUR 11,562 (previous year TEUR 7,088).

The return on investment pursuant to § 26a KWG, calculated from the ratio of net profit for the year (net profit) to total assets, is 0.66 % after 0.59 % in the same period of the previous year.

3.2 Financial situation

In the following, “reporting year” means the balance sheet date as of June 30, 2022 and “previous year” means the balance sheet date as of December 31, 2021.

In the reporting year, total assets rose again by 18.6 % from EUR 1,466.7 million to EUR 1,466.7 million after 21.1 % in the previous year. In addition to the cash reserve (EUR 1,176.0 million, previous year EUR 956.3 million), the assets side is due in particular to the portfolio of receivables from customers (EUR 359.1 million; previous year EUR 304.1 million) as well as shares and other variable-yield securities (EUR 122.8 million; previous year EUR 122.7 million). Overall, these three items account for 95.3 % of total assets. At EUR 1,329.3 million (previous year: EUR 1,198.3 million) and 76.4 % (previous year: 81.7 %), customer deposits continue to account for the determining item on the liabilities side.

The Tier-1 capital ratio as of June 30, 2022, was 16.80 % (previous year: 16.2 %).

In our assessment the Varengold Bank AG has an orderly asset and capital structure.

3.3 Liquidity position

At EUR 1,181.7 million (previous year: EUR 964.6 million) or 68.0 % (previous year: 65.8 %) of total assets, regulatory cash and cash equivalents represent a large and growing share of the assets side of the balance sheet. As in the same period of the previous year, the regulatory liquidity ratio always exceeds the regulatory requirements. The Bank’s liquidity situation was never at risk. The irrevocable loan commitments change depending on new customer business or limit increases. The commitments amounted to EUR 76.4 million as of 30.06.2022 after EUR 38.1 million in the previous year.

3.4 Financial performance indicator

The key performance indicator is earnings before taxes. Despite the ongoing COVID-19 pandemic and the crisis in Ukraine, revenues increased significantly from EUR 26.6 million in the same period of the previous year to

EUR 37.4 million in the reporting period. In addition, negative interest in the item “Interest expense” accounts for income of EUR 2.7 million (previous year period EUR 1.7 million).

As a result of the changed macroeconomic environment, there are also risks which, in the view of the Board of Directors, have been taken into account with appropriate loan loss provisions and provisions. Total expenses of around EUR 2.3 million were incurred for depreciation and write-downs on receivables, securities, and participations, as well as additions to provisions. Earnings before taxes amounted to EUR 18.2 million after EUR 8.1 million in the same period of the previous year.

The introduction of measurement and monitoring structures with regard to non-financial performance indicators is in the implementation phase.

C. Risk, opportunity, and outlook report

1. Risk report

As a rule, it is not possible to generate income in the banking business without taking risks. In this respect, the conscious handling, active management and ongoing identification and monitoring of risks are core elements of Varengold Bank’s success-oriented business management.

The mission statement of Varengold Bank AG is to develop into the leading bank for the marketplace lending industry. A fundamental aspect of Varengold Bank’s business strategy is to offer flexible competitive products and services and to constantly adapt to changing market conditions.

The business strategy must determine the main objectives of Varengold Bank for each business activity, as well as which measures will be taken to achieve these objectives.

The risk strategy describes the effects of the business strategy on the risk situation of Varengold Bank and describes how to deal with the existing risks, as well as the ability to bear those risks.

In addition to this risk strategy, the central risk management instruments of Varengold Bank AG are the risk-bearing capacity concept, the limit system and monitoring processes that are aligned with the business activities.

Each potential future risk must be completely transparent from the start. Only with complete transparency can it be assessed whether a risk should be approved. The Management Board always makes this decision taking into account the question of whether the respective risk can bring appropriate returns and whether a carrying capacity for the risk is likely to be given. If a risk is taken, this is done within fixed risk tolerances, which are primarily derived from the risk-bearing capacity potential and whose compliance is continuously monitored.

The risk-bearing capacity analysis is conducted by risk controlling on a monthly basis. The methodology of the analysis is continuously checked for plausibility and the latest state of the regulatory environment and, if necessary, further developed.

The risk controlling and risk management system used by the Bank complies with the provisions of the “Minimum Requirements for Risk Management” (MaRisk) of the Federal Financial Supervisory Authority (BaFin).

Risk is the negative deviation of events from the expected events. The risk management system is based on the classification of the Bank’s material risks into counterparty default risk, liquidity risk, market price risk, operational risk and other risks that include reputational risks, strategic risks as well as risk concentrations associated with the risk types.

To control these risks, ongoing monitoring and evaluation of the identified material risks is conducted as part of the overall risk management system. The entire process includes the following successive steps:

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

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

The risk controlling department is responsible for the monitoring of adherence to Varengold Bank AG’s risk strategy. The results from risk controlling are transparently reported to the management team in a timely fashion in order to ensure adequate management.

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

For the normative perspective, the risk covering potential and the risks concept compliance for the current, as well as the future planning periods are determined. The capital planning encompasses the time period from inception through three years and includes the supervisory required plan and an adverse scenario. Moreover, the bank utilizes the possibility contained in subsection 35 of the new RTF guidelines in conjunction with AT 4.3.3 subsection 3 MaRisk developed comprehensive risk type stress test “serious economic downturn”

as an additional adverse scenario. In the capital planning scenarios risks from the economic perspective are considered which have an influence on the available capital.

The risk-carrying potential in the normative perspective is comprised of the regulatory equity capital and the contingency reserves according to § 340 f HGB. The processes utilized to quantify risk in the normative perspective address provision risks, market risks and operational risks from the current legal requirements of the cash conversion rate, for which risk-weighted position entries are calculated. In the plan scenario the entire equity requirement is held which can be utilized in an adverse scenario shortfall of the combined capital buffer requirement according to § 10i KWG. For these cases, the Bank has developed options for action to ensure compliance with all regulatory and supervisory requirements and targets.

The supervisory capital requirements amount to TEUR 44,451 as of 30.06.2022. To cover these requirements, the Bank has TEUR 63,136 in own funds at its disposal.

As of 30.06.2022 all capital requirements in the plan and in the adverse scenario on both the reporting day, as well as for the three-year planning horizon were secured. In the stress scenario the combined capital buffer requirement fell short according to § 10i KWG as of the 1st quarter 2025. The hard minimum requirement of currently 10.8 % is maintained in all scenarios throughout the entire planning period.

In the economic perspective the Bank uses a present value modeling of risk carrying capacity. The risk carrying potential in the amount of EUR 71,4 million is comprised of the regulatory equity capital, the contingency reserves according to § 340f HGB, the profit of the current business year, as well as hidden charges and reserves.

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

The capacity of the risk carrying potential as of 30 June 2022 was 65 %, of which 48 % was counterparty risk, 30 % market risk, 18 % operational risk and 4 % strategic and reputation risks.

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

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

In addition to the classic default risk (credit risk), the counterparty default risk also includes issuer, counterparty, and investment risk. Country risks are not underpinned by risk coverage potential in the risk-bearing capacity calculation. These risks are registered in both the external and internal rating ratings and are thus included in the rating note and thus in the amount of the probability of default and thus the risk sum.

In order to limit country risks, the Bank has implemented a country limit system that is located at the registered office of the debtor's parent company.

The quantification of the contingency risk in the strict sense takes place with the key risk figures “expected loss” (EL) and “unexpected loss” (UL). The EL is determined on the basis of the probability of default considering the LGDs (Loss Given Default). The UL is quantified with the help of a credit risk model for a confidence level of 99.9 % and a time horizon of one year. The calculation is based on the Gordy model, which is applied by the Basel Committee on Banking Supervision to model bank capital adequacy on the terms of Basel II and the further provisions set out by Basel III. The credit risk model determines the contributions of the individual borrowers and shareholdings to the unexpected loss at portfolio level, which are then aggregated to an unexpected loss for the total portfolio. In this process, any available external or internal probabilities of default (PDs) and the transaction-specific loss ratio (LGD) are applied. The determination of the other model parameters is performed by applying the standard specifications according to Basel III. In addition to the probabilities of default and loss defaults, also the correlation between the counterparties with the systematic risk factor, as well as the granularity of the portfolio and the residual terms are taken into consideration. Only the unexpected loss of the portfolio is included in the risk-bearing capacity. Expected loss is already included in the lump-sum value adjustment (PWB). In the event that the expected loss of the total risk exposure exceeds the PWB, which was only formed for receivables from credit institutions and customers, the difference is also included in the risk-bearing capacity determination.

In addition, the migration risk of the portfolio is determined for a time horizon of one year. External migration matrices are utilized to determine this risk. With the thus so calculated higher failure rates a new calculation of the EL is conducted; the difference between the so calculated EL and the EL AAR in the strict sense determines the final migrations risk amount in the economic perspective.

The market risk is determined by adding the risk sums for exchange rate risk (including foreign currency risks), credit spread risk and interest rate risk. No correlations between the risk types are taken into account.

The price risk (general price risk) is quantified with the help of value at risk model. For both the trading book and the banking book, this is measured with a confidence level of 99.9 %, an observation period of 250 days and a lookback of 21 years measured by historical simulation of the changes in prices or the maturity and currency-appropriate swap or money market rates. The Bank extended the observation period from 2 to 21 years in the first half year of 2022.

The price risk for the total portfolio is calculated and limited and also separated between the banking book, the trading book and foreign currency futures (as far as possible in the overview). In addition to securities investments that have a price risk, this includes open foreign currency positions and foreign currency futures held for hedging purposes.

The price risk recognized in risk-bearing capacity is determined by adding the VaR of the sub-portfolios. As a result, existing correlations between the sub-portfolios are not taken into account, which leads to a higher risk sum. In this way, the Bank is consistently continuing its risk measurement here as well.

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

determined. The larger negative change of these eight interest change scenarios flow as a risk value into the risk bearing capacity calculation.

The Bank defines credit spread risk as the negative market value changes of bonds as a result of a deterioration of the credit standing of an issuer which has not yet become evident in a rating downgrade, (particular price risk). The credit spread risk is quantified with the help of the value at risk model. For both the trading book and the banking book this is measured with a confidence level of 99.9 %, an observation period of 250 days and a lookback of 21 years calculated by historically simulating the changes in the rating-dependent asset swap spreads of the bonds.

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

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

A distinction is made between refinancing, forward, call-off, market liquidity and liquidity spread risk.

The Bank does not quantify liquidity risk in the context of risk-bearing capacity, as this is only possible to a limited extent. A quantitative and qualitative analysis of the risk is conducted through stress tests. In addition, the liquidity balance sheet is monitored daily with regard to defined limits; on the one hand, the distance to illiquidity of at least 3 months and on the other hand, the daily minimum liquidity of EUR 20 million. These limits were met at all times during the reporting period.

The quantification of operational risk takes place quarterly through the risk controlling process in conjunction with department managers and the Board of Directors by means of a scenario analysis for all identified operational risks. The scenarios are assessed by examining possible "bad case" scenarios of the risk type and possible extent of loss and their probability of occurrence. These two parameters for the identified partial risks are incorporated into a Monte Carlo simulation. From the 200,000 simulations, the risk is stated as a 99.9 % quantile value.

With respect to share transactions on each dividend record date of years 2010-2016, investigations are currently taking place against (current / former) employees and committees of the Varengold Bank AG and the Varengold Verwaltungs AG i.L. (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) for suspicion of tax evasion.

The Varengold Bank AG could be called into question as a secondary party and in the worst-case scenario possibly faced with a fine and / or a profit absorption, which could theoretically lead to a significant expense for the company.

In this context, external advisors have been engaged to view and analyze the (ongoing) determination files of the prosecuting authorities.

Based on the opinion of the external advisor, the Board estimates the risk of a claim against the subsidiary company Varengold Verwaltungs AG i.L. as conceivable; the risk of liability of Varengold Bank AG for this, however, as very low.

According to the current knowledge of the Board, the determination files give no indication from the prosecuting authorities as to the probability or extent of possible measures against the Varengold Bank AG.

Against this background, the occurrence of the risk of the use of Varengold Bank AG is generally considered to have a low probability.

Varengold Bank AG, together with 19 other natural and legal entities, is a defendant in civil proceedings. The subject matter of the dispute is a possible claim for reimbursement, which relates to a tax claim in relation to transactions of an independent partial investment asset of the former Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, today Varengold Verwaltungs AG i.L. from 2010. The investment corporation at the time is the primary defendant in the above proceedings. Varengold Bank AG was a minority shareholder of this investment company in 2010. The action is based on the joint and several reimbursement of refunded capital gains tax including solidarity surcharge totaling around EUR 92 million. (plus any interest and other damages incurred by the plaintiff), which was paid to the sub-company assets in 2010 and had been reclaimed by the Munich tax office from the plaintiff's legal predecessor. Varengold Bank AG has filed an appeal with the competent court to dismiss the action. There are good reasons why a possible claim of the plaintiff is time-barred and that in any case there is no joint and several liability of all defendants. The Management Board and the external experts involved assess the probability of occurrence of the risk from this procedure as very low. If the lawsuit is successful, however, the continued existence of the bank could be jeopardized.

The strategic and reputational risk is considered a decline in earnings in the course of risk-bearing capacity. In the economic perspective a risk-bearing capacity assessment in the amount of 25 % of the expected profit of the next 12 months (minimum TEUR 400) is utilized

In order to limit concentration risks, the Board of Directors has set further limits or early warning thresholds, which are monitored on an ongoing basis.

All risk mitigation measures are fundamentally conducted in an economically reasonable relationship that accounts for the size of the institution, the capital base, and the special business model in an appropriate manner.

The consequences of the COVID-19 pandemic on the business activities and results of the Bank are, according to the current situation, only marginal. Presently, the Bank anticipates no noteworthy influence on the planned goals for the Bank to arise.

According to the experience in the first half of 2022, Russia's invasion of Ukraine on Varengold Bank will not have a significant impact on the planned results. As of 30.06.2022, these have exceeded both the planned and the previous year's figures.

Varengold Bank AG makes targeted use of its market opportunities in the course of its business activities and takes the associated risks exclusively responsibly.

Impact of the energy crisis on the loan portfolio

The current energy crisis, with drastic increases in gas and electricity prices, is having a major negative impact, especially numerous energy-intensive industries. In an analysis of its portfolio, the bank comes to the conclusion that the loan portfolio is well protected against further value adjustments, mainly for the following reasons:

- › Well-diversified portfolio in terms of sector, country / region, and size of underlying exposures (no cluster risk).
- › Well-secured commitments.
- › Very low direct Russian / Ukrainian exposures of EUR 2.4 million, of which EUR 1.4 million is export financing secured by an export guarantee from the Federal Republic of Germany.

In the individual categories/sectors, the situation is as follows:

- › **Consumer Finance:** With the exception of two commitments, the Board of Directors considers that all loans have sufficient over-collateralization. Value adjustments have already been made for an exposure; it is in the liquidation phase.
- › **Special funds:** Value adjustments were already made for two positions of Russian issuers in February 2022. An impact analysis for the other positions concludes that no further failures are currently to be expected.
- › **Real Estate:** The energy crisis is expected to affect the servicing of loans for real estate developments, as increased material costs and supply chain difficulties will lead to delays in the completion of projects. The collateral value of such projects is also likely to decline, especially in an environment of rising interest rates and a possible recession. Provision has already been made for the loans of a fund investment contained in the portfolios. The loan-to-value ratios are around 70 % overall, so that the bank does not see any significant risk of defaults here.
- › **Trade Finance:** Supply chain problems and price increases related to the energy crisis can cause difficulties for both suppliers and customers. As the Bank has made write-downs in recent years due to the corona crisis, Varengold Bank currently sees no need for further impairments on its trade finance exposures.
- › **Financing of autos and E-Bikes:** Increased energy prices can have a negative impact on the profitability of the companies financed by the Bank, as these products are then less in demand by consumers. In view of the loan-to-value values of 80 % to 90 %, based on depreciated values, as well as ongoing monitoring, the Bank currently sees no need for impairments.
- › **Financing in the logistics industry:** Rising oil prices can lead to lower demand, which would adversely affect the customer's business. On the other hand, the demand for factoring services could potentially increase as transport companies' need for rapid liquidity will increase in the face of cost pressures. Close monitoring of the exposure has so far shown no evidence of a need for value adjustments.
- › **Credit card lines for companies (Germany / Austria):** With one exception, borrowers are not active in energy-intensive industries. Therefore, the Bank does not currently see any need for the creation of value adjustments.

- › **Other Lombard loans / Other exposures:** Here, the Bank sees no effects from the energy crisis. There are no significant dependencies on Russian oil and gas supplies for either borrowers or collateral.

2. Opportunity report

In recent years, Varengold Bank has demonstrated the viability and scalability of its business model with a view to corporate development – not least through innovative digitization measures and process improvements.

In the two core business areas of Marketplace Banking and Commercial Banking (Transaction Banking), the Bank has built a solid network and developed positions that enable sustainable growth. The Bank is more strongly perceived in its sector and increasingly focuses its activities on its core competence as a regulated institution. It can consolidate its position in the long term with anchor products such as credit supply and fronting services / BaaS, as well as increase profitability where other competitors do not provide an adequate product offering.

The strategic orientation of Varengold Bank with the existing core business areas will remain basically the same in the further course of 2022. However, the ongoing monitoring of market trends and the associated further analysis of new areas, products and services also remains an important part of the strategy. The 2022 financial year will continue to be characterized by the expansion of new customer business, an expansion of activities with existing customers and overall risk-conscious business growth.

In response to the increasing number of customers in the pipeline, the Bank has optimized the process organization in Marketplace Banking during the reporting period to date, implementing dedicated teams for lending, fronting / BaaS, and customer success. This created a transparent distribution of roles with the intention of better satisfying customer needs, promoting product experts and defining clear responsibilities.

The expansion of the loan book as well as the fronting services / BaaS will be further intensified and the goal of Varengold Bank is to differentiate itself from competitors, in particular through the efficient implementation of funding and/or fronting projects. The necessary IT prerequisites for further expansion are in place and the implementation (especially in other EU countries) will take place continuously in 2022 with different expansion stages. Further product developments are being sought and the current processes are to be further optimized in the form of a more modular approach in order to be able to offer customers an even better service.

The growth of platform customers in marketplace banking will require additional equity in addition to the need for debt capital. Varengold Bank strategically covers these customer needs by acquiring equity capital markets (ECM) partners for its clients. Through the subsidiary “Elbe2021 Incubator GmbH,” which was founded in 2021, the bank can invest directly in some of its existing customers. This mechanism also allows Varengold Bank to expand its network into the venture capital arena.

Varengold Bank’s focus in its core business area of Commercial Banking will continue to be on global trading companies that are active in niche markets. Varengold primarily supports these clients with services in the area of transaction banking and trade finance services. In recent years, the bank has been able to build up a

considerable international and well-known customer base and will further consolidate its position as a strong transaction bank. The trade finance lending business is to be selectively expanded with existing customers. Although the division was successfully expanded with the expansion of its product range to include ECA-secured financing, the previously focused “small ticket” focus is not to be accelerated, as expenditure and income are not sustainably proportionate despite calculable risk.

The deposit business, which is almost exclusively aimed at the target group of German private customers, plays a central role in the bank’s refinancing strategy. As part of the deposit business, the bank offers customers call and fixed-term deposit products in different maturities of up to ten years. As a benchmark for the interest rate conditions offered, Varengold Bank is guided by the market offer of credit institutions that are subject to German deposit insurance. In addition, the Bank refinances itself through the deposits of payment transaction customers, which are invested as Bundesbank assets. The deposit business is expected to continue to grow organically in the coming years. The Bank’s refinancing strategy envisages keeping fixed-term deposit and call money volumes at a constant level, implementing further diversification effects on maturities, and managing deposits in close coordination with opportunities from the Marketplace Banking and Commercial Banking core business areas.

In order to position the bank successfully in the long term, the essential success factors are a focus on the customer and his satisfaction, an efficient internal organization, the maintenance of a highly qualified and motivated team and the recruitment of competent specialists. In addition, the optimization of target group-oriented communication should make a value contribution both internally and externally. In the first half of 2022, a conception phase took place, from which a step-by-step plan for further improving communication was developed. Among other things, employees should be enabled to successfully complete their tasks with a qualitative and quantitative flow of information. Individual projects and collaborative work have already shown in the past that complex customer transactions can be successfully completed under high time pressure with suitable structures and communication channels. This also includes the consistent implementation of the digitization strategy and other process automations – for example in recurring work in customer service through the use of robotic process automation or through artificial intelligence in customer legitimation.

Significantly shorter product and service cycles translate to a high degree of innovation, and modern work processes require a technologically demanding environment – Varengold Bank has taken these requirements into account with the implementation of the New Work concept. The foundation for this is supported by the 6 pillars of Varengold Bank: Culture, Work Environment, Leadership, Digital Transformation, Empowerment and Corporate Social Responsibility. These pillars were established along the three corporate values “Customer Centric,” “No Silos” and “Go the extra Mile.”

Varengold Bank remains committed to its goal of further reducing its ecological footprint and making a social contribution. That is why, among other things, a dedicated team of employees has been dealing with this topic since 2019. Ideas are being developed on how to continue the Bank’s commitment in this area in the coming years. Not only is a comprehensive understanding of sustainability conveyed, but individual measures for environmental protection and social commitment are actively implemented. Among other things, the continuous compensation of its own emissions is an important element for the development of a responsible and sustainable corporate culture. When classifying the Bank’s client portfolio in terms of ESG performance, the framework conditions should also ensure that the Bank’s strategy and practice are in line with its own vision of sustainable development and external expectations.

Despite the positive development in recent years, Varengold Bank is acting prudently in the opinion of the Management Board and is closely monitoring the market environment. If the global situation develops unfavorably, various risk factors may adversely affect earnings in the coming years to an extent that cannot be conclusively quantified. However, the Board of Directors remains convinced that Varengold Bank has a business model that is stable in value in order to meet the requirements and needs of the players in the financial market.

3. Outlook report

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

In the further course of 2022, the development of the global economy and the capital markets will decisively depend on the extent to which the influencing factors materialize in the context of inflation developments. Moreover, according to Varengold Bank, the currently prevalent concern about a slump in the gas and energy supply is likely to further reduce economic momentum. In its most recently published summer forecast, the Institute for Economic Research (ifo) predicted that Germany's gross domestic product will increase by 2.5 % in 2022 and by 3.7 % in 2023 and that the inflation rate this year will reach 6.8%, the highest level since 1974.⁵ Important impulses will be provided by the further measures taken by the central banks, which focus on containing price pressure while at the same time moderate key interest rate levels. The change in monetary policy direction and the end of the long-lasting period of low interest rates are promoting future profitability and thus the resilience of the banks.

Moreover, regulatory requirements continue to rise. In addition to the MaRisk amendment and the Financial Market Integrity Strengthening Act (FISG), this recently included numerous regulatory initiatives on information security and data protection. The supervisory measures of recent years pursue, among other things, the goal of making the financial sector more crisis-resistant, mainly through improved capital and liquidity, and keeping the risks of business activities away from the public sector. Varengold Bank AG is also planning to strengthen its equity base in order to enable the expansion of business activities on a stable foundation or to bring the so-called leverage ratio in the sense of the Capital Requirements Regulation (CRR) to a level above the threshold required therein in the long term.

The EBA Guidelines could potentially lead to additional capital requirements in the SREP and the EBA Guideline on Lending and Monitoring (GLOAM) could also lead to additional requirements from 2024 onwards. In addition, there is the EU Corporate Sustainability Reporting Directive (CSRD), which will be relevant for Varengold Bank from 2026 with regard to the disclosure of key financial figures. In addition, there is the EU Corporate Sustainability Reporting Directive (CSRD), which banks have to take ESG risks into account in all processes and in risk analysis, which the bank has already implemented in practice. In order to ensure the

⁵ <https://www.ifo.de/fakten/2022-06-15/ifo-konjunkturprognose-sommer-2022-inflation-lieferengpaesse-und-krieg-bremsen>

timely implementation of all regulatory projects, the Compliance department monitors the external and internal implementation status in a monthly “Regulatory Radar.”

In view of the war in Ukraine and the sanctions imposed, Varengold Bank assumes that this will continue not to have a significant impact on the Bank’s business activities. Lasting indirect effects such as price increases, scarcity of resources and a possible resulting stagflation or even recession nevertheless entail possible risks. With the beginning of Russia’s aggression against Ukraine, Varengold Bank has worked out for itself different scenarios with macroeconomic and direct effects, and it is following very closely the economic and political developments in this context. The conflict-related energy crisis will undoubtedly have a negative impact on certain sectors of the economy. However, Varengold Bank believes that the existing loan portfolio is well positioned due to the general diversification in terms of sectors, countries, and size of the portfolio, as well as appropriate collateralization.

For the entire banking industry, it is once again likely to be a matter of asserting itself in this complex environment and, on the one hand, actively managing credit portfolios and, on the other hand, adapting cost structures even more closely to the persistently challenging market and regulatory environment. Offers such as “Buy now, pay later,” for example, influence consumer behavior. In the longer term, the number of institutions will be reduced and competition will intensify further as more global technology companies, FinTechs and foreign banks offer selected products from the traditional banking business. The prospects in the trading business are and remain less expensive than in the interest rate business, from which, however, many institutions have partially or even completely withdrawn in the past – an opportunity that Varengold Bank knows how to maximize.

Varengold Bank will continue to invest consistently in its competitiveness and the further development of the overall bank organization in the future – through employee recruitment, the continuous training and further education of employees and through the additional optimization and digitization of business processes. Due to the earnings and earnings figures for the first half of the year, which were significantly above plan, Varengold Bank raised its previous forecast for the 2022 financial year by around 50 % during the year. In view of the still unclear economic and social effects of the pandemic and the war in Ukraine, Varengold Bank is maintaining what it considers to be appropriate loan loss provisions and plans to allocate around EUR 10 million to loan loss provisions in the 2022 financial year. In view of the continued strong business growth and the well-filled transaction pipeline, the Management Board of Varengold Bank expects earnings before taxes (EBT) as a key performance indicator of EUR 28 - 32 million for the 2022 financial year.

Hamburg, 16 September 2022

The Board of Directors of Varengold Bank AG



Dr. Bernhard Fuhrmann



Frank Otten

05 New Work Culture



In 2019, Varengold Bank heralded a fundamental cultural change. A project team has dealt in detail with rethinking “work” and establishing the bank’s work philosophy of a New Work concept as a part of everyday life – with success!

Breaking through big issues takes more than just a perspective

The times are long gone when a single office with desks is sufficient for different work situations. After a hybrid working model was introduced in 2020, Varengold Bank has also created spaces in 2021 that consciously promote work processes such as collaborative work and project work. There is space for individual and flexible working but also for relaxation and social gatherings. Interdepartmental collaboration and integrating a view from the “outside” – namely that of a completely different department – have made Varengold Bank faster, more creative, and more efficient. Especially in the Marketplace Banking division, the company deals with startups that act very quickly and expect the same from their partners.

Purposeful digitization and flexibility

The digital transformation of Varengold Bank is a key to the further individualization and flexibilization of work processes and therefore also decisive for the New Work concept. A higher degree of flexibility within the framework of hybrid working models also bridges the gap to increased family-friendliness and work-life balance – important attributes in employee recruitment.

Varengold invests in personal development

Rethinking work, for example, also means rethinking leadership! For Varengold Bank, empowerment is a key element here. Each individual in the team must be able to understand what part they play in the implementation of the business strategy and thus in the success of Varengold Bank. This creates identification. The task of managers is to give freedoms that promote self-responsibility and personal development. Overall, The corporate culture of Varengold Bank stands for a high degree of personal responsibility and active participation.

The 6 pillars of Varengold Bank

In the daily work, people of different nationalities, with different beliefs, experiences and demands come together. The basis for a successful cooperation emerges from the corporate values of Varengold, from which the bank has defined its New Work philosophy and the 6 pillars of the company. These 6 pillars are used to develop measures to define how the Varengold team works together and can achieve company goals.



Pillar 1 – Culture

Personal development opportunities, flexibility, but also rules are part of a culture.

Pillar 2 – Work Environment

The new world of work focuses on working collaboratively in order to further develop the Bank together. Classic functional silos of are broken down and customer wishes and requirements are met.

Pillar 3 – Leaders

Assume responsibility; follow the Bank’s strategy; act as a role model! These are important attributes for Varengold Bank in the context of leadership.

Pillar 4 – Digital Transformation

Changing customer requirements, transformation, and digitization of business processes, but also developing one’s own digital competence will be one of the most important trends in the coming years. The Varengold Bank team does not wait but accepts the challenge.

Pillar 5 – Empowerment

The Bank is responding to developments in the world of work with confidence in its team. It increases the degree of self-responsibility, self-determination, and autonomy: delegating responsibility instead of tasks and further expanding strengths.

Pillar 6 – Corporate Social Responsibility

Assumption of social responsibility: As a company, but also as an employee.

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USt-IdNr. (Value-added tax identification number)

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Corporate Governance

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

Permissions/Approvals Varengold Bank AG

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

Deposit insurance

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

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

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