2021
ANNUAL REPORT

GRENKE
GROUP

GRENKE

Group key figures

	UNIT	JAN. 1, 2021 TO DEC. 31, 2021	JAN. 1, 2020 TO DEC. 31, 2020	Change (%)
NEW BUSINESS LEASING	EURK	1'657'840	2'027'927	−18.3
DACH*	EURk	455'146	561'475	−18.9
Western Europe (without DACH)*	EURk	450'171	491'138	−8.3
Southern Europe*	EURk	390'650	550'405	−29.0
Northern/Eastern Europe*	EURk	270'179	328'387	−17.7
Other regions*	EURk	91'693	96'523	−5.0
NEW BUSINESS FACTORING*	EURK	700'904	647'775	8.2
of which Germany	EURk	209'168	186'281	12.3
of which International	EURk	491'736	461'494	6.6
GRENKE BANK				
Deposits per end of period	EURk	1'412'000	1'537'284	−8.2
New business SME lending business incl. microcredit business	EURk	33'223	119'274	−72.2
CONTRIBUTIONS MARGIN 2 (CM2) ON NEW BUSINESS				
LEASING	EURK	292'303	372'885	−21.6
DACH*	EURk	59'348	82'204	−27.8
Western Europe (without DACH)*	EURk	85'047	97'152	−12.5
Southern Europe*	EURk	75'224	107'067	−29.7
Northern/Eastern Europe*	EURk	52'280	64'226	−18.6
Other regions*	EURk	20'403	22'237	−8.3
FURTHER INFORMATION LEASING				
Number of new contracts	units	214'079	246'510	−13.2
Mean acquisition value	EURk	7.7	8.2	−5.9
Mean term of contract per end of period	months	48	48	−0.7
Volume of leased assets per end of period	EURm	8'769	9'015	−2.7
Number of current contracts per end of period	units	992'378	997'927	−0.6

* Regions:
DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern / Eastern Europe: Denmark, Finland, Ireland, Latvia, Norway, Sweden, UK | Czechia, Hungary, Poland, Romania, Slovakia
Other regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE, USA

Consolidated franchise companies:
Leasing: Australia (2x), Canada (3x), Chile, Latvia, Norway, Singapore, USA
Factoring: Hungary, Ireland, Italy, Poland, Portugal, UK

	UNIT	JAN. 1, 2021 TO DEC. 31, 2021	JAN. 1, 2020 TO DEC. 31, 2020	Change (%)
INCOME STATEMENT				
Net interest income	EURk	366'785	407'102	–9.9
Settlement of claims and risk provision	EURk	142'785	202'434	–29.5
Total operating expenses	EURk	256'170	230'280	11.2
Operating result	EURk	132'510	125'117	5.9
Earnings before taxes (EBT)	EURk	123'500	115'172	7.2
NET PROFIT	EURK	95'185	88'440	7.6
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	EURK	90'134	86'185	4.6
Net profit attributable to hybrid capital holders	EURk	9'404	7'481	25.7
Net profit attributable to non-controlling interests	EURk	–4'353	–5'226	16.7
Earnings per share (basic and diluted)	EUR	1.94	1.86	4.3
Cost/income ratio	percent	50.5	43.1	17.2
Staff cost	EURk	127'530	119'780	6.5
of which total remuneration	EURk	105'454	98'622	6.9
of which fixed remuneration	EURk	84'396	77'029	9.6
of which variable remuneration	EURk	21'058	21'593	–2.5
Average number of employees in full-time equivalent (FTE)	employees	1'794	1'823	–1.6

	UNIT	Dec. 31 2021	Dec. 31 2020	Change (%)
STATEMENT OF FINANCIAL POSITION				
Total assets	EURm	6'661	7'332	–9.2
Lease receivables	EURm	5'119	5'636	–9.2
Equity persuant to statement of financial position[1]	EURm	1'269	1'193	6.4
Equity persuant to CRR	EURm	1'122	1'031	8.8
Equity ratio	percent	19.1	16.3	17.2
Embedded value, leasing contract portfolio (excl. equity before taxes)	EURm	485	664	–27.0
Embedded value, leasing contract portfolio (incl. equity after taxes)	EURm	1'597	1'657	–3.6

1 Including AT1 bonds (hybrid capital), which are reported as equity under IFRS

Content

Letter from the Board of Directors

to our shareholders

Our global dealer network, our locations in 33 countries and our more than 1,900 employees ensure a high level of industry, customer, partner and object expertise.

MICHAEL BÜCKER
Chief Executive Officer

DR SEBASTIAN HIRSCH
Chief Financial Officer
Deputy Chair of the Board of Directors

ISABEL RÖSLER
Chief Risk Officer

GILLES CHRIST
Chief Sales Officer

Dear Shareholders, Ladies and Gentlemen,

After two uncharacteristic years, we have made it our mission to put GRENKE AG back on track for long-term double-digit growth. We are already aiming at reaching the turning point this financial year with EUR 2.0 to 2.2 billion in new leasing business and a net profit of between EUR 75 and 85 million. Our ambition is to double our new leasing business and net profit (excluding extraordinary items) by 2024 compared to the 2021 financial year.

We have set ourselves these ambitious goals, even though the macroeconomic situation remains challenging due to the ongoing pandemic and the consequences of the Russian war of aggression against Ukraine. Our optimism is rooted in our ability to finance small investments for small and medium-sized enterprises through leasing in a simple and efficient way that is easy on liquidity and credit lines, combined with the robustness and scalability of our business model. Our global dealer network, our locations in 33 countries and our more than 1,900 employees ensure a high level of industry, customer, partner and object expertise. This combination gives us a unique market position worldwide as one of the leading leasing providers. Based on this strong foundation, we will seize the opportunities available in all of our markets.

This also includes creating new solutions for our customers and partners that arise with long-term megatrends. We use digitalisation, big data and artificial intelligence to make processes more efficient and deliver new customer experiences. We develop ESG-compliant leasing offers and provide financing solutions for the green transformation. Our response to the changing investment needs of SMEs is to offer flexible, attractive and progressive solutions that are sustainable in the market. With this strategy, we are expanding in our existing growth areas and opening up new growth areas at the same time. Not only in our core markets, but throughout Europe and beyond.

In the past financial year, we again succeeded in further strengthening our core value and our high profitability, thereby creating an excellent starting point that we intend to further expand on in the current financial year. Our new business volume in the financial year reached a total of EUR 1.7 billion, with the fourth quarter already significantly above the same period of the previous year. Through the sale of our minority stake in viafintech GmbH, we were able to increase our Consolidated Group net profit by an extraordinary EUR 23 million from EUR 72 million to EUR 95 million – an excellent result considering the unusual circumstances of the past year. Finally, in February 2022, the German Federal Financial Supervisory Authority (BaFin) completed its institution-related measures from the

Our ambition is to double our new leasing business and net profit (excluding extraordinary items) by 2024 compared to the 2021 financial year.

special audit conducted between autumn 2020 and spring 2021 at GRENKE AG and GRENKE BANK AG.

The past two years have shown that we can rely on our strong team, especially in such extraordinary times. Without the commitment of our staff, it would not have been possible to master these tasks so successfully. We would therefore like to express to them our sincere thanks. We were particularly pleased that GRENKE again received the top ranking among Germany's best trainers in the ranking of the German business magazine "Capital", scoring a total of five out of five possible stars.

We would like to thank the Supervisory Board for its trust and the support we on the Board of Directors received throughout the past financial year. We would also like to thank you, our shareholders. With the dividend proposal of EUR 0.51 per share, we are demonstrating our reliability and return to normality. The payout ratio of 25 percent of the Consolidated Group net profit places us at the long-term target level for our shareholders‘ participation in the Company's results that we have been striving for. We would also like to thank all our reliable business partners and customers who remain loyal to us.

At our upcoming first Capital Market Update, we intend to give detailed insight into how we plan to achieve our growth targets. In fact, we have already long since begun with our plans – which is also evidence of an important part of our strategy: an appropriate, but nevertheless fast pace.

Yours sincerely

Michael Bücker
Chief Executive Officer

Gilles Christ
Chief Sales Officer

Dr. Sebastian Hirsch
Chief Financial Officer
Deputy Chair of the
Board of Directors

Isabel Rösler
Chief Risk Officer

Report of the Supervisory Board

Prof Dr Ernst-Moritz Lipp,
Chair of the Supervisory Board

Dear Shareholders,

The 2021 financial year was marked by ongoing challenges for GRENKE AG. The audit process that was set in motion following a report published by a short seller in September 2020 kept the Company busy until the publication of the Annual Report for the 2020 financial year in May 2021. The viability of our business model was confirmed by not only the independent auditors KPMG AG and Warth & Klein Grant Thornton AG, but also by the consulting firm Mazars GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, commissioned by BaFin. As in the previous year, our new business was affected by the Covid-19 pandemic during the reporting year. Under these special conditions, GRENKE AG was able to prove that it can continue to operate very profitably despite adverse market conditions. This makes us confident about our future and convinced that we will be able to continue on our growth path once the pandemic subsides.

On behalf of the Supervisory Board, I would like to thank the Board of Directors and all of the GRENKE Group employees for their overwhelming commitment to their company. Particularly in light of the audit activities that took place in the Company this year, a great deal has been achieved, and the Supervisory Board would like to express its absolute appreciation to our staff for this accomplishment. I would also like to thank you, our shareholders, for the trust you have placed in our company, our employees, and our Board of Directors.

Cooperation between the Supervisory Board and the Board of Directors

The Supervisory Board thoroughly addressed the Company's situation throughout the 2021 financial year and fully performed its duties as defined by law, the Articles of Association and the Rules of Procedure. In doing so, we continuously monitored the work of the Board of Directors and advised it, particularly in questions concerning the Company's strategic development, and jointly discussed all significant business transactions.

The cooperation was always comprehensive and based on mutual trust. We were informed regularly, promptly and fully, both verbally and in writing, by the Board of Directors about relevant developments throughout the Consolidated Group. All reports of the Board of Directors were critically reviewed by the Supervisory Board. Both the scope and subject matter of these reports always met all our requirements. Where required by law, the Articles of Association or the Rules of Procedure, we voted on reports and draft resolutions submitted by the Board of Directors after a thorough examination. Matters requiring approval were always submitted by the Board of Directors in good time.

Outside of the regular meetings, the chair of the Supervisory Board and chairs of the committees were in constant dialogue with the Board of Directors as a whole and individual members. This facilitated the continual exchange between the Supervisory Board and the Board of Directors and ensured that the Supervisory Board was informed at all times about all relevant developments and events in the Consolidated Group. The key topics of discussion between the Supervisory Board and the respective Board of Directors members focused on the areas of acquisitions and investments, refinancing, compliance matters, the risk situation and risk management, as well as controlling and personnel. Furthermore, the audits of KPMG AG, Warth & Klein Grant Thornton AG and Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft commissioned by BaFin and, following the audits, the handling of the results of these audits, were an important thematic component of the regular video and telephone conferences.

Any indications of conflicts of interest on the part of members of the Board of Directors or Supervisory Board during the reporting period were immediately and fully disclosed to the Supervisory Board's chair and addressed by the Supervisory Board in a discussion on September 15, 2021. The chair of the Supervisory Board was informed by Supervisory Board member Nils Kröber of a conflict of interest stemming from ongoing consulting activities for Wolfgang Grenke. Nils Kröber did not participate in the part of the Supervisory Board meetings that addressed agenda items relating to areas of potential conflicts of interest. In addition, it was determined that in the case of topics relating to the family company of the Grenke family, conflicts of interest must be reported individually by Nils Kröber. It was noted that Nils Kröber is bound to secrecy by both the German Stock Corporation Act and the lawyer's duty of confidentiality and may only pass on information from the Supervisory Board of GRENKE AG to Wolfgang Grenke if this has been explicitly decided by the Supervisory Board. This information must be stated in detail in advance.

Composition and areas of responsibility of the Board of Directors

In the 2021 financial year, the Board of Directors comprised the following members:

In the period from January 1, 2021 through February 8, 2021, and after the appointment of Isabel Rösler as a new member of the Board of Directors for three years as of January 1, 2021, the Board of Directors consisted of the following five members: Antje Leminsky (CEO), Gilles Christ (CSO), Dr Sebastian Hirsch (CFO), Mark Kindermann (COO) and Isabel Rösler (CRO).

On February 8, 2021, we complied with Mark Kindermann's request to terminate his contract prematurely and resign from the Board of Directors. Following his resignation, the Board of Directors consisted of the following four members in the period from February 8, 2021 through June 30, 2021: Antje Leminsky (CEO), Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

Due to the resignation of Antje Leminsky for personal reasons on June 30, 2021, the Board of Directors consisted of the following three members in the period from July 1, 2021 through July 31, 2021: Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

Since the appointment of Michael Bücker as of August 1, 2021, the Board of Directors has consisted of the following four members: Michael Bücker (CEO), Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

Following his appointment as of November 1, 2021, Dr Sebastian Hirsch has been the deputy chair of the Board of Directors in addition to his role as Chief Financial Officer. Dr Hirsch, together with the chair of the Board of Directors, Michael Bücker, form a perfect tandem and embody the generational change at GRENKE AG.

For the curriculum vitaes of the individual members of the GRENKE AG Board of Directors, please refer to the Company's website at www.grenke.com/management/board-of-directors/.

Composition of the Supervisory Board

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members.

Due to the suspension of Wolfgang Grenke's mandate from September 21, 2020 until the end of the Annual General Meeting on July 29, 2021, the Supervisory Board temporarily consisted of only five active members during this period.

With the resignations of Wolfgang Grenke, Claudia Krcmar and Florian Schulte, all declared as of the end of the Annual General Meeting on July 29, 2021, it was necessary to hold supplementary elections for the Supervisory Board at the Annual General Meeting of GRENKE AG on July 29, 2021. The Annual General Meeting elected the following as new members of the Supervisory Board: Norbert Freisleben (as proposed by the Supervisory Board as the successor to Claudia Krcmar), Dr Konstantin Mettenheimer (as proposed by the Supervisory Board as the successor to Florian Schulte), and Nils Kröber (as proposed by Grenke Beteiligung GmbH & Co. KG, Baden-Baden, by means of a request to supplement the agenda as the successor to Wolfgang Grenke). The supplementary election of Nils Kröber as successor to Wolfgang Grenke was carried out without a proposal of the Supervisory Board, as Wolfgang Grenke had declared his resignation only after the convening of the Annual General Meeting.

As of the conclusion of the Annual General Meeting on July 29, 2021, the Supervisory Board consisted once again of six active members.

The following have been members of the Supervisory Board since the end of the 2021 Annual General Meeting:

Name	Position	Member of the Supervisory Board since	Current mandate term	Age	Profession	Further Supervisory Board and Board of Directors mandates
Prof Dr Ernst-Moritz Lipp	Chair of the Supervisory Board (since May 2005)	May 2003	Until Annual General Meeting 2023	70 years	Managing Partner	None
Jens Rönnberg	Deputy Chair of the Supervisory Board (since October 2020)	November 2019	Until Annual General Meeting 2022	64 years	Chartered accountant and tax advisor	GRENKE BANK AG (Chair of the Supervisory Board)
Dr Ljiljana Mitic	Member of the Supervisory Board	May 2015	Until Annual General Meeting 2024	52 years	Managing Director	Computacenter plc, London, UK (non-Executive Director) GRENKE BANK AG (Deputy Chair of the Supervisory Board)
Dr Konstantin Mettenheimer	Member of the Supervisory Board	July 2021	Until Annual General Meeting 2024	66 years	Lawyer and tax consultant	HQ Holding GmbH & Co. KG, Bad Homburg vor der Höhe (Member of the Supervisory Board, Member of the Audit Committee) and of Group Company; TTTech Computertechnik AG, Wien, Österreich (Member of the Supervisory Board); Brunneria Foundation, Liechtenstein (Member of the Board of Director) and of Group companies;
Norbert Freisleben	Member of the Supervisory Board	July 2021	Until Annual General Meeting 2022	51 years	Managing Director	GANÉ AG, Aschaffenburg (Chair of the Supervisory Board) GANÉ Investment AG, Frankfurt am Main (Deputy Chair of the Supervisory Board)
Nils Kröber	Member of the Supervisory Board	July 2021	Until Annual General Meeting 2023	45 years	Lawyer	None

Additional information on the curriculum vitaes of the individual members of the GRENKE AG Supervisory Board, as well as on their other significant activities and existing mandates, is provided on GRENKE AG's website at www.grenke.com/management/supervisory-board/ and is updated at least once annually.

Supervisory Board meetings

The Supervisory Board of GRENKE AG met on 21 occasions throughout the 2021 financial year. One ordinary and six extraordinary meetings were held without the participation of the Board of Directors. All other meetings, with the exception of the meeting on February 8, 2021, were attended by all members of the Board of Directors. The Supervisory Board made decisions outside of the meetings by way of circular resolutions. To practice responsible health protection, 17 of the meetings were held virtually as video and telephone conferences in light of the pandemic situation. The level of participation of Supervisory Board members at the Supervisory Board meetings was 98 percent, excluding the suspended mandate of Wolfgang Grenke. With the exception of Wolfgang Grenke, whose mandate was suspended throughout the reporting period, no member of the Supervisory Board attended half or less than half of the meetings of the Supervisory Board or the committees to which he or she belonged. A detailed overview of the respective participants in the meetings of the Supervisory Board can be found in the following table.

Date	Location / Type of meeting	Prof. Dr. Ernst-Moritz Lipp (Chair)	Wolfgang Grenke[1]	Jens Rönnberg	Norbert Freisleben[2]	Nils Kröber[2]	Dr. Konstantin Mettenheimer[2]	Dr. Ljiljana Mitic	Claudia Krcmar[3]	Florian Schulte[3]	Antje Leminsky, CEO[4]	Michael Bücker, CEO[5]	Dr. Sebastian Hirsch, CFO	Mark Kindermann, Member of the Board of Directors[6]	Gilles Christ, CSO	Isabel Rösler, CRO
Jan. 13, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√	√	√	√
Jan. 25, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√	√	√	√
Feb. 02, 2021	Video conference; internal Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	--	--	--	--	--	--
Feb. 08, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	--		--	--
Feb. 10, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√		√	√
Mar. 08, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√		√	√
Mar. 23, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√		√	√
May. 18, 2021	Video conference; Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√		√	√
May. 26, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√		√	√

Date	Location / Type of meeting	Prof. Dr. Ernst-Moritz Lipp (Chair)	Wolfgang Grenke[1]	Jens Rönnberg	Norbert Freis-leben[2]	Nils Kröber[2]	Dr. Konstantin Metten-heimer[2]	Dr. Ljiljana Mitic	Claudia Krcmar[3]	Florian Schulte[3]	Antje Leminsky, CEO[4]	Michael Bücker, CEO[5]	Dr. Sebastian Hirsch, CFO	Mark Kinder-mann, Member of the Board of Direc-tors[6]	Gilles Christ, CSO	Isabel Rösler, CRO
May. 31, 2021	Video conference; Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	--	--	--		--	--
Jun. 03, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	--	--	--		--	--
Jun. 04, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	--	--	--		--	--
Jun. 14, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	--	--	--		--	--
Jun. 30, 2021	Video conference; extraordinary Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√	√	--	√		√	√
Jul. 28, 2021	Baden-Baden; Supervisory Board meeting	√	[1]	√	--	--	--	√	√	√		--	√		√	√
Jul. 29, 2021	Baden-Baden; extraordinary Supervisory Board meeting	√		√	√	excused	√	√	--	--		--	--		--	--
Sep. 15, 2021	Baden-Baden; Supervisory Board meeting	√		√	√	√	√	√	--	--		√	√		√	√
Sep. 15, 2021	Baden-Baden; Internal Supervisory Board meeting	√		√	√	√	√	√	--	--		--	--		--	--
Oct. 01, 2021	Video conference; Supervisory Board meeting	√		√	√	√	√	√	--	--		--	--		--	--
Nov. 16, 2021	Video conference; extraordinary Supervisory Board meeting	√		√	√	--	√	√	--	--		--	--		--	--
Dec. 13, 2021	Video conference; extraordinary Supervisory Board meeting	√		√	√	√	√	√	--	--		√	√		--	--

√ Participation -- No Participation
1 Mandate suspended until July 29, 2021
2 as of July 29, 2021
3 until July 29, 2021
4 until June 30, 2021
5 as of August 1, 2021
6 until February 8, 2021

A routine component of ordinary Supervisory Board meetings was a discussion concerning the reports of the Board of Directors on issues of corporate strategy and current business development, the status of the audit activities, the monitoring of the international units, the discussion of sales development and administrative issues, the status of corporate planning, as well as human resources development issues. Furthermore, the audits of KPMG AG, Warth & Klein Grant Thornton AG and Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft commissioned by BaFin and, following the audits, the handling of the results of these audits were an important thematic component of the meetings. The strategically important topic for GRENKE AG of digitalisation in relation to the development at GRENKE digital GmbH was also a regular agenda item.

On **January 13**, the Supervisory Board met for the first time in the reporting period for an extraordinary Supervisory Board meeting together with the entire Board of Directors via video conference. The focus of the meeting was the status of the audit and the conclusions to be drawn from it depending on its possible outcome. In addition, the corporate, risk and IT strategies of the entire Consolidated Group were discussed and noted with approval by the Supervisory Board. The annual notification pursuant to Section 3 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung) was subsequently provided.

In the extraordinary meeting on **January 25**, the Supervisory Board, together with the entire Board of Directors, discussed the status of the audit procedures in a video conference and dealt extensively with the accusations made against the Company. In addition, a declaration of conformity on corporate governance was discussed that had been adapted in accordance with the latest version of the German Corporate Governance Code (GCGC), and questions of corporate and insurance law were elicited and put to a vote.

On **February 2**, the Supervisory Board held an internal meeting via video conference in which personnel issues were discussed.

The extraordinary meeting on **February 8** dealt with the resignation of Board member Mark Kindermann. Antje Leminsky, chair of the Board of Directors at the time, attended the meeting on behalf of the Board of Directors. The Supervisory Board decided to accept the request of Mark Kindermann.

On **February 10**, the Supervisory Board met with the entire Board of Directors for an extraordinary Supervisory Board meeting. The meeting focused on the status of the ongoing audits by KPMG and WKGT, their interim results and the subsequent need for action in the Supervisory Board and Board of Directors, as well as the audit's anticipated conclusion. In addition, a new schedule of responsibilities was presented by the Board of Directors following the departure of Mark Kindermann and was extensively discussed with the Supervisory Board and approved. At the end of the meeting, the annual self-assessment and efficiency review of the Supervisory Board took place without the participation of the Board of Directors. The self-assessment and efficiency review were carried out using a quantitative and qualitative questionnaire on the sub-areas of information flow to the Supervisory Board, the course of Supervisory Board and committee meetings, the structure/composition of the Supervisory Board and committees, the workload of the Supervisory Board members, and conflicts of interest and miscellaneous. The results of the survey were then cumulatively presented to the Supervisory Board members in a plenary session and conclusions were developed.

In the extraordinary meeting of **March 8**, the members of the Supervisory Board were informed by the Board of Directors about the current refinancing situation. Various scenarios and a possible future refinancing mix were discussed in detail. The Board of Directors then presented the MaRisk report, the early warning indicators and the results of the Consolidated Group's stress analysis, which were noted by the Supervisory Board. The Board of Directors also informed the members of the Supervisory Board about the current status of the measures derived from the audit and their implementation. Personnel issues were also discussed in a plenary session.

The extraordinary meeting on **March 23** dealt with the progress of the audit actions and the resulting communication roadmap. In addition, dividend considerations were discussed and the status of the franchise acquisitions was intensely debated.

On **May 18**, the ordinary Supervisory Board meeting took place with the participation of the entire Board of Directors. As a guest of the meeting, the auditor presented the results of the audit of the annual financial statements, the non-financial statement, the consolidated financial statements and the combined management report. The Supervisory Board then adopted the 2020 annual financial statements of GRENKE AG and unanimously approved the 2020 consolidated financial statements of GRENKE AG and the combined management report for GRENKE AG and the Consolidated Group. Further parts of the management report were adopted by the Supervisory Board. The Supervisory Board passed a resolution on the proposal to the Annual General Meeting for the appropriation of the unappropriated surplus in the form of a dividend of EUR 0.26 per share. In addition, the Supervisory Board and Board of Directors unanimously approved the submitted corporate governance statement and gave their consent to the declaration of conformity updated during the year. Subsequently, the tender for the auditor of the annual financial statements was discussed in the plenum and a corresponding resolution was passed. The Supervisory Board also approved the holding of the Annual General Meeting as a virtual event without the physical presence of the shareholders or their proxies on July 29, 2021 in accordance with Section 1 (6) sentence 1 of the Law on Measures in Companies, Cooperatives, Associations, Foundations and Condominiums to Combat the Effects of the Covid-19 Pandemic (GesRuaCOVBekG). The Supervisory Board noted with approval the present resolution of the Audit Committee on the invitation to tender for the audit of the annual financial statements 2021. Finally, the Supervisory Board discussed the search for candidates for the expansion of the Board of Directors without the participation of the Board of Directors.

At the extraordinary Supervisory Board meeting on **May 26**, the medium-term business and capital planning was presented by the Board of Directors and discussed in detail with the Supervisory Board. Subsequently, the Board of Directors and the Supervisory Board discussed the status of the acquisitions of the Consolidated Group's franchise companies and discussed it intensively. Finally, personnel matters were discussed in the Supervisory Board without the presence of the Board of Directors members.

The Supervisory Board meeting on **May 31** dealt with the report by Mazars, which was commissioned by BaFin, and the resulting consequences. Personnel matters were also discussed in plenary sessions. For **June 3 and 4**, extraordinary Supervisory Board meetings were arranged and held to further discuss the issues.

On **June 14**, in an extraordinary meeting, the Supervisory Board dealt with the request of the chair of the Board of Directors, Antje Leminsky, to resign from her mandate for personal reasons as of June 30, 2021. After intense examination and discussion, the request was granted. It was also decided to appoint Michael Bücker as a new member and chair of the Board of Directors.

The extraordinary meeting of the Supervisory Board on **June 30** was attended by all members of the Supervisory Board and the entire Board of Directors. A resolution was passed on the agenda for the Annual General Meeting on July 29. Subsequently, the Board of Directors informed the members of the Supervisory Board about the developments in the international markets and at the franchise companies.

The ordinary meeting of the Supervisory Board on **July 28** took place for the first time in the reporting period at the headquarters in Baden-Baden. In addition to all members of the Supervisory Board, the members of the Board of Directors in office at that time, Dr Sebastian Hirsch, Isabel Rösler and Gilles Christ, were also present. At the beginning of the meeting, the Board of Directors informed about the current business development, sales and the refinancing situation. These topics were discussed in detail in the plenary session and all questions were answered. This was followed by the report on IT and GRENKE digital GmbH, in which topics of digital infrastructure, data security and cybersecurity were discussed in detail. The Board of Directors' current progress report on the implementation of the measures resulting from the audits was also presented and discussed in depth with the Supervisory Board. Finally, the last steps in preparation for the Annual General Meeting on July 29 were discussed.

At the extraordinary meeting of the Supervisory Board on **July 29**, the Supervisory Board elected the members of the Audit and Personnel Committee. Jens Rönnberg was elected chair of the Audit Committee, Dr Konstantin Mettenheimer and Norbert Freisleben were elected as members of the Committee. In the Personnel Committee, Dr Ljiljana Mitic was elected chair and Prof Dr Ernst-Moritz Lipp and Jens Rönnberg were elected as committee members. The positions of Prof Dr Ernst-Moritz Lipp as chair of the Supervisory Board and Jens Rönnberg as his deputy remained unchanged. Subsequently, the future agenda and upcoming dates of the committees and the Supervisory Board were discussed. Under the agenda item "Miscellaneous", the onboarding of the new Supervisory Board members and procedural elements were addressed.

Prior to the ordinary Supervisory Board meeting, the Supervisory Board held an internal meeting on **September 15**. It was disclosed that Nils Kröber may have conflicts of interest due to his work as a lawyer advising Wolfgang Grenke on issues concerning Mr Grenke and organisations related to him. It was noted that Nils Kröber is bound to secrecy by the German Stock Corporation Act as well as by the lawyer's duty of confidentiality. Mr Kröber does not participate in agenda items or resolutions that fall within this context. The Supervisory Board then exchanged views on current developments in the Company.

The subsequent ordinary meeting of the Supervisory Board with the participation of the entire Board of Directors dealt with the current business and new business development, profitability, refinancing and the annual plan. The implementation status of the action plan was also examined in more detail. Furthermore, the Board of Directors reported on the cost development in the Consolidated Group. Digitalisation, IT and GRENKE digital GmbH as well as their future role for the Consolidated Group were discussed in detail and potential models were discussed. The Board of Directors then presented the "Board of Directors Agenda" project, which aims to sharpen and specify the GRENKE Group's corporate strategy. This was discussed extensively by the Board of Directors and the Supervisory Board. In the following agenda items, the Board of Directors provided information on the status of the action plan, the quantitative and qualitative equipment of the ICS functions, and the acquisition of and dealings with the franchise companies. Personnel and remuneration issues were also discussed in plenary. After the presentation of the audit procedure by representatives of the appointed auditors BDO AG, the Audit Committee chair and the Personnel Committee chair reported on the results of their meetings.

On **October 1**, the Supervisory Board dealt in-depth with the acquisition of franchise companies and related legal issues in an ordinary Supervisory Board meeting.

In the extraordinary Supervisory Board meeting on **November 16**, the Supervisory Board dealt with the audit of the international subsidiaries. In addition, the Supervisory Board dealt thoroughly with the acquisition of franchise companies and again with related legal issues.

The extraordinary meeting of the Supervisory Board on **December 13** dealt with the current status of the audits by the auditors as part of the preparation of the GRENKE Group's Annual Report for financial year 2021. In addition, the Supervisory Board resolved to dissolve the Personnel Committee and the Strategy Committee with effect from January 1, 2022 in accordance with the requirements of Section 25 d (7) sentence 2 KWG and to establish a Nomination Committee, a Risk Committee and a Remuneration Control Committee in addition to the Audit Committee from that date. The Supervisory Board also passed resolutions on Board of Directors remuneration and the company-wide remuneration system.

Committees of the Supervisory Board and their activities

In accordance with legal requirements and in order to fulfil its duties efficiently, the Supervisory Board has formed committees and delegated certain powers to them in accordance with the Rules of Procedure of the Supervisory Board.

In the period from January 1, 2021 to December 31, 2021, the Supervisory Board had established an Audit Committee, a Personnel Committee and a Strategy Committee.

On **December 13**, 2021, in accordance with the requirements of Section 25 d (7) sentence 2 KWG, the Supervisory Board decided with effect from January 1, 2022 to dissolve the previous Personnel Committee and Strategy Committee and to establish a Nomination Committee and a Risk Committee and a Remuneration Control Committee in addition to the Audit Committee.

The chairs of the committees report to the plenary of the Supervisory Board on the work of the committees.

Overview of the committees and their members as of July 29, 2021

Supervisory Board member	Audit Committee	Personnel Committee	Strategy Committee*
Prof Dr Ernst-Moritz Lipp		Member	
Jens Rönnberg	Chair	Member	
Norbert Freisleben	Member		
Nils Kröber			
Dr Konstantin Mettenheimer	Member		
Dr Ljiljana Mitic		Chair	

* Committee suspended

The **Audit Committee** is primarily concerned with the audit of the accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit of the financial statements and compliance. This also includes KWG compliance and the whistleblower system. The committee members have special and distinct knowledge in these areas. The Audit Committee defines the focal points of the audit and reviews the independence and the fee agreement of the auditor. During the 2021 financial year, the Audit Committee did not come to any conclusions that called into question the independence of the auditor or the quality of the audit. The Audit Committee agreed with the auditor that the auditor would inform the Committee immediately of all relevant material findings and events that came to the auditor's attention during the audit. In addition, it was agreed with the auditor that it would inform the Audit Committee and make a note in the audit report if facts were discovered during the audit that revealed a misstatement in the declaration on the German Corporate Governance Code issued by the Board of Directors and the Supervisory Board.

On **March 15**, 2022, the Audit Committee prepared the meeting of the Supervisory Board to adopt the 2021 annual financial statements and approve the 2021 consolidated financial statements. The Audit

Committee dealt intensely with the annual financial statements in the presence of the auditors. In addition, the quarterly reports to be published in the reporting year were discussed in detail with the Board of Directors and reviewed by the Audit Committee.

The following Supervisory Board members are and were members of the Audit Committee:

// Jens Rönnberg (member since February 3, 2020 and chair since July 29, 2021)
// Florian Schulte (chair, until July 29, 2021)
// Dr Konstantin Mettenheimer (member since July 29, 2021)
// Norbert Freisleben (member since July 29, 2021)
// Prof Dr Ernst-Moritz Lipp (member until July 29, 2021)

The former chair of the Audit Committee, Florian Schulte, who served until July 29, 2021, had extensive knowledge and experience in the application of accounting principles and internal control procedures from his long tenure as managing director, CEO and member of the board of directors of renowned companies and organisations, and from his role as a consultant for corporate finance and strategy. He has sufficient familiarity with the audit of financial statements. Florian Schulte is independent of the GRENKE Group.

The Committee, which has been newly constituted since July 29, 2021 with Jens Rönnberg as chair and Dr Konstantin Mettenheimer and Norbert Freisleben as members, fulfils all the requirements applicable to the Audit Committee pursuant to Sections 107 (4) sentence 3 and 100 (5) AktG as well as Section 25d (9) KWG. The Audit Committee as a whole is familiar with GRENKE AG's business and the sector in which the Company operates and Mr Rönnberg, as chair of the Committee, has demonstrable expertise in the field of accounting and auditing from his long tenure as an auditor and tax advisor for leading law firms and renowned international organisations. This is complemented by Norbert Freisleben's longstanding experience in the field of accounting and auditing at a renowned audit firm. Dr Konstantin Mettenheimer also has the required knowledge and experience as a tax advisor and lawyer as well as experience on other audit committees. All members of the Audit Committee are independent of the Company and the Board of Directors in accordance with the GCGC.

In the 2021 financial year, the Audit Committee met eight times, with the auditor attending two of the meetings. Individual members of the Board of Directors or the Board in its entirety regularly participated in the meetings. The chair of the Audit Committee was also in regular contact with the auditor outside of the meetings.

Audit Committee Date	Location	Florian Schulte (Chair)[1]	Prof Dr Ernst-Moritz Lipp	Jens Rönnberg (Chair)[2]	Dr Konstantin Mettenheimer[3]	Norbert Freisleben[3]	Antje Leminsky, CEO[4]	Michael Bücker, CEO[5]	Dr Sebastian Hirsch, CFO	Isabel Rösler, CRO	Gilles Christ, CSO
Mar. 03, 2021	Video conference	√	√	√			√		√		√
May. 17, 2021	Video conference	√	√	√			√		√		√
May. 29, 2021	Video conference	√	√	√			√		√	√	√
Jun. 25, 2021	Video conference	√	√	√					√	√	√
Jul. 27, 2021	Video conference	√	√	√					√	√	√
Aug. 24, 2021	Video conference			√	√	√		√	√	√	√
Sep. 14, 2021	Video conference			√	√	√		√	√	√	√
Oct. 28, 2021	Video conference			√	√	√		√	√	excused	excused
Nov. 19, 2021	Video conference			√	√	√		√	√	√	√

[1] Chair of the Audit Committee until July 29, 2021
[2] Chair of the Audit Committee as of July 29, 2021
[3] As of July 29, 2021
[4] Until June 30, 2021
[5] As of August 1, 2021

The **Personnel Committee** (Executive Committee), which was dissolved at the end of the 2021 financial year, was responsible for the conclusion, amendment and termination of the employment contracts with the members of the Board of Directors until that time. It dealt with the strategic aspects of personnel planning and approved the proposals for the variable remuneration of the Consolidated Group's executives.

The Personnel Committee consisted of three members:

// Dr Ljiljana Mitic (chair since July 29, 2021)
// Prof Dr Ernst-Moritz Lipp (member of the Personnel Committee)
// Jens Rönnberg (member of the Personnel Committee)

The Personnel Committee met on nine occasions during the 2021 financial year. The meetings dealt with various personnel and remuneration topics concerning the Board of Directors, including with the remuneration system pursuant to Section 87a (1) (2) sentence 1 AktG and the regulations of the Remuneration Ordinance for Institutions (IVV). The members of the committee attended all committee meetings in unison. Dr Ljiljana Mitic has chaired the committee since July 29. Before this, the Personnel Committee acted without a chairperson.

Personnel Committee

Date	Location	Dr Ljiljana Mitic (Chair)[1]	Jens Rönnberg	Prof Dr Ernst-Moritz Lipp
Feb. 01, 2021	Video conference	√	√	√
Feb. 22, 2021	Video conference	√	√	√
Mar. 17, 2021	Video conference	√	√	√
Apr. 12, 2021	Video conference	√	√	√
May. 29, 2021	Video conference	√	√	√
May. 31, 2021	Video conference	√	√	√
Jun. 09, 2021	Video conference	√	√	√
Sep. 07, 2021	Video conference	√	√	√
Sep. 28, 2021	Video conference	√	√	√
Dec 10, 2021[2]	Video conference	√	√	√

[1] Chair of the Personnel Committee since July 29, 2021
[2] Extraordinary Meeting

Until its dissolution at the end of the 2021 financial year, the **Strategy Committee** was responsible for fundamental questions of corporate orientation and strategy. In the 2020 financial year, we transferred the tasks of the Strategy Committee to the plenum as the Supervisory Board mandate of Wolfgang Grenke, one of the two committee members, was suspended. We also refrained from filling the committee and reviving the committee's activities in the 2021 financial year until the committee was dissolved. Accordingly, the Strategy Committee did not meet in the 2021 financial year.

The Nomination Committee, the Risk Committee and the Remuneration Control Committee, which were only established with effect from January 1, 2022, did not meet in the 2021 financial year.

Overview of the committees and their members as of January 1, 2022

Supervisory Board member	Audit Committee	Nominating Committee	Risk Committee	Remuneration Control Committee
Prof Dr Ernst-Moritz Lipp		Member	Member	
Jens Rönnberg	Chair	Member		
Norbert Freisleben	Member		Chair	Member
Nils Kröber				Chair
Dr Konstantin Mettenheimer	Member		Member	
Dr Ljiljana Mitic		Chair		Member

The detailed tasks assigned to the committees can be found in the Rules of Procedure of the Supervisory Board published on GRENKE AG's website at www.grenke.com/investor-relations/corporate-governance/.

Efficiency review

At regular intervals, the supervisory board conducts an evaluation of the efficiency of its activities as well as the activities of the committees. The basis of the evaluation is a company-specific, comprehensive questionnaire, which is developed in cooperation with consulting firms and adapted annually to the individual circumstances. The questionnaire covers various relevant topics of the Supervisory Board's activities extensively, both quantitatively and qualitatively. The questionnaire is submitted anonymously by the Supervisory Board members, and the cumulative results are presented and evaluated in a plenary session. Here, the results are discussed and corresponding suggestions for improvement are jointly formulated and recorded, which are then incorporated into the work of the committees. The efficiency review was conducted in the 2021 financial year on February 10, 2021 under the leadership of the chair of the Audit Committee at that time Florian Schulte.

Corporate Governance and Declaration of Conformity

The Supervisory Board regularly monitors the further development of the corporate governance regulations and reviews their application. In accordance with Section 161 AktG, the Board of Directors and the Supervisory Board of GRENKE AG issued the Declaration of Conformity with the German Corporate Governance Code on January 30, 2021 and declared that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the German Federal Gazette have been and are being complied with, taking into account the exceptions stated in the declaration. In May and August of 2021, updates to the Declaration of Conformity were issued on an ad-hoc basis during the year. The Declaration of Conformity with the German Corporate Governance Code adopted by the Supervisory Board and Board of Directors on January 31, 2022 is reproduced in the Corporate Governance Statement pursuant to Sections 289f and 315d of the HGB. The declarations of conformity and their updates are accessible for at least five years on the Company's website in the Investor Relations/Corporate Governance section.

Education and training measures

The members of the Supervisory Board each participated individually in relevant training activities in the 2021 financial year. The members newly elected to the Supervisory Board in 2021 were supported by corresponding onboarding measures during their induction into office. In addition, on December 16, 2021, the entire Supervisory Board participated in a training event organised by the auditing and consulting firm Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft mbB focusing on the current developments in supervisory law and accounting. The training costs for these events were borne by the Company.

Change in the auditor

On May 17, 2021, the Audit Committee approved a draft decision for the Supervisory Board to issue a tender for the audit of the annual financial statements for the 2021 financial year.

After intense discussion, the participants came to the conclusion that, due to the severe delay in the 2021 audit and the massive increase in the audit effort, obtaining alternative offers was warranted in any case, whereby KPMG was not excluded from the tender.

After carefully reviewing the offers and based on the recommendation of the Audit Committee, the Supervisory Board proposed to the GRENKE AG Annual General Meeting that BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, be appointed as the auditor and group auditor for the 2021 financial year.

The auditor will also perform an audit review of interim financial reports for the 2022 financial year for the period leading up to the upcoming Annual General Meeting in the 2022 financial year, insofar as these audits are to be performed.

For the aforementioned audit services, the Audit Committee of the Supervisory Board recommended KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, in accordance with the procedure pursuant to Article 16 (2) of the EU Statutory Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements for the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) and communicated a justified preference for BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. It adheres to this recommendation unchanged. The Audit Committee has declared that its recommendation is free from undue influence by third parties and, in particular, that no clause within the meaning of Article 16 (6) of the EU Statutory Audit Regulation was imposed on it that would have limited its selection to certain auditors.

The Annual General Meeting of GRENKE AG approved the Company's proposed resolution on July 29, 2021.

Annual and consolidated financial statements and audit

The annual financial statements of GRENKE AG and the consolidated financial statements prepared by the Board of Directors as of December 31, 2021, the combined management report of GRENKE AG and the GRENKE Group for the 2021 financial year in accordance with Sections 315 (5) and 298 (2) HGB, and the Board of Directors' proposal for the appropriation of GRENKE AG's unappropriated surplus were all submitted to the Supervisory Board in a timely manner.

The annual financial statements for the 2021 financial year were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. The condensed financial statements and interim management report for the first six months of the 2021 financial year were reviewed by KMPG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The accounting underlying GRENKE AG's annual financial statements was carried out in accordance with the provisions of the German Commercial Code (HGB) and taking into consideration accounting regulations for banks. The audit of the annual financial statements as of December 31, 2021 under commercial law was conducted in accordance with the provisions of Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). The consolidated financial statements and the combined management report for the financial year from January 1 to December 31, 2021 were prepared in accordance with Section 315 e (1) HGB on the basis of the International Financial Reporting Standards as adopted by the EU and in application of German Accounting Standard No. 20. The audit of the consolidated financial statements was conducted in accordance with the provisions of Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the IDW. The annual financial statements of GRENKE AG and the consolidated financial statements of the GRENKE Group for the 2021 financial year were each issued with an unqualified audit opinion.

The Supervisory Board thoroughly discussed and reviewed the annual and consolidated financial statements and the combined management report submitted by the Board of Directors, the audit reports submitted by the auditor and the mandatory non-financial statement. The responsible auditor attended this meeting of the Supervisory Board dealing with the financial statements and reported on the main results of the audit and confirmed the timely submission of the non-financial statement – as required by law. The Supervisory Board also dealt with the mandatory disclosures pursuant to Sections 289 a and 315 a HGB as well as the related report. The Supervisory Board has examined and adopted these disclosures and explanations, which it considers to be complete in the combined management report. After its own examination, the Supervisory Board raised no objections to the results of the audit of the annual and consolidated financial statements by the auditor and adopted the annual financial statements of GRENKE AG and approved the consolidated financial statements and combined management report of GRENKE AG on March 15, 2022. The Supervisory Board concurred with the Board of Directors' proposal for the appropriation of GRENKE AG's unappropriated surplus.

The 2021 financial year was an eventful one for GRENKE AG, characterised by an economic crisis that continued due to the Covid-19 pandemic, ongoing audit activities, and a change in the Board of Directors and Supervisory Board teams. With GRENKE AG's newly organised management teams and strong competitiveness, it is well prepared to thrive in the economic recovery after the pandemic. We want to and will resume our sustainable growth path.

We would like to thank you, dear shareholders, for the trust you have placed in us and look forward to having you as our continued companions along the way.

Baden-Baden, March 15, 2022

On behalf of the Supervisory Board

Prof Dr Ernst-Moritz Lipp
Chairman

Share and Investor Relations

1. Development of the Financial Markets

In 2021, financial markets continued their steady recovery that began in mid-2020 from the massive price falls after the outbreak of the Covid-19 pandemic.

The German DAX benchmark index opened on January 4, 2021 at a level of 13,890 points and, after a slow start, recorded its low for the year of 13,310 points on January 28, 2021. At the beginning of the second quarter, the index began a clear uptrend that led to repeated record highs. On November 18, 2021, the DAX recorded a year-high as well as an all-time high of 16,290 points and, with the global spread of the omicron variant at year-end, closed the trading year on December 30, 2021 slightly weaker at 15,884 points. The gain in the DAX for the 2021 year as a whole was roughly 14 percent.

The German share index for smaller companies, the SDAX, in which GRENKE AG is also listed, opened the year 2021 at 14,884 points on January 4. The index began the trading year in a consolidation pattern with minor price fluctuations and marked its low for the year on March 5, 2021 at 14,683 points, which was slightly below the year's opening level. The SDAX proceeded to rise steadily and reached an initial high on September 3, 2021 at a closing price of 17,285 points. The index gave up some of these gains in the course of September, reaching 15,882 points on October 6, 2021. On October 26, the SDAX crossed the 17,000 point threshold again and went on to reach a high for the year of 17,450 points on November 9, 2021. However, in the face of the spreading omicron variant, the index gave way to close at 16,414 points on December 30, 2021, for an increase of roughly 10 percent for the full year.

2. The GRENKE Share

GRENKE AG's shares consolidated for most of the past financial year with isolated, and sometimes, significant price fluctuations amid high volatility. Trading in the shares was influenced by further audit activities, which were successfully completed in 2021, as well as later in the year by the global supply bottlenecks for semiconductor products resulting from the Covid-19 pandemic.

The shares opened trading on January 4, 2021 at EUR 39.10 and reached their high for the year on January 27, 2021 at EUR 43.10. GRENKE's shares dropped significantly with the resignation of Mark Kindermann from the Board of Directors on February 8, 2021, falling to their low for the year of EUR 24.20. After the announcement and with the explanation provided by the Chair of the Supervisory Board of GRENKE AG on the following day, the share price recovered and traded at around EUR 32.00 with low price volatility until mid-May. The announcement of the unqualified audit of the 2020 annual financial report by KPMG on May 17, 2021 was accompanied by a significant upswing in GRENKE's share price to as high as EUR 40.00 at its intraday peak on May 18, closing at EUR 38.96. In the period that followed until October 4, 2021, the share price largely stabilised at an average closing price of EUR 37.07 within a trading range of EUR 39.72 (May 20, 2021) to EUR 32.96 (July 19, 2021). On October 4, GRENKE adjusted its forecast for the 2021 new leasing business due to supply bottlenecks for computer and office technology in the reseller network. The announcement caused the share price to decline again from EUR 37.00 on October 4 to EUR 30.91 on October 7 but was followed by an increase again to EUR 32.00 on October 18, rising further to around EUR 34.00 on November 19. With the publication on November 22 of renewed short-seller rumours, the GRENKE share price dropped and continued to fall to a level of EUR 29.90 on December 15. The share price recovered slightly starting in mid-December and closed the year on December 30, 2021 at EUR 30.65. Based on the total number of 46,495,573 registered shares, GRENKE AG's market capitalisation amounted to EUR 1.4 billion as of December 30, 2021. Compared to the previous year, GRENKE AG's share price was down 21 percent.

3. Stock Exchange Segment

GRENKE AG's shares were included in the SDAX index in the 2021 financial year, with the exception of a brief interruption in the period from May 10 to June 21. Deutsche Börse had briefly removed GRENKE AG shares from the index on May 10, 2021 in accordance with its current regulations due to the ongoing audit procedures at the Consolidated Group, which prevented GRENKE AG from publishing its 2020 consolidated financial statements on time as of April 30, 2021. Following the publication of the unqualified 2020 Annual Report 2020 on May 21, 2021, Deutsche Börse announced on June 3 that GRENKE's shares would return to the SDAX on June 21 after meeting all of the basic criteria.

4. Trading Volume

The total trading volume in GRENKE shares on the Xetra marketplace averaged 104,000 shares per day in the 255 trading days of the 2021 financial year. The highest daily turnover was achieved on February 8 with 2,299,128 shares traded. Other peak trading days were February 9, 2021 with 930,082 shares and May 18, 2021 with 930,060 shares. The shares recorded their lowest daily turnover of 12,888 shares on December 30, 2021. A total of roughly 26,600,000 GRENKE AG shares were traded on Xetra in the 2021 fiscal year as a whole.

5. Rating Agency Assessments

GRENKE AG's unsubordinated debt was rated at regular intervals during the reporting period by two rating agencies, Standard & Poor's and GBB-Rating. Standard & Poor's reaffirmed its BBB+/A-2 rating with a negative outlook on July 21, 2021. On July 1, 2021, GBB-Rating adjusted its rating for the Consolidated Group from A to A-. As a result, GRENKE AG continues to maintain a solid investment grade rating, which it has enjoyed for many years.

6. Annual General Meeting, Dividend and Share Capital

GRENKE AG held its ordinary Annual General Meeting on July 29, 2021. As in the previous year, the event was held as a virtual Annual General Meeting due to the ongoing Covid-19 pandemic and broadcast live on the Company's website. With 34,158,001 votes, including votes by mail, a total of 73.47 percent of the share capital was represented at the event. Shareholders approved the proposal of the Board of Directors and the Supervisory Board to distribute a dividend of EUR 0.26 for a total distribution of EUR 12.1 million, corresponding to a payout ratio of 13.7 percent of the Consolidated Group net profit.

7. Shareholder Structure

GRENKE AG is a medium-sized family business whose major shareholder, Grenke Beteiligung GmbH & Co. KG, represents the family members of the Company's founder Wolfgang Grenke. As of the December 30, 2021, reporting date, Grenke Beteiligung GmbH & Co. KG held 40.84 percent of the GRENKE AG shares, resulting in a free float of 59.16 percent. The other shareholders who held a share of more than 3 percent each as of the publication date stated in the respective voting rights announcement and who are allocated to the free float as defined by the Deutsche Börse are Acatis Gané Value Event Fonds (9.35 percent), the Investmentaktiengesellschaft für langfristige Investoren TGV (3.37 percent), and Axxion S.A. (3.25 percent).

8. Analyst Ratings

GRENKE AG's shares were regularly evaluated by a total of six analysts during the 2021 financial year. Three analysts issued a buy recommendation, and two analysts issued hold recommendations. One analyst did not issue a share rating.

9. Investor Relations

GRENKE AG is in continuous dialogue with capital market stakeholders. In the 2021 financial year, GRENKE AG's Board of Directors and Investor Relations team participated in a large number of virtual capital market conferences and roadshows. They were also in direct, personal contact during this period with 226 investors, analysts, and press representatives in a total of 139 conference calls and one-on-one meetings (previous year: 283 meetings with 553 investors, analysts, and press representatives). The chair of the Supervisory Board also engaged with interested investors on topics relevant to the Supervisory Board.

GRENKE AG's Investor Relations team is available for enquiries and comments by email at investor@grenke.de and by telephone at +49 (0) 7221 5007 204. Further information on the Company and GRENKE AG shares is also available in the "Investor Relations" portal on the Company's website (www. grenke.com).

GRENKE'S share price performance (January 1 through December 31, 2021)

Reference data

Symbol / Bloomberg / Reuters	GLJ / GLJ_GR / GLJn.DE
ISIN	DE000A161N30
Market segment	Regulated market (Prime Standard)
Index	SDAX
Designated Sponsors	ODDO BHF AG; HSBC Trinkaus und Burkhardt AG
Total number of registered shares outstanding	46'495'573.00
Class	No-par-value shares (registered shares)
Notional nominal value per share	1.00 EUR
Shareholder structure: Freefloat according to Section 1.9 of the current “Deutsche Börse Stock Indices Guideline” Grenke Beteiligung GmbH & Co. KG*	59.2 % 40.8 %

* General partner: Grenke Vermögensverwaltung GmbH
Limited partners: Grenke family (Wolfgang, Anneliese, Moritz, Roland and Oliver Grenke)

Share data

	Unit	2021	2020	2019
CLOSING PRICE ON LAST DAY OF FISCAL YEAR	EUR	30.65	38.82	92.25
Highest share price	EUR	43.10	79.68	96.70
Lowest share price	EUR	24.20	26.70	68.95
MARKET CAPITALISATION	EURM	1'425	1'805	4'276
Earnings per share	EUR	1.94	1.86	2.89
Dividend per share	EUR	0,51*	0.26	0.80
PRICE-EARNINGS RATIO		14.97	20.87	31.92

Share prices based on XETRA closing prices.
* 2021: Proposal to the Annual General Meeting 2022

Combined Management Report

The following is the combined management report for the GRENKE Group (hereinafter also referred to as the "Consolidated Group") and the Consolidated Group's parent company GRENKE AG (the "Company") for the 2021 financial year (January 1 to December 31). This report also includes the Non-Financial Statement for the GRENKE Group. The Consolidated Group reports in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The Company reports in accordance with the German Commercial Code (HGB). The Company's consolidated financial statements and annual financial statements for the 2021 financial year are published in the Federal Gazette (Bundesanzeiger). The 2021 Annual Report is also available online as a PDF document at www.grenke.com/investor-relations/reports-and-presentations.

1. Consolidated Group principles

1.1 GRENKE overview

1.1.1 Corporate profile

The GRENKE Group acts as a global financing partner for small and medium-sized enterprises (SMEs). Fast and easy processing, along with personal contact with customers and partners, are a key focus. Founded in Baden-Baden, Germany, in 1978, the Company as of the end of the 2021 financial year operated worldwide with more than 1,900 employees in 33 countries.

GRENKE AG is the parent company of the GRENKE Group with 55 subsidiaries (as defined in Section 290 HGB/IFRS10). The management of GRENKE AG is performed by a Board of Directors based at the Company's headquarters in Baden-Baden, which as of December 31, 2021 consisted of four members. The Company's Supervisory Board consists of six members in accordance with the Company's Articles of Association.

1.1.2 Business model

The leasing business is the core business of the GRENKE Group. In the past financial year, the Leasing segment generated 96.7 percent (previous year: 97.1 percent) of the Consolidated Group's net interest income. GRENKE focuses primarily on small-ticket leases, i.e. leases with an acquisition value of less than EUR 25k, which accounted for over 94 percent of all leases in the reporting year, as in previous years.

The leasing portfolio focuses on IT and office communications products and software. IT products accounted for 63.8 percent of the leasing portfolio in the past financial year (previous year: 64.0 percent). The Consolidated Group has also expanded its business model in recent years to include other product groups such as small machinery and systems and medical and security devices. In relation to the volume of new business, the share of these product groups in 2021 totalled 36.2 percent, compared with 36.0 percent in the previous year.

In phases of economic fluctuation, the Consolidated Group manages its business by modifying its acceptance practices for lease applications. By focusing strictly on low-risk new business and excluding high-risk sectors and customers, new business can be managed in a targeted manner. GRENKE is also able to adjust its terms and conditions to the respective market and macroeconomic conditions. Accordingly, the GRENKE Group's business model has proven to be relatively resistant to economic fluctuations in the past. As a result, the Consolidated Group has succeeded in achieving risk-adequate margins and sustainable profitability even in extremely difficult economic times such as the financial market crisis in 2009 or the corona pandemic in 2020 and 2021.

The business model is rounded off by offers of factoring solutions and banking services.

1.1.3 Market position

The small-ticket leasing market segment that is relevant for the GRENKE Group represents only a relatively small portion of the overall market and differs significantly from the general leasing market – both in terms of ticket sizes and asset groups. For example, according to the Federal Association of German Leasing Companies (BDL), the German leasing market is traditionally dominated by the "passenger car, station wagon, truck, trailer, and bus" segment, which accounts for around three-quarters of the volume of new business and in which GRENKE is not active.

The leasing markets in Europe relevant for GRENKE are predominantly served by local providers, in particular leasing subsidiaries of banks and equipment manufacturers. However, many of these competitors are not only focused on small-ticket leasing, but also offer lease financing for items such as cars or aircraft. As a result, meaningful information on market share is virtually unavailable.

The German leasing market is primarily dominated by medium-sized companies. Of the approximately 150 providers who belong to the Federal Association of German Leasing Companies (BDL), almost three quarters are small or very small companies with fewer than 50 employees. Only 3 percent of the leasing providers – including the GRENKE Group – have more than 500 employees. The areas relevant for GRENKE, namely office equipment, including IT, communications and signal technology, and other equipment, including medical devices, each account for only around 11 percent of the total market volume. Within this focused part of the overall market, the GRENKE Group considers itself to be a significant player. In Germany, GRENKE's relevant competitors include abcfinance, CHG Meridian, Deutsche Leasing, MMV Leasing, and VR Smart Finanz.

The French leasing market is primarily dominated by the leasing subsidiaries of the major French banks. In the area of bank- and manufacturer-independent companies, the GRENKE Group is a significant small-ticket leasing provider in France. In this market, GRENKE's relevant competitors include BNP Paribas, CCLS (Crédit Mutuel/CIC), and LOCAM. In Italy, GRENKE is one of the five largest providers in the area of capital goods leasing. The GRENKE Group has established a significant market position in the market segments of lease financing with a purchase volume of less than EUR 25k and between EUR 25k and EUR 50k in recent years. In Italy, GRENKE's relevant competitors include Banca Ifis, BNP Paribas, BCC Lease, and DLL.

1.1.4 Segments

The GRENKE Group's organisational structure is divided into three segments: Leasing, Banking, and Factoring. For information on the business development of the segments in the reporting year, please refer to chapter 2.7.1.1 "Operating segments" of the combined management report and chapter 8. "Segment reporting" of the notes to the consolidated financial statements.

The Leasing segment comprises all activities related to the Consolidated Group's leasing operations. The range of services offered includes the provision of financing for commercial lessees, leasing, service, protection and maintenance offerings, and the disposal of used equipment. The GRENKE Group primarily specialises in small-ticket leasing of IT products such as PCs, notebooks, servers, monitors and other peripheral equipment, software, telecommunications and copying technology, medical technology and other IT products. Almost all leasing contracts concluded are contracts with full amortisation.

The Factoring segment offers classic factoring services with a focus on small-ticket factoring. The average volume per customer in the reporting year was EUR 9.4k (previous year: EUR 7.3k). In the context of non-recourse factoring, this segment offers notification factoring (the debtor is notified of an assignment of the receivables) and non-notification factoring (the debtor is not notified of an assignment of the receivables). The segment also offers receivables management without a financing function (recourse factoring); where the del credere risk remains with the customer. In terms of new business (the total of purchased receivables), the factoring business represented 29.3 percent (previous year: 23.2 percent) of the Group's total new business volume in the year under review. In contrast, the share of net interest income of 2.0 percent (previous year: 1.7 percent) and of segment income of 1.6 percent (previous year: 1.6 percent) is significantly lower.

As a financing partner primarily for SMEs, the Banking segment comprises the activities of GRENKE BANK AG (hereinafter also "GRENKE Bank"). In cooperation with various development banks of the German federal government and individual German states, GRENKE Bank provides development loans for SMEs and self-employed professionals who finance new business acquisitions through leasing. The Bank's business is primarily with German customers. In the reporting year, GRENKE Bank significantly reduced its new lending business with small and medium-sized enterprises and has since focused primarily on the microcredit business conducted as part of the "Mikrokreditfonds Deutschland". GRENKE Bank also offers investment products such as fixed-term deposits for private and commercial customers via its website, as well as via intermediary platforms such as Deposit Solution and Weltsparen. Through its acquisition of customer deposits, GRENKE Bank plays an important role in the Consolidated Group's internal refinancing by means of purchasing receivables and issuing loans. At 27.8 percent (previous year: 26.5 percent) of the Consolidated Group's financial liabilities, the deposit business makes a significant contribution to refinancing. The attractiveness for GRENKE is also evident from the fact that the deposit business accounts for a share of only 18.2 percent (previous year: 14.4 percent) of the interest expenses for the entire refinancing.

1.1.5 Sales markets

At the end of the 2021 financial year, the GRENKE Group was operating in 33 countries on 5 continents with a total of 154 locations. Due to the conditions resulting from the Covid-19 pandemic, no new locations were opened in the course of 2021.

The focus of the Consolidated Group's operations is in Europe, where GRENKE is active in essentially all countries. In the core markets of Germany, France, and Italy, GRENKE had 32, 19, and 18 locations, respectively, at the end of 2021. Since 2011, the Consolidated Group has been successively expanding its presence outside Europe and has entered the markets in various countries in Asia, Australia, and North and South America. In terms of new leasing business, GRENKE generated 94.5 percent (previous year: 95.2 percent) of its business in Europe and 5.5 percent (previous year: 4.8 percent) outside Europe during the past financial year.

1.1.6 Franchise model & investments

Between 2003 and 2020, the Consolidated Group primarily used a franchise model to develop new regional markets. GRENKE AG does not hold any shares in the legally independent companies of the franchisees; the shares are held by financial investors and the managing directors of the franchise companies. Regardless of the ownership structure, the franchise companies were fully consolidated by GRENKE AG for the first time in the 2020 financial year due to de facto control in accordance with IFRS 10, and retroactively for financial year 2019. In the past, GRENKE has had the opportunity to acquire the franchise companies after typically four to six years. The determination of the purchase price was generally based on a formula determined when the franchise agreement was concluded and took into account market parameters and the franchise company's individual business development. Under its franchise model, GRENKE AG provides its partners with expertise, operational infrastructure, a range of services, and permission to use the rights to the name. GRENKE AG generally ensures the refinancing of the operating business from the rental or lease agreements or factoring agreements that a franchisee concludes with its customers.

At the end of 2021, a total of 16 companies were operating under the GRENKE franchise model. In the Leasing segment, there were franchise companies in Australia, Canada, Chile, Latvia, Singapore, and the United States, and in the Factoring segment in Hungary, Ireland, Italy, Poland, Portugal and the United Kingdom. Option agreements exist for 13 franchise companies and for the sales agency in Norway, which permit the GRENKE Group to acquire them. None of these purchase options were exercised in the reporting year. At the end of 2020, GRENKE AG and the financial investors of the franchise companies entered into a memorandum of understanding under which GRENKE AG could acquire the shares of all franchise companies by December 31, 2021. At the time of preparing this Annual Report, the Board of Directors of GRENKE AG was in ongoing negotiations on the modalities of the acquisitions with the financial investors. GRENKE AG received a power of attorney to exercise voting rights for the shares for fiscal year 2021.

In addition to its own operating business activities, the GRENKE Group has occasionally entered into strategic investments in recent years.

In 2016, for example, GRENKE Bank acquired a 15 percent interest in Finanzchef24 GmbH, based in Munich, Germany. The company is the first digital insurance broker for commercial customers in Germany and operates an online finance portal that allows entrepreneurs and self-employed professionals to compare and conclude insurance policies online. Since the target customers of Finanzchef24 and GRENKE Bank are very similar, the online portal has also been offering GRENKE Bank business current accounts and commercial loans as well as GRENKE Group financing solutions since 2017.

In 2018, GRENKE digital GmbH founded the associated company finux GmbH together with the Kassel-based FinTech company fino digital GmbH. GRENKE digital GmbH holds 30 percent of the shares and voting rights. The goal of the cooperation is to develop a financial cockpit designed specifically for SMEs, which will provide SME decision-makers a product that supports them in all financial matters.

In the reporting year, GRENKE sold its minority interest of 25.01 percent in the fintech company viafintech GmbH to paysafecard.com Wertkarten GmbH, Vienna (Austria). GRENKE BANK AG had acquired a stake in viafintech GmbH (then still operating under the name "Cash Payment Solutions GmbH") in 2015. The company's payment service enables customers to make cash deposits and withdrawals and to settle invoices from a wide range of industries. GRENKE BANK AG will continue to support the company as the main payment processor under a long-term cooperation agreement. Further information on the financial effects of the transaction can be found in chapter 2.7.1 "Results of operations" of the combined management report and in chapter 6.1 of the notes to the consolidated financial statements.

1.1.7 Business processes and services

In the Leasing segment, GRENKE utilises a multitude of distribution channels. Specialist reseller partners arrange financing agreements with end customers, supported by GRENKE employees in local sales offices. Manufacturers are supported by key account managers, and selected corporate clients are offered leasing solutions in the direct business by the Consolidated Group's sales department, which operates independently of manufacturers and specialist resellers.

GRENKE has been continuously expanding its digital offers for the past several years. The eSignature product, which enables lease contracts to be processed entirely digitally and, thereby, quickly and easily, is meanwhile available in 27 markets. In the reporting year, 38.8 percent (previous year: 30.1 percent) of all leases were concluded using eSignature. The signature app also allows leases to be signed digitally on a tablet computer or smartphone. This service is currently available in a total of 23 countries. A further digital service available on the customer portal is the ability to receive invoices electronically by email.

One of the focal points of the SME lending business is GRENKE Bank's participation in the initiative of the German Federal Ministry of Labour and Social Affairs entitled "Mikrokreditfonds Deutschland" (Microcredit Fund Germany). As part of this initiative, the German government provides guarantees for microcredit loans of up to EUR 25k to small companies with economically viable concepts that do not receive bank financing themselves. In the reporting year, GRENKE BANK AG was again awarded the sole contract as partner bank. Following the launch in 2015 and the extension three years later, GRENKE has thus assumed the role of lender for the third time. Since the initial award, GRENKE has extended loans with a volume of more than EUR 132.9 million.

GRENKE also cooperates with a number of German development banks through which SMEs, self-employed professionals, and start-ups can access GRENKE's leasing offers for new business purchases. A total of more than 85,000 lease contracts have been concluded to-date as part of such collaborations. In the context of the corona pandemic, KfW had extended the amount of the liability exemption for the promotional loans so that the GRENKE Group was completely exempt from the default risk for certain products. For an overview of the development loans from various collaborations with domestic and European development banks, please refer to the notes to the consolidated financial statements under Note 5.11.4 " Committed Development Loans".

1.1.8 External influential factors affecting business

In the view of the Board of Directors, above all, industry-related trends such as the business policies of banks and financial service providers in the leasing, factoring, and deposit business and the ever-growing regulatory requirements in this sector are among the main external factors influencing the business. Another external factor is the general availability of lease assets. In the reporting year, for example, the global supply bottlenecks experienced by manufacturers of computer and office technology in the wake of the corona crisis had a negative impact on the Group's new leasing business.

Other influencing external factors, such as the effect of changes in the capital market and central bank interest rates on refinancing costs, are presented in the risk report (see Chapter 6.1).

1.2 Targets and strategies

GRENKE provides financial services for SMEs with a focus on small-ticket leasing. GRENKE's lease offers have made it one of the leading providers in Italy and France. The Consolidated Group's medium-term objective is to position GRENKE as a comprehensive small-ticket financial service provider for medium-sized businesses located not only in Europe but also internationally.

The GRENKE Group's target for financial year 2022 is to generate new leasing business volume - i.e., the total acquisition costs of newly acquired leased assets - of between EUR 2.0 billion and EUR 2.2 billion. In comparison to the 2021 financial year, this represents an expected increase of between 20 and 33 percent. Using the 2021 financial year as a basis, the volume of new business is expected to have doubled by the 2024 financial year.

A further objective of the Consolidated Group is the continued high profitability of its business, particularly in economically difficult times. The key to accomplishing this is risk management and, above all, the ability to assess risks as accurately as possible and achieve risk-adequate contribution margins. For further details on the GRENKE Group's risk management system, please refer to the "Report on Risks, Opportunities and Forecasts".

GRENKE is also aiming for a cost-income ratio of below 52 percent in the 2022 financial year. To achieve this, the Consolidated Group is relying heavily on the digitalisation and standardisation of processes to scale its business and increase efficiency in the long term. In the 2021 financial year, the cost-income ratio was 50.5 percent (previous year: 43.1 percent), and above the previously set target of 46 percent. For information on the calculation of the cost-income ratio and its development in the reporting year, please refer to chapters 1.3 "Management system" and 2.7.1 "Results of operations".

The Consolidated Group has a wide range of refinancing instruments at its disposal, which its uses as part of the overall strategy depending on market conditions. Financing is essentially based on three pillars: GRENKE Bank's deposits, asset-based financing (including ABCP programmes), and senior unsecured instruments such as bonds, debentures and commercial paper. In using these instruments, the Consolidated Group avoids maturity transformation, thereby eliminating potential interest rate and follow-on financing risks at the portfolio level. Depending on requirements and market conditions, GRENKE aims to finance between 15 and 30 percent of the Consolidated Group's financial liabilities via GRENKE Bank. On June 30, 2021, the GRENKE Group signed a syndicated revolving credit facility with a total volume of EUR 250 million with seven core banks. The facility runs for two years and includes options for an extension of up to two additional years.

GRENKE also attaches great importance to maintaining a solid equity base, which also enables the Company to preserve its investment grade rating. The internal benchmark for the equity ratio has been 16.0 percent for many years. In its most recent analysis of December 2021, the rating agency Standard & Poor's confirmed GRENKE AG's long-term and short-term issuer rating of BBB+/A-2. The outlook on the long-term rating remained negative. The issuer rating for the hybrid bonds was raised by Standard & Poor's from "BB-" to "BB" on the basis of a new valuation methodology. The Gesellschaft für Bonitätsbeurteilung ("GBB") lowered the rating for the GRENKE Group from "A" to the "A-" level in July 2021 and left the outlook at "negative".

1.3 Management system

In order to assess the current business development and management of the GRENKE Group, the Board of Directors relies on the following financial performance indicators, the composition and calculation methodology of which have not changed compared to the previous year:

- // Growth in new leasing business
- // Consolidated Group net profit
- // Equity ratio: ratio of equity to total assets
- // Cost-income ratio: ratio of total expense items (staff costs, depreciation, amortisation and impairment losses, selling, general and administrative expenses, other operating expenses) to total income items (other operating income, other net interest income plus total operating income increased by settlement of claims and risk provisioning)

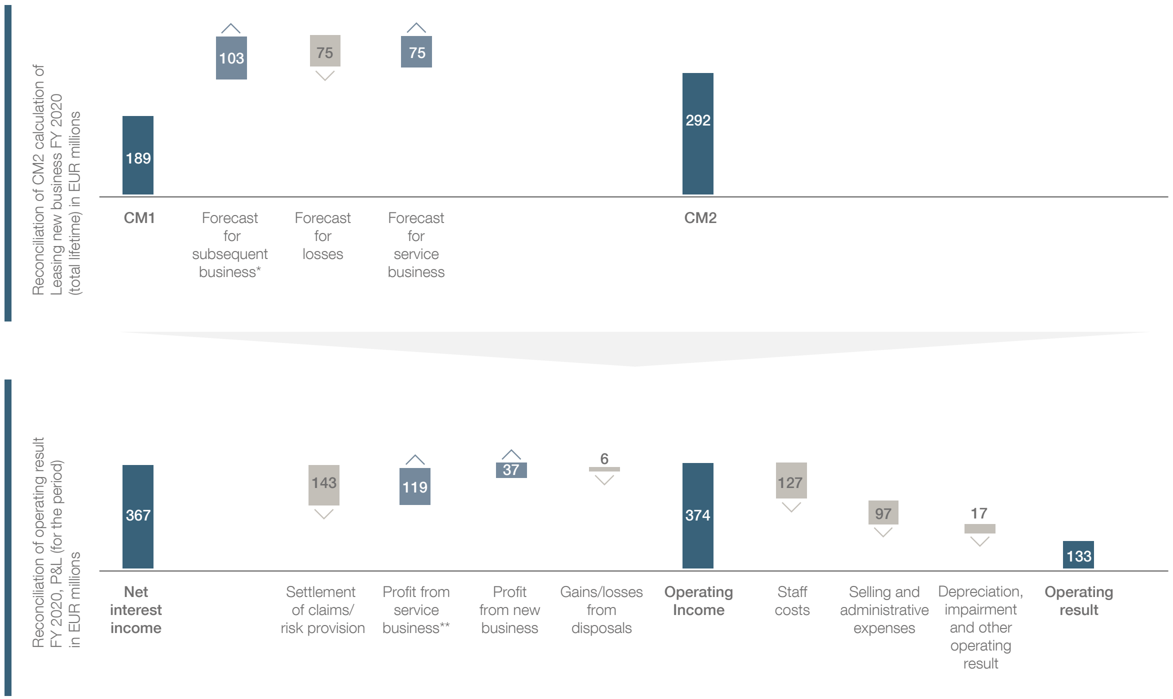
The key performance indicators for the leasing business are as follows:

- // Contribution margins 1 and 2
- // Embedded value
- // Expected loss

In the leasing business, a distinction is made between contribution margin 1 (CM1), or the CM1 margin, which is the contribution margin 1 in relation to new business, and the contribution margin 2 (CM2), or the CM2 margin. CM1 corresponds to the present value of the net interest income from a lease contract less the commission paid to third parties, while CM2 represents the present value of the operating income from a leasing contract and includes the cost of risk as well as service and disposal income. Management focuses particularly on CM2, whose calculation corresponds to the Consolidated Group's operating profit. This is illustrated by the chart on page 36, which shows the derivation of operating profit and net profit for the period on the one hand and the CM2 calculation for new leasing business on the other, based on the total term of the contracts (total period).

See diagram "reconciliation of contribution margin 2 (cm2) and operating result"

Reconciliation Contribution Margin 2 (CM2) and Operating Result



* In the income statement, the expected residual value is reflected in the interest income for the period.
** Corresponding items for the CM2 calculation are not relevant as the diagram reflects the lifetime period.

The Consolidated Group's value-based management is guided by CM2, which cumulates the periodic operating income based on an analysis of the total period, presenting the relationship between the contribution margin or operating income generated and the costs incurred (cost-income ratio). While the contribution margin is largely determined by the new business generated in the immediate prior reporting period, the operating income and Consolidated Group net profit are determined additionally based on the new business acquired in past financial years.

Because the expenses arising from expanding into new markets, cell divisions and opening new branches in existing markets are not immediately covered by income but usually only after completion of the start-up phase, the Consolidated Group uses embedded value as an added indicator. Embedded value represents the present value of all outstanding instalments and gains from disposals after costs and risk provisioning based on the remaining maturity of the entire existing portfolio. The difference between the embedded value at the beginning of a financial year versus the end of a financial year represents the change in the Company's intrinsic value. CM2 indicates the total embedded value of the new business for a single period before costs and taxes. By managing the business with an eye to embedded value, the Consolidated Group is able to combine the goals of growing its new business while increasing its intrinsic value.

The expected loss corresponds to the amount of loss initially calculated over the entire term of a lease contract and/or a portfolio. The GRENKE Group aims to keep the deviation of expected losses from realised losses as low as possible. The loss rate (the ratio of expenses for the settlement of claims and risk provision to the lease volume) serves as a periodic indicator.

GRENKE Bank plays an important role in GRENKE Group's refinancing strategy through the purchase of lease receivables. Therefore, a key performance indicator for GRENKE Bank is its deposit volume. GRENKE Bank is also managed based on its equity base, which is evaluated using the equity ratio, the overall ratio according to capital requirement regulations (CRR), the leverage ratio and the liquidity coverage ratio (LCR).

The most important performance indicators for the factoring business are the gross margin (defined as the income from the purchase of receivables, crediting and receivables management in relation to the respective net acquisition values), as well as the length of a respective factoring transaction measured in the number of days. Over the long term, the segment's management focuses on factoring volumes, which correlate with the acquisition of new customers. In the process, the acceptance of financing applications is managed according to risk categories.

The respective medium-term targets for the Consolidated Group's relevant financial performance indicators can be found in section 1.2 "Targets and strategies," and the targets for the current fiscal year 2022 in Chapter 6.4 "Report on forecasts and outlook".

	2019 Forecast	2019 Result	2020 Forecast *	2020 Result	2021 Forecast	2021 Result
Leasing new business	+18-21%	+18,2%	+14-18%	-28,8%	EUR 1.5-1.7 bn	EUR 1.7 bn
Factoring new business	+25%	+25,9%				
Equity ratio	16%	17,5% / 16,1%	16%	16,3%	>16%	19,1%
Net profit	EUR 138-148 m	EUR 133.3 m**	EUR 153-165 m	EUR 88.4 m	EUR 90-100 m	EUR 95.2 m
Cost-income ratio	<60%	44,4%	<46%	43,1 %	<50%	50,5%

* 2020 forecast not substantiated due to uncertainties caused by the Covid-19 pandemic.
** 2019 profit adjusted retrospectively in accordance with IAS8. Originally reported 2019 figure: EUR 142.1 million.

In addition to these financial performance indicators, the GRENKE Group's value is also determined by non-financial performance indicators. The Consolidated Group's key non-financial performance indicators are as follows:

- // Number of employees of the GRENKE Group
- // Gender ratio of GRENKE AG in the two management levels below the Board of Directors
- // Number of trainees/dual-study students (training is provided as needed for the GRENKE Group)
- // Training ratio: The percentage of GRENKE Group employees who participated in voluntary and mandatory training in the reporting year

Further information on the non-financial performance indicators can be found in Chapter 4, "Non-financial statement.

1.4 Research and development

GRENKE Group's core capabilities include standardised and – particularly in the area of leasing – highly digitised processes, as well as the effective evaluation of lease applications. The Consolidated Group continuously optimises its software products and its applications to maintain these capabilities. Next to expanding the technical infrastructure, the focus of activities is on further developing the portals and processing systems for sales and administration. Playing a leading part in this context is the GRENKE Technology Center, founded in 2015. As the Consolidated Group's own centre for software and business process development, it develops system solutions for the GRENKE Group and its partners. In 2017, the GRENKE Technology Center was transferred to GRENKE digital GmbH, where all of the Consolidated Group's digital competencies are bundled. In 2021, GRENKE digital GmbH employed 146 people (previous year: 143).

In the reporting year, the Consolidated Group capitalised a total of EUR 3.7 million in development costs (previous year: EUR 4.8 million). The amortisation for internally generated software amounted to EUR 6.3 million (previous year: EUR 4.3 million). The increase compared to the previous year resulted from special items due to the technological realignment of a software solution. GRENKE Group also uses third-party research and development services. In the 2021 financial year, these services were primarily related to IT projects and totalled EUR 8.0 million (previous year: EUR 5.3 million), of which EUR 1.8 million (previous year: EUR 2.1 million) were capitalised.

2. Report on business development

- // New leasing business of EUR 1.7 billion (-18.2 percent) for the full year 2021 at the upper end of the forecast range of EUR 1.5 – 1.7 billion adjusted during the year
- // Increased sales efforts lead to 22.1 percent rise in new leasing business in Q4 2021
- // Contribution margin 2 in the 2021 financial year at 17.6 percent compared to 18.4 percent in 2020
- // Net profit of EUR 95.2 million in the middle of the guidance range of EUR 90 – 100 million and includes the announced extraordinary income after tax of EUR 23.0 million from the sale of the stake in viafintech GmbH
- // Cost-income ratio of 50.5 percent slightly above (previous year 43.1 percent)
- // Equity ratio rises to 19.1 percent, clearly exceeding the target of a minimum of 16.0 percent
- // Cash flow from operating activities equals EUR –72.0 million; liquidity remains high at EUR 853.0 million

2.1 Significant events and transactions in the 2021 financial year

On February 26, 2021, GRENKE AG provided information on the interim status of the special audits by the BaFin-mandated auditing firm Mazars. According to Mazars, there are no doubts as to the substance of the leasing business, and the accusation of money laundering has not been confirmed overall. In addition to other exonerating statements, the report also contains significant points of criticism, particularly with regard to the accounting of the franchise companies, the lack of disclosure of related parties, and deficiencies in money laundering prevention and in parts of GRENKE Bank's customer lending business. In the course of this assessment, the Board of Directors reassessed the accounting of the franchise business after consulting with the auditor KPMG. Accordingly, the Company saw added evidence that the franchise companies should have been consolidated in the consolidated financial statements upon their inception, irrespective of the ownership structures, due to de facto control in accordance with IFRS 10. Due to this reassessment, the comparative figures for 2019 were also adjusted in the consolidated financial statements for 2020.

On May 17, 2021, GRENKE AG announced that on that date the auditing firm KPMG had issued an unqualified audit opinion on the annual and consolidated financial statements as of December 31, 2020. The 2020 Annual Report was published on May 21, 2021.

On June 3, 2021, Deutsche Börse Group announced that the shares of GRENKE AG would be reincluded in the SDAX with effect from June 21, 2021. As of May 10, 2021, Deutsche Börse Group had removed the shares of GRENKE AG from the SDAX due to the violation of basic criteria (publication of the audited Annual Report).

On June 30, 2021, the GRENKE Group signed a syndicated revolving credit facility with a total volume of EUR 250 million with seven core banks. The facility has a term of two years and includes options to extend the term for up to two additional years.

Gesellschaft für Bonitätsbeurteilung mbH (GBB) lowered the rating for the GRENKE Group from A to A- **on July 1, 2021.** The outlook remained negative. In its justification, GBB essentially cited the Company's earnings situation, which was burdened by the Covid-19 pandemic, and the progress still needed in governance and risk & compliance management to restore investor confidence. The economic viability of the business model was still rated as high. The GRENKE Group thus continued to receive a high credit rating.

S&P Global Ratings affirmed GRENKE AG's "BBB+ / A-2" long-term and short-term issuer rating on **July 21, 2021**. S&P left the outlook for the long-term rating at "negative". As part of the rationale for this rating, S&P acknowledged GRENKE AG's profitability and stable liquidity, despite the currently tense market situation. The agency stated it expects GRENKE to continue to show solid performance and resilience.

On July 22, 2021, the German Federal Financial Supervisory Authority (BaFin) ordered GRENKE AG to disclose the errors identified in the enforcement procedure for the audit of the 2019 consolidated financial statements. The formal announcement was made **on July 27, 2021** in the German Federal Gazette (www.bundesanzeiger.de) and via DGAP (www.dgap.de). This procedure was concluded with the announcement of the error findings. BaFin's criticisms of GRENKE from the audit in its notice of July 16, 2021 related to the accounting treatment of franchise companies, the determination of risk provisions in accordance with IFRS 9, and the goodwill recognised in Portugal and Poland in the 2019 consolidated financial statements. No further adjustments were required for the 2020 consolidated financial statements or earlier financial statements as a result of the notice of error.

On July 28, 2021, the GRENKE Group informed about the increase in the profit forecast for 2021. According to the adjusted forecast, a consolidated net profit of between EUR 60 to 80 million was expected. The forecast previously published in the 2020 Annual Report was EUR 50 to 70 million.

In addition to the elections to the Supervisory Board (for further details, see Chapter 5. Changes in the Company's Governing Bodies), GRENKE AG's Annual General Meeting **on July 29, 2021** resolved to distribute a dividend of EUR 0.26 per share for the 2020 financial year. The shareholders also approved the proposed remuneration system for the Board of Directors and voted to reduce the maximum remuneration of the Board of Directors. The proposed remuneration system for the Supervisory Board was not approved. The Annual General Meeting, in contrast, approved the supplementary motion regarding the adjusted remuneration system.

On August 22, 2021, the GRENKE Group announced the sale of GRENKE BANK AG's minority interest of 25.01 percent in the fintech company viafintech GmbH to paysafecard.com Wertkarten GmbH, Vienna (Austria), for a price in the lower double-digit million euro range. GRENKE BANK AG acquired a stake in viafintech GmbH (at that time operating under the name "Cash Payment Solutions GmbH") in 2015 and will continue to support the company as its main payment processor under a long-term cooperation agreement. **On November 2021,** GRENKE announced the completion of the sale after all necessary conditions had been met and particularly the formal official approval in accordance with the German Foreign Trade and Payments Regulation. GRENKE realised an extraordinary net profit of EUR 23.0 million from the sale in the fourth quarter of 2021. For further details on the sale of viafintech GmbH, please refer to Note 6 "Changes in the Scope of Consolidation" in the notes to the consolidated financial statements.

GRENKE BANK AG was once again awarded the sole contract for the Federal Government's Microcredit Fund Germany under the auspices of the Federal Ministry of Labour and Social Affairs and has been offering the product on the market again since September 2021. Following the launch in 2015 and the extension three years later, this is the third time that GRENKE has assumed the role of lender of the government microcredit loans of up to EUR 25,000 for micro, small and medium-sized enterprises (SMEs).

On September 9, 2021, the GRENKE Group increased an existing bond (ISIN: XS2155486942) by a further EUR 125.0 million. This strengthened the liquidity base for the further development of new business. The high order book demand of over EUR 230.0 million can be seen as an initial indicator of the capital market's renewed confidence in GRENKE. The issue yield was approximately 2.5 percent. Until October 25, 2021, the EUR 125.0 million ran under ISIN XS2386650191. Thereafter, they were merged with the existing ISIN XS2155486942.

On December 16, 2021, the rating agency S&P Global Ratings confirmed GRENKE AG's "BBB+/A-2" long-term and short-term issuer rating. S&P left the outlook for the long-term rating at "negative". The issuer rating for the hybrid bonds was raised from "BB-" to "BB". The reason for this change was a new rating methodology for banks and financial institutions published by Standard & Poor's on December 9, 2021 that, among others, enables the inclusion of further credit factors when determining the Stand Alone Credit Profile (SACP). On this basis, S&P Global Ratings also raised GRENKE AG's stand-alone rating by one notch. S&P justified the adjustment by stating that it continues to expect a higher level of profitability and better risk-adjusted margins at GRENKE compared to financial institutions with a similar credit rating, and that this had not previously been taken into account in the SACP.

2.2 Macroeconomic environment

According to estimates by the International Monetary[1] Fund (IMF), the global economy grew by 5.9 percent in 2021. On a global level, this more than made up for the previous year's decline of 3.1 percent caused by the Covid-19 pandemic. In the eurozone, the economic recovery was somewhat less pronounced with a GDP increase of 5.2 percent. None of the major European economies were able to fully compensate for the previous year's slump. For example, the IMF estimates economic output growth in 2021 at 6.7 percent in France (previous year: -8.0 percent), 7.2 percent in the UK (previous year: -9.4 percent) and 6.2 percent in Italy (previous year: -8.9 percent). According to the IMF, a stronger recovery in Europe was prevented primarily by a repeated rise in infection figures, rising inflation and bottlenecks in global supply chains.

The increasing bottlenecks in the supply chains particularly affected the development in Germany, the largest economy in the eurozone. According to IMF estimates, German economic output grew by only 2.7 percent in 2021 (previous year: -4.6 percent). The slowdown in the economic recovery in Germany affected the manufacturing sector in particular, where the shortage of raw materials and intermediate products in parts led to considerable production losses.

Due to the increased geopolitical tensions resulting from the Russian war against Ukraine, the overall economic environment is marked by extraordinary uncertainty.

2.3 Sector environment

The following comments on the development of the sector environment refer to the Consolidated Group's three largest leasing markets, Germany, France and Italy.

1 Source: World Economic Outlook, January 2021. https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022

At the time of publishing this Annual Report, the BDL had not yet published any figures for the development of the leasing market in Germany in 2021 as a whole. However, according to a survey conducted by the BDL[2] in November 2021, the volume of new business increased by 7 percent in the first nine months of the year. The positive development was particularly a result of the base effect from the weak comparative value from the previous year; in 2020, the new business volume had declined by more than 9 percent due to the pandemic.[3] The development of new business in the individual market segments however was very heterogeneous.

The ifo Business Climate Index for the leasing industry[4] rose on balance over the course of 2021 and stood at 22.2 points at the end of 2021 (December 2020: 3.6 points). Measured against the index high of 39.4 points in August 2021, business expectations declined again, especially in the fourth quarter of 2021. In addition to the continuing negative effects of the Covid-19 pandemic, the BDL[5] attributes the gloomy mood primarily to a backlog of signed contracts but not yet delivered leasing objects as a result of the shortage of intermediate products. According to BDL, this affects not only the passenger car sector, but virtually all sectors.

Due to the fact that the GRENKE Group generates more than 85 percent of its income in the Leasing segment, the industry development in the Banking and Factoring segments is of secondary importance. In addition, GRENKE Bank's deposit business is managed exclusively in line with the Consolidated Group's refinancing need.

2.4 Impact of the Covid-19 pandemic

As in the previous year, the economic environment in the 2021 financial year was strongly determined by the effects of the Covid-19 pandemic. Despite progress in vaccination campaigns, the emergence of new virus mutations led to a repeated increase in the number of infections. As a result, government-imposed restrictions on economic and social life were in effect at least temporarily in most of the economies relevant to GRENKE in the reporting year. The effects of the macroeconomic environment on the GRENKE Group's new business development and business performance are explained in more detail in chapters 2.5 “New Business” and 2.7.1 “Results of Operations”.

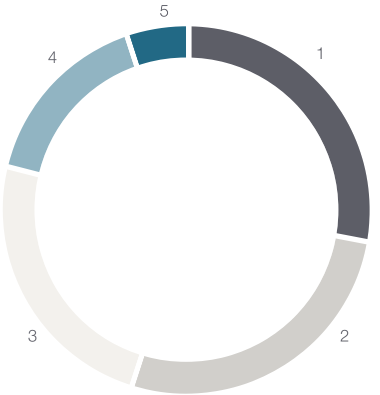
To cope with the effects of the Covid-19 pandemic, many countries have introduced extensive support measures for companies, including emergency aid, reimbursement of lost sales in particularly hard-hit sectors and the granting of loans and guarantees. According to Euler Hermes[6], this contributed to the fact that every second business failure in Western Europe could be prevented. Contrary to original expectations, the number of corporate insolvencies in Western Europe fell by 19 percent in 2020. Although Euler Hermes expects an increase of 9 percent for 2021 – mainly driven by the development in Italy, Spain and the UK – the absolute level is still considered low by Euler Hermes. For Germany, Euler Hermes even expects a further decline in corporate insolvencies of 5 percent in 2021.

2 Source: BDL. https://bdl.leasingverband.de/newsroom/aktuelles/einzelansicht/leasing-neugeschaeft-steigt-um-7-prozent
3 Source: BDL. https://bdl.leasingverband.de/leasing/marktzahlen/leasing-markt#c527
4 Source: BDL. https://bdl.leasingverband.de/leasing/marktzahlen/geschaeftsklima-leasing#c539
5 Source: BDL. https://bdl.leasingverband.de/newsroom/aktuelles/einzelansicht/leasing-geschaeftsklima-durch-auslieferungszeiten-getruebt
6 Source: Euler Hermes. https://www.eulerhermes.de/presse/pressemitteilungen/euler-hermes-studie-anstieg-weltweiter-insolvenzen-in-2022.html

To support its customers in the Covid-19 pandemic, GRENKE entered into deferral agreements with lease customers in the 2020 financial year. Under these agreements, individual payments for lease instalments were deferred for a fixed period without interest and therefore not due until a later date. The deferral agreements were also partly based on statutory moratoria. The deferral period for the majority of the contracts had already ended by December 31, 2020. All previously concluded deferral agreements were due by December 31, 2021.

Due to the generally increased uncertainties during the pandemic, the GRENKE Group decided in the 2020 financial year to hold significantly more liquidity than in previous years. As a result of the renewed increase in sales activities, particularly in the fourth quarter of 2021, this liquidity buffer was reduced slightly at the end of the 2021 financial year. As of the December 31, 2021 reporting date, the Consolidated Group's cash and cash equivalents amounted to EUR 853.1 million (December 31, 2020: EUR 944.7 million). The liquidity buffer serves to reduce potential liquidity risks and increases financial independence.

New leasing business by region



	2021	2020
LEASING (IN PERCENT)		
1 DACH	27.5	27.7
2 Western Europe	27.2	24.2
3 Southern Europe	23.6	27.1
4 Northern / Eastern Europe	16.3	16.2
5 Other Regions	5.5	4.8

GRENKE GROUP (IN EUR MILLIONS)	2021	2020
New business Leasing	1'657.8	2'027.9
New business Factoring	700.9	647.8
Business start-up financing GRENKE Bank (incl. microcredit business)	33.2	119.3

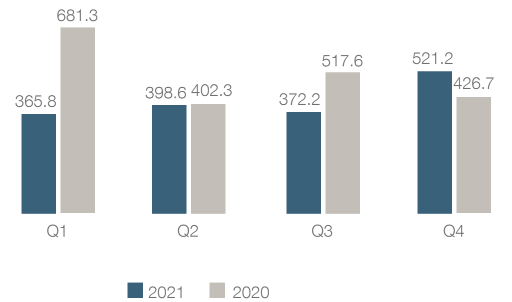
Regions:
DACH: Germany, Austria, Switzerland
Western Europe without DACH: Belgium, France, Luxembourg, Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern / Eastern Europe: Denmark, Finland, Ireland, Latvia*, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other regions: Australia*, Brazil, Canada*, Chile*, Singapore*, Turkey, UAE, USA*
* Consolidated franchise companies

2.5 New business

The GRENKE Group's new business comprises the newly financed business volume of the subsidiaries and the consolidated franchise companies. In the difficult economic environment described above, the Consolidated Group's new business volume across the three business segments Leasing, Banking and Factoring declined by 14.4 percent to EUR 2,392.0 million (previous year: EUR 2,795.0 million) in the 2021 financial year. Changes in the scope of consolidation had no effect on new business. The change in the average exchange rates of foreign currencies to the euro compared to the previous year resulted in negative currency effects of EUR 1.9 million for the year as a whole. These resulted mainly from the devaluations of the Turkish lira and the Brazilian real, which were not fully compensated for by the appreciation of the British pound and the Swedish krona. New leasing business – defined as the total acquisition cost of newly acquired leased assets – reached a volume of EUR 1,657.8 million in 2021 as a whole (previous year: EUR 2,027.9 million), 18.3 percent below the previous year's figure. In the first quarter of 2021, new leasing business was largely influenced by the weaker economy due to the persisting Covid-19 pandemic and fell by 46.3 percent compared to the previous year. This decline also reflects the fact that the previous year's quarter was only marginally affected by the impact of the Covid-19 pandemic and therefore represented a high basis for comparison. In the second quarter, a stabilisation was then observed and new business almost reached the previous year's volume (-0.9 percent). Increasing global supply bottlenecks among manufacturers of computer and office technology in the wake of the corona crisis had a negative impact in the third quarter. The Group's new leasing business fell by 28.1 percent in this period. Thanks to increased sales efforts and the first signs in the markets of a recovery in the willingness to invest, new leasing business then increased by 22.1 percent in the fourth quarter.

Quarterly development new business leasing

As per December 31, 2021, in EUR millions

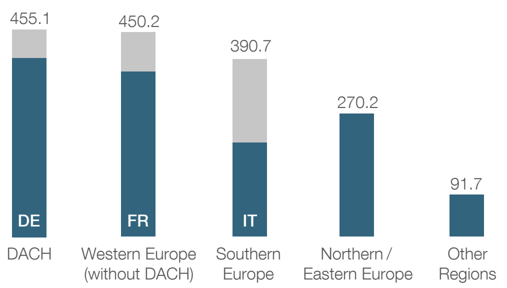


All regions within the Leasing segment recorded a decline in new business in the 2021 financial year. In the DACH region, which comprises Germany, Austria and Switzerland, new leasing business fell by 18.9 percent year-on-year to EUR 455.1 million (previous year: EUR 561.5 million). Measured by its share of the Group's new leasing business, the DACH region remained the largest region in the reporting year. In the largest single market in the region, Germany, the decline in new business was 18.5 percent. In Western Europe without DACH, new business fell 8.3 percent to EUR 450.2 million in the reporting year (previous year: EUR 491.1 million). The comparatively small decline was due to a strong recovery in the fourth quarter of 2021, in which new business increased by 44.5 percent. In France, the most important single market in this region, the decline for the full year was 6.3 percent. The sharpest percentage decline of all regions in the reporting year was recorded in Southern Europe, where new business fell by 29.0 percent to EUR 390.7 million (previous year: EUR 550.4 million). This decline was mainly due to the development in Italy, the most important market in the region, where the volume of new business fell by 43.4 percent in 2021. In Spain, the second most important market in Southern Europe, new business increased by 3.1 percent. In the Northern/Eastern Europe region, new business declined by 17.7 percent and reached a volume of EUR 270.2 million (previous year: EUR 328.4 million). In the most important single market in this region, the United Kingdom, business volume fell by 27.7 percent. Starting from a still relatively low base, new business volume in the other regions declined by 5.0 percent to EUR 91.7 million (previous year: EUR 96.5 million).

See chart "new leasing business by region".

New business leasing by region

As per December 31, 2021, in EUR millions



In the 2021 financial year, the GRENKE Group registered a total of 454,442 lease applications (previous year: 513,434). The number of newly concluded lease contracts was 214,079 (previous year: 246,510), which corresponded to a slightly declining conversion rate (applications into contracts) of 47.1 percent (previous year: 48.0 percent). At the beginning of 2021, the GRENKE Group was still practicing a very restrictive acceptance practice and, accordingly, the conversion rate in the first quarter was only 42.1 percent. In the course of the gradually improving environment and increased sales efforts, however, the conversion rate in the fourth quarter reached 50.1 percent. International markets accounted for 366,071 applications (previous year: 415,220), which led to 159,825 (previous year: 184,472) new contracts. The conversion rate in the international markets therefore fell to 43.7 percent in 2021 as a whole (previous year: 44.4 percent). In the DACH region, the conversion rate fell to 61.4 percent (previous year: 63.2 percent).

The mean acquisition value per lease contract fell by 5.9 percent to EUR 7,744 in 2021 (previous year: EUR 8,227). The lower average value reflects the focus of new business on small-ticket financing solutions for companies with good to very good credit and sector ratings during the pandemic. Similar to the conversion rate, the mean acquisition value per lease also showed an increase again in the course of 2021. As a result of the stronger focus on concluding new business with higher contract values, the average value in the fourth quarter was EUR 8,677, compared to EUR 7,434 in the first quarter.

The structure of the leasing portfolio changed only slightly in the 2021 financial year. Since the aforementioned supply bottlenecks affected not only IT products but also the other product groups, there were only relatively minor shifts in the share between the product groups in the reporting year. IT products accounted for a total share of 63.8 percent (previous year: 64.0 percent). The share of the largest product group, IT equipment, fell to 32.8 percent (previous year: 33.9 percent). The share of general office technology also declined slightly (3.2 percent compared to 3.3 percent). In contrast, copying technology (19.8 percent compared to 18.8 percent) and telecommunications equipment (8.0 percent compared to 7.9 percent) recorded slight increases. The share of new business in the non-IT object groups, i.e. medical devices, small machinery and equipment, security devices and other objects, totalled 36.2 percent in the reporting year (previous year: 36.0 percent).

The acceptance of the eSignature product, which allows leasing contracts to be processed entirely digitally, continued to rise in 2021. The share of contracts concluded via eSignature increased to 38.7 percent in the reporting year (previous year: 30.0 percent). At the end of the reporting year, the procedure was established in 27 markets.

The contribution margin 2 (CM2) of new leasing business was EUR 292.3 million in absolute terms in the 2021 financial year (previous year: EUR 372.9 million). The CM2 margin fell accordingly to 17.6 percent (previous year: 18.4 percent). The decline in the CM2 margin compared to the previous year was mainly due to higher refinancing costs. In addition, the restrictive acceptance practice in the previous year had led to an extraordinarily high CM2 margin. The CM2 margin was around 60 basis points higher in the reporting year compared to 2019 (17.0 percent), the year immediately prior to the outbreak of the Covid-19 pandemic. The relatively high share of the above-average profitable small-ticket business, in particular, had a positive effect on the margin in 2021.

On a geographic basis, the decline in the CM2 margin resulted primarily from the DACH (13.0 percent after 14.6 percent in the previous year) and Western Europe (19.0 percent compared to 19.9 percent in the previous year) regions. In contrast, almost stable CM2 margins were achieved in the regions Southern Europe (19.3 percent compared to 19.5 percent in the previous year) and Northern/Eastern Europe (19.4 percent compared to 19.6 percent in the previous year). In the other regions, the CM2 margin fell to 22.3 percent (previous year: 23.0 percent).

The CM1 margin of the leasing business (contribution margin 1 at acquisition values) was 11.4 percent in the 2021 financial year and reached a value of EUR 189.6 million (previous year: 12.8 percent or EUR 258.6 million). Increased refinancing costs were also mainly responsible for the decline in the CM1 margin.

The new business of the consolidated franchise companies in Australia, Canada, Chile, Latvia, Norway, Singapore and the USA included in the Leasing segment figures totalled EUR 57.2 million in the 2021 financial year (previous year: EUR 65.1 million). This corresponds to a decline of 12.1 percent. The consolidated franchise companies generated a total CM2 of EUR 11.2 million (previous year: EUR 14.2 million). The CM2 margin was 19.6 percent (previous year: 21.8 percent).

In factoring, new business corresponds to the sum of purchased receivables. Due to the nature of the factoring business, only comparatively low income results from the new business, which is derived from the gross margin in relation to the net acquisition values. The factoring business accounted for 1.3 percent of the total assets as of the reporting date of December 31, 2021.

New factoring business increased by 8.2 percent across all regions in the 2021 financial year to EUR 700.9 million (previous year: EUR 647.8 million). In Germany, new factoring business rose by 12.3 percent to EUR 209.2 million (previous year: EUR 186.3 million). With an increased share of receivables management (without financing function) of 28.5 percent (previous year: 25.5 percent), where no default risks are assumed, the gross margin in Germany fell to 1.2 percent in the reporting year (previous year: 1.4 percent). In the international markets, new factoring business in 2021 increased by 6.6 percent to EUR 491.7 million (previous year: EUR 461.5 million). The share of receivables management (without financing function) fell here to 23.3 percent (previous year: 27.9 percent). The gross margin in the international markets fell slightly to 1.3 percent (previous year: 1.4 percent). The gross margin refers to the average period of a factoring transaction of approx. 24 days in Germany (previous year: approx. 26 days) and approx. 42 days at an international level (previous year: approx. 47 days).

The new business of the consolidated franchise companies included in the figures for the Factoring segment rose by 24.3 percent in the 2021 financial year to a total of EUR 406.4 million (previous year: EUR 327.1 million). The strongest growth in percentage terms was recorded in Portugal, Poland and Italy.

GRENKE Bank's new business was significantly influenced by the almost complete discontinuation of the lending business with small and medium-sized enterprises (SMEs). As a result, the Bank's new business in the reporting year exclusively comprised the microcredit business conducted within the framework of the "Microkreditfonds Deutschland" (Microcredit Fund Germany) and thus fell by 72.2 percent to EUR 33.2 million (previous year: EUR 119.3 million). The decline also takes into account the high level of new business from KfW development loans in the previous year in the wake of the Covid-19 pandemic. GRENKE Bank's deposit volume was EUR 1,412.0 million as of the December 31, 2021 reporting date. This was 8.2 percent below the high figure at the end of the 2020 financial year (EUR 1,537.3 million).

2.6 Comparison of actual and forecast business performance

With the publication of the preliminary figures for 2020 **on April 30, 2021**, the GRENKE Group also provided an initial outlook for the 2021 financial year. According to this outlook, the Board of Directors expected new leasing business in a range of EUR 1.7 billion to EUR 2.0 billion for the reporting year, compared to EUR 2.0 billion in 2020. This forecast was based on the assumption of a recovery in the markets over the course of the year and stronger business in the second half of 2021 compared to the first half of the year.

At the same time, the Board of Directors had forecast a net profit of EUR 50 to 70 million for the 2021 financial year (2020: EUR 88.4 million). This forecast was based on the expectation that the lower new business in the 2020 financial year and in the first months of 2021 would have a negative effect on the operating income in 2021 as a whole. In addition, the Board of Directors assumed slightly rising costs despite the lower business volume. The existing contract portfolio should continue to show high profitability.

With the presentation of the 2020 Annual Report **on May 21, 2021**, the forecast was specified more precisely. The Board of Directors announced that the CM2 margin would decline in the further course of the year as a result of refinancing conditions (2020: 18.4 percent). With regard to profit development, the Board of Directors assumed a loss rate of between 1.9 and 2.2 percent. In addition, the Board of Directors forecast an equity ratio of over 16 percent at the end of the 2021 financial year (2020: 16.3 percent).

On July 28, 2021, the GRENKE Group raised its profit forecast for 2021 to a range of EUR 60 million to EUR 80 million compared to the original forecast of EUR 50 million to EUR 70 million. The increase was possible as a result of lower losses in the first half of 2021 and a correspondingly lower than originally expected need for risk provisioning for 2021 as a whole. Another key reason for the change in assessment was the continued stable payment behaviour of customers. The Board of Directors confirmed the expectations for new leasing business (EUR 1.7 and 2.0 billion) and the equity ratio (more than 16 percent). In the half-year report published on August 4, 2021, the Board of Directors additionally communicated the expectation that the loss rate for full-year 2021 would not exceed 2.0 percent (previously: 1.9 to 2.2 percent) and that the cost-income ratio should remain below 50 percent in 2021 (2020: 43.1 percent).

On August 22, 2021, GRENKE announced the sale of its minority interest in viafintech GmbH amounting to 25.01 percent for a price in the lower double-digit million euro range. In this context, GRENKE also communicated its expectation that the transaction would result in an extraordinary profit. As a number of regulatory approvals were required to complete the transaction, the exact timing of the realisation of this gain could not yet be estimated.

After the recovery of the markets expected by the Board of Directors failed to materialise in the third quarter of 2021 due to global supply bottlenecks, especially among manufacturers of computer and office technology, the Board of Directors adjusted the forecast for new leasing business to EUR 1.5 to 1.7 billion (previously: EUR 1.7 to 2.0 billion) **on October 4, 2021**. The forecast for profit after tax remained unchanged at EUR 60 to 80 million.

On November 2, 2021, GRENKE announced the completion of the sale of the minority interest in viafintech GmbH. GRENKE estimated the extraordinary net profit resulting from the sale at approximately EUR 20 million. This amount was recognised in the fourth quarter of 2021 and was not included in the net profit forecast of EUR 60 million to EUR 80 million for the 2021 financial year that existed at that time.

With the publication of the results for the third quarter **on November 10, 2021**, the Board of Directors raised the profit forecast for 2021 for the second time in the course of the year. The new corridor was put at EUR 90 million to EUR 100 million (previously: EUR 60 million to EUR 80 million). In addition to the one-off gain of EUR 23.0 million after tax from the sale of the viafintech stake, the increased guidance also resulted from the unchanged high profitability of the business, in particular the strong contribution margins and the normalising risk costs. For new leasing business, the Board of Directors continued to expect a volume of between EUR 1.5 billion and EUR 1.7 billion in the 2021 financial year. The targets for the cost-income ratio (below 50 percent), the loss rate (not above 2.0 percent) and the equity ratio (above 16 percent) were also confirmed.

Overall, the GRENKE Group generated new leasing business of EUR 1,657.8 million in 2021. This was at the upper end of the adjusted forecast range and corresponded to a decline of 18.3 percent compared to the previous year. As expected, the CM2 margin of 17.6 percent was somewhat below the previous year's figure (18.4 percent).

At 1.6 percent, the loss rate in the 2021 financial year was below 2 percent and thus in line with the adjusted forecast. The cost-income ratio (50.5 percent), on the other hand, developed somewhat less favourably than forecast (below 50.0 percent), mainly due to increased staff costs and selling and administrative expenses. In total, the Consolidated Group net profit for 2021 reached EUR 95.2 million and was thereby in the middle of the forecast range, which had been raised again in November.

The equity ratio reached 19.1 percent at the end of the year, clearly exceeding the 16 percent target. This was due in particular to the decline in total assets as a result of the lower volume of new business.

Overview of change in guidance for the GRENKE Group in 2021

	Financial year 2020	Forecast April 30 , 2021	Annual Report May 21, 2021	Forecast adjustment August 4, 2021	Press release on August 22, 2021	Forecast adjustment October 4, 2021	Press release on November 2, 2021	Forecast adjust-ment November 10, 2021	Financial year 2021
New leasing business	EUR 2.0 bn	EUR 1.7 to 2.0 bn	EUR 1.7 to 2.0 bn	EUR 1.7 to 2.0 bn	--	EUR 1.5 to 1.7 bn	--	EUR 1.5 to 1.7 bn	EUR 1.7 bn
CM 2 margin of new leasing business	18.4%	--	Slightly below the previous year	Slightly below the previous year	--	--	--	--	17.6%
Loss rate	2.3%	--	1.9 to 2.2%	not over 2%	--	--	--	not over 2%	1.6%
Cost-income ratio	43.1%	--	--	under 50%	--	--	--	under 50%	50.5%
Net profit	EUR 88.4 m	EUR 50 to 70 m	EUR 50 to 70 m	EUR 60 to 80 m	Additional ex-traordinary profit; time of recognition unclear	EUR 60 to 80 m	Additional ex-traordinary profit approx. EUR 20 million in Q4	EUR 90 to 100 m	EUR 95.2 m
Equity ratio	16.3%	--	over 16%	over 16%	--	--	--	over 16%	19.1%

2.7 Business performance

2.7.1 Results of operations

Interest and similar income from financing business fell in the 2021 financial year by 9.7 percent to EUR 424.8 million (previous year: EUR 470.5 million). The decrease was mainly the result of the decline in new business in financial years 2020 and 2021, as well as the lower number of current contracts compared to the 2020 financial year. Due to the lower refinancing requirements associated with the lower volume of new business, interest expenses decreased by 8.5 percent to EUR 58.0 million (previous year: EUR 63.4 million). Net interest income was EUR 366.8 million in the reporting year, which is 9.9 percent below the previous year's figure of EUR 407.1 million. In line with the segments' share of new business, the majority of the interest result in the 2021 financial year was attributable to the Leasing segment. For further information, please refer to Note 4.1 "Net interest income" in the notes to the consolidated financial statements.

Selected information from the consolidated income statement

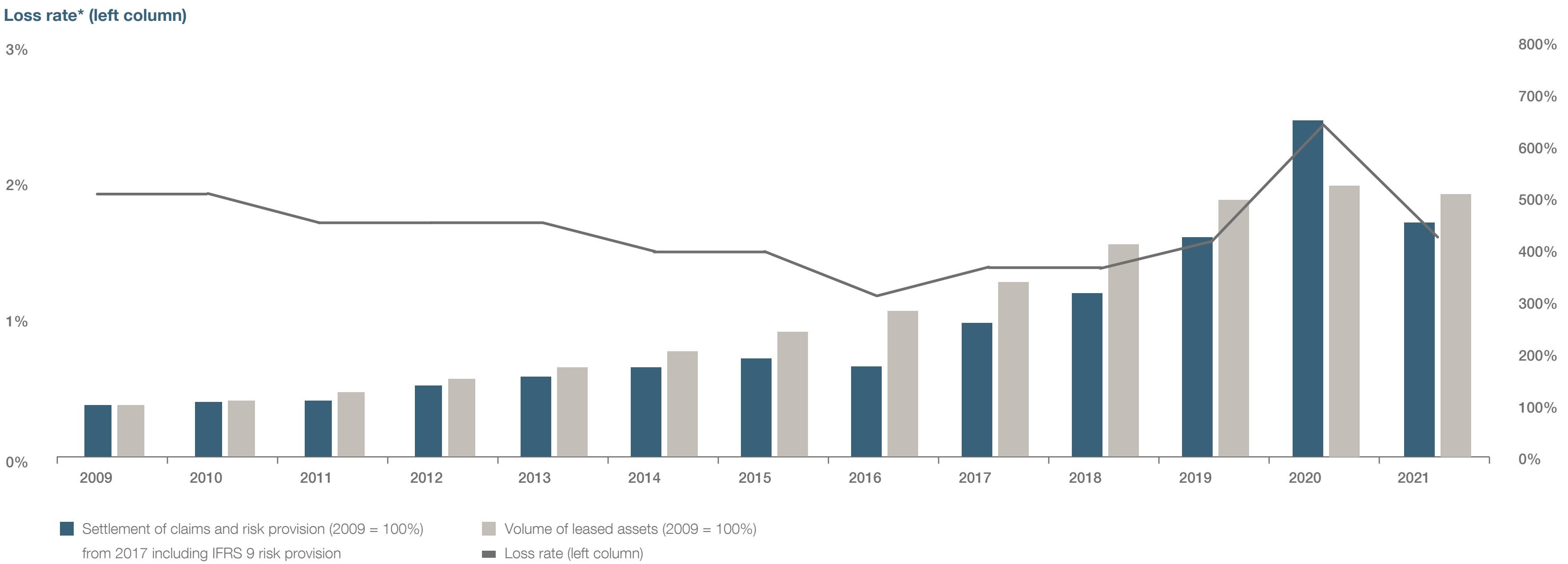
EURk	Jan. 1, 2021 to Dec.31, 2021	Jan. 1, 2020 to Dec.31, 2020
NET INTEREST INCOME	366'785	407'102
Settlement of claims and risk provision	142'785	202'434
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	224'000	204'668
Profit from service business	119'165	118'049
Profit from new business	36'585	43'053
Gains (+) / losses (–) from disposals	–5'719	–5'432
INCOME FROM OPERATING BUSINESS	374'031	360'338
Staff costs	127'530	119'780
of which total remuneration	105'454	98'622
of which fixed remuneration	84'396	77'029
of which variable remuneration	21'058	21'593
Selling and administrative expenses (excluding staff costs)	97'156	81'629
of which IT project costs	6'170	3'223
EARNINGS BEFORE TAXES	**123'500**	**115'172**
NET PROFIT	**95'185**	**88'440**
EARNINGS PER SHARE (IN EUR; BASIC / DILUTED)	**1.94**	**1.86**

Expenses for the settlement of claims and risk provision decreased in the 2021 financial year by 29.5 percent to EUR 142.8 million (previous year: EUR 202.4 million). This item consists of the derecognition for bad debts and impairment for expected losses in the sense of risk provisioning. The decrease in the reporting year was due to the decline in risk provision expenses, which reached EUR 36.8 million (previous year: EUR 131.3 million) and thus fell by 72.0 percent compared to the previous year. The calculation of expected loan losses is based on a three-stage approach in accordance with IFRS 9. If a significant deterioration in the credit risk (Level 2) or an impairment in creditworthiness (Level 3) occurs, a risk provision must be recognised in the amount of the losses expected over the entire remaining term of the contract. For further information on the method for determining the impairment of lease receivables, please refer to the disclosures under Note 5.2 “Lease receivables” in the notes to the consolidated financial statements. Due to the effects of the corona pandemic, a significantly higher number of leases were identified in the previous year to be classified in Level 2 and Level 3. The change in level assignment led to an increase in risk provisions of EUR 86.1 million in the 2020 financial year. This affected the markets in Italy and France in particular. In the 2021 financial year, the change in the level assignment led to an adjustment in the risk provision of EUR 40.4 million. The reason for the overall decrease in risk provision expenses in the leasing business compared to the previous year was the comparatively low volume of new business in the 2021 financial year and the overall decrease in the volume of leased assets in the leasing business. This was due to the fact that, according to IFRS 9, the expected credit losses for lease receivables for the next 12 months must already be recognised upon recognition of the lease receivable. An additional risk provision of EUR 41.5 million was also recognised for deferred lease contracts in the 2020 financial year. With the expiry of all deferral agreements in the 2021 financial year, the formerly deferred contracts were subjected to a new risk assessment, which resulted in the reversal of the additional risk provision of EUR 41.5 million recognised in the 2020 financial year. This in turn was offset by the recognition of an additional risk provision of EUR 17.8 million for formerly deferred contracts in the 2021 financial year. In contrast, expenses for the settlement of claims that actually occurred rose to EUR 106.0 million in the 2021 reporting year (previous year: EUR 71.2 million). The actual losses essentially include expenses in connection with the derecognition of receivables, legal costs and income from the sale of items from terminated leases. The increase in expenses from actual losses resulted mainly from the continuing difficult economic situation due to the corona pandemic, which also affected our customers and their payment behaviour.

Of the total expenses for the settlement of claims and risk provision, EUR 136.9 million (previous year: EUR 189.2 million), or 95.9 percent, was attributable to the leasing business, EUR 5.2 million (previous year: EUR 11.2 million) to the Bank’s lending business and EUR 0.3 million (previous year: EUR 1.0 million) to the factoring business. For further information on the composition of the expenses, please refer to the information in Note 4.2 “Settlement of claims and risk provisioning” in the notes to the consolidated financial statements.

Precise calculation and forecasting of credit losses

Development of loss rate



Accordingly, the loss rate (expenses for the settlement of claims and risk provision in relation to the volume of leased assets on the respective reporting date) improved to 1.6 percent in the 2021 financial year (previous year: 2.3 percent). The loss rate was therefore within the expected range for the year as a whole of no more than 2.0 percent. The volume of leased assets (sum of the net acquisition values of all current lease contracts) fell by 2.7 percent to EUR 8,769 million as of the December 31, 2021 reporting date (December 31, 2020: EUR 9,015 million) due to the lower volume of new business.

The decline in risk provisioning compared to the previous year led net interest income after settlement of claims and risk provision to rise by 9.4 percent to EUR 224.0 million in the reporting year (previous year: EUR 204.7 million).

The profit from service business was almost at the previous year's level (+0.9 percent) and reached EUR 119.2 million (previous year: EUR 118.0 million). This steady development resulted from the high volume of new business in 2018 and 2019, from which service income continues to be generated due to the average contract term of around 4 years. As a result of the declining volume of new business, however, the profit from new business in the 2021 financial year fell by 15.0 percent to EUR 36.6 million (previous year: EUR 43.1 million). Gains/losses from disposals were EUR –5.7 million (previous year: EUR –5.4 million).

The lower expenses for the settlement of claims and risk provision were the main reason for the rise in income from operating business by total of 3.8 percent to EUR 374.0 million in the 2021 financial year (previous year: EUR 360.3 million).

The Consolidated Group's largest expense item in absolute terms, staff costs, increased by 6.5 percent to EUR 127.5 million in the reporting year (previous year: EUR 119.8 million). The increase in staff costs resulted from higher fixed compensation, which rose by 9.6 percent compared to the previous year. This item includes severance payments of EUR 3.3 million that were primarily made to former members of the Board of Directors of the GRENKE Group. Variable remuneration, in contrast, fell by 2.5 percent compared to the previous year due to the decline in key sales figures, which form the basis for variable remuneration. The average number of employees in the 2021 financial year was 1,794 on the basis of full-time employees, or 1.6 percent lower than in the previous year (previous year: 1,823).

Depreciation, amortisation and impairments rose by 9.1 percent to EUR 31.5 million (previous year: EUR 28.9 million). In the 2021 financial year, the Consolidated Group recognised an impairment of EUR 2.7 million on the goodwill of the cash-generating unit Factoring Germany, which represents the German factoring business. The reason for the impairment was deteriorating growth expectations and the associated negative impact on the unit's return prospects. In addition, amortisation in the reporting year included an impairment on an internally developed software application in the amount of EUR 1.5 million. In the previous year, this item included impairment losses on goodwill totalling EUR 2.2 million. Of this amount, EUR 1.6 million related to GRENKE BANK AG and EUR 0.6 million to the leasing company in Slovakia. The impairments were based on deteriorated new business expectations as a result of the Covid-19 pandemic.

Selling and administrative expenses increased by 19.0 percent to EUR 97.2 million in the past financial year (previous year: EUR 81.6 million). The main reason for the increase was additional legal, consulting and auditing costs of EUR 10.7 million (previous year: EUR 7.0 million) following the event-driven special audit in accordance with Section 44 (1) sentence 2 of the German Banking Act. IT project costs also increased by 91.5 percent to EUR 6.2 million (previous year: EUR 3.2 million). This year-on-year increase resulted from extraordinary effects due to the technological realignment of a software solution.

Other operating expenses increased by 24.4 percent in the 2021 reporting year to EUR 14.1 million (previous year: EUR 11.3 million). The increase in this item was primarily a result of expenses related to prior periods and sales reductions of EUR 6.7 million (previous year: EUR 2.2 million). This was partly offset by the decrease in expenses from foreign currency translation differences to EUR 3.5 million (previous year: EUR 7.0 million).

Other operating income rose to EUR 28.8 million in the reporting year (previous year: EUR 6.4 million). This item includes income of EUR 23.7 million from the sale of the stake in viafintech GmbH.

The cost-income ratio in the 2021 financial year was 50.5 percent (previous year: 43.1 percent) and therefore slightly above the target of below 50 percent for the year as a whole. The increase compared to the previous year resulted from higher staff costs and selling and administrative expenses and lower operating income (adjusted for expenses for the settlement of claims and risk provision). As GRENKE calculates the cost-income ratio in accordance with the standard calculation method without expenses for the settlement of claims and risk provision, the underlying operating income – in deviation to the presentation in the consolidated income statement – fell by 4.5 percent to EUR 516.8 million in the past financial year (previous year: EUR 562.8 million). Excluding the income from the sale of the stake in viafintech GmbH and the additional legal, consulting and auditing costs, the cost-income ratio for the reporting year would have been 50.74 percent (previous year excluding additional legal, consulting and auditing costs: 41.87 percent).

The operating result improved in the 2021 financial year by 5.9 percent to EUR 132.5 million (previous year: EUR 125.1 million).

The balance of other interest income and interest expenses increased to EUR –10.4 million (previous year: EUR –8.8 million). This resulted, among other factors, from negative interest on balances at Deutsche Bundesbank, which amounted to EUR 4.1 million in the reporting year (previous year: EUR 3.2 million).

Earnings before taxes rose by 7.2 percent to EUR 123.5 million in 2021 (previous year: EUR 115.2 million). The tax rate fell slightly to 22.9 percent after 23.2 percent in the previous year. The income from the sale of the stake in viafintech GmbH had a positive effect on the tax rate.

Accordingly, net profit reached EUR 95.2 million (previous year: EUR 88.4 million), thereby increasing by 7.6 percent. Net profit attributable to ordinary shareholders and hybrid capital holders of GRENKE AG amounted to EUR 99.5 million (previous year: EUR 93.7 million). Profit attributable to non-controlling interests resulting from the consolidation of the franchise companies was EUR –4 4 million (previous year: EUR –5.2 million). As a result, earnings per share for 2021 equalled EUR 1.94 (previous year: EUR 1.86). Excluding the income from the sale of the stake in viafintech GmbH (EUR 23.0 million after taxes), net profit would have amounted to EUR 72.2 million.

2.7.1.1 Business segments

The reporting on the development of the segments follows the organisational structure of the Consolidated Group. Consequently, the operating segments are divided into the Leasing, Banking and Factoring segments based on the management of the corporate divisions. Further information on the business segments is presented in the Group segment reporting under Note 8, which is part of the notes to the consolidated financial statements.

2.7.1.2 Business development

As 85.8 percent of the GRENKE Group's income was attributable to the Leasing segment in the 2021 financial year (previous year: 87.1 percent), the comments in Chapter 2.7.1 "Results of Operations" primarily relate to the development in the Leasing segment.

Despite the environment described in the chapter on the macroeconomic and sector-specific environments, operating income in the Leasing segment rose by 2.2 percent in the reporting year to EUR 320.9 million (previous year: EUR 314.0 million). The increase resulted from lower expenses for settlement of claims and risk provision. Due to higher staff costs and selling and administrative expenses, the segment result of the Leasing segment fell in the reporting year by 11.9 percent to EUR 98.6 million (previous year: EUR 112.0 million). Operating income in the Banking segment recorded an increase of 15.6 percent to EUR 47.4 million in 2021 (previous year: EUR 41.0 million). The income from the sale of the investment in viafintech GmbH by GRENKE Bank was the main driver of the improvement in the segment result to EUR 39.7 million (previous year: EUR 17.6

million). Operating income in the Factoring segment increased in the 2021 financial year by 7.1 percent to EUR 5.8 million (previous year: EUR 5.4 million). The segment's loss came to EUR 5.8 million (previous year: EUR –4.5 million). The segment result includes an impairment of EUR 2.7 million on the goodwill of the cash-generating unit Factoring Germany.

Selected disclosures on the business segments

	Segments							
	Leasing		Bank		Factoring		Consolidation & others	
EURk	2021	2020	2021	2020	2021	2020	2021	2020
GROUP LEVEL								
New business (Leasing) / Receivables volume incl. cash collection services (Factoring) / (BANK)	1'657'840	2'027'927	33'223	119'274	700'904	647'775		
Contribution margin 2 (CM2)	292'303	372'885						
CM2 margin (in percent)	17.6	18.4						
Deposit volume			1'412'000	1'537'284				
Factoring gross margin (in percent)					1.3	1.4		
CONSOLIDATED GROUP LEVEL								
Operating segment income	320'866	313'950	47'367	40'976	5'798	5'412	0	0
STAFF COSTS	**116'662**	**110'285**	**5'738**	**4'249**	**5'451**	**5'871**	**–321**	**–625**
Segment result	98'635	111'999	39'744	17'581	–5'763	–4'496	–106	33

The previous year's figures were adjusted as part of the restructuring of the segment report. For more information, see Note 8 "Segment reporting" in the notes to the consolidated financial statements.

2.7.2 Financial position

Selected disclosures from the consolidated cash flow statement

EURk	2021	2020
- Investments in new lease receivables	–1'705'340	–2'082'344
- Addition of new refinancing (excl. deposit business)	656'354	1'123'549
- Net addition to deposit business	–129'340	650'916
(I) CASH FLOW FROM INVESTMENTS IN NEW BUSINESS	**–1'178'326**	**–307'879**
+ Payments by lessees	2'329'150	2'318'717
- Payments / Repayments of refinancing (excl. deposit business)	–1'328'446	–1'658'230
(II) CASH FLOW FROM EXISTING BUSINESS	**1'000'704**	**660'487**
(III) OTHER CASH FLOW FROM OPERATING ACTIVITIES	**105'581**	**214'579**
CASH FLOW FROM OPERATING ACTIVITIES (I) + (II) + (III)	**–72'041**	**567'187**
Cash flow from investing activities	20'643	–16'522
Cash flow from financing activities	–39'010	–53'285
TOTAL CASH FLOW	**–90'408**	**497'380**

Cash flow from operating activities decreased to EUR –72.0 million in the reporting year 2021 (previous year: EUR 567.2 million). In the presentation above, the net cash flow from investments in new business includes investments for new lease receivables, consisting of the net acquisition values for the leasing objects and the costs incurred directly with the conclusion of the contract. Due to the lower volume of new business, investments for new lease receivables in the reporting year were EUR 1,705.3 million (previous year: EUR 2,082.3 million). Cash inflows from the increase in refinancing amounted to EUR 656.4 million compared to EUR 1,123.5 million in the previous year. GRENKE Bank's deposit business declined by EUR –129.3 million compared to EUR 650.9 million in the previous year. In total, net cash flow from investments in new business declined to EUR –1,178.3 million (previous year: EUR –307.9 million). In the 2021 financial year, EUR 1,328.5 million (previous year: EUR 1,658.2 million) was repaid to refinancers. Cash flow from existing business rose to EUR 1,000.7 million (previous year: EUR 660.5 million) and enabled the refinancing of new business.

Cash flow from investing activities amounted to EUR 20.6 million in the 2021 financial year (previous year: EUR –16.5 million). This year-on-year increase resulted primarily from the sale of shares in viafintech GmbH by GRENKE BANK AG.

Cash flow from financing activities amounted to EUR –39.0 million in the reporting year (previous year: EUR –53.3 million). The decline was mainly due to three factors: the dividend payment approved by the Annual General Meeting resulted in a cash outflow of only EUR 12.1 million (previous year: EUR 28.2 million); the interest payment on the hybrid capital of EUR 13.4 million (previous year: EUR 10.7 million); and the repayment of lease liabilities of EUR 13.5 million (previous year: EUR 12.2 million).

As a result, the total cash flow for 2021 amounted to EUR –90.4 million (previous year: EUR 497.4 million). Cash and cash equivalents fell accordingly to EUR 853.0 million as of 31 December 2021, compared to EUR 944.7 million at the end of the 2020 financial year.

2.7.3 Net assets

Selected information from the consolidated statement of financial position

EURk	Dec. 31, 2021	Dec. 31, 2020
CURRENT ASSETS	**3'195'670**	**3'407'121**
of which cash and cash equivalents	853'071	944'733
of which lease receivables	1'963'532	2'066'352
NON-CURRENT ASSETS	**3'465'270**	**3'924'660**
of which lease receivables	3'155'440	3'569'940
TOTAL ASSETS	6'660'940	7'331'781
CURRENT LIABILITIES	**2'287'620**	**2'073'208**
of which financial liabilities	2'073'493	1'868'140
NON-CURRENT LIABILITIES	**3'104'324**	**4'065'470**
of which financial liabilities	3'003'670	3'941'970
Equity	1'268'996	1'193'103
Equity ratio (in percent)	19.1	16.3
TOTAL LIABILITIES AND EQUITY	6'660'940	7'331'781
Embedded value incl. equity after taxes	1'596'740	1'657'227

Compared to the end of the 2020 financial year, the GRENKE Group's total assets decreased by 9.1 percent to EUR 6.7 billion as of December 31, 2021 (December 31. 2020: EUR 7.3 billion). Changes in the scope of consolidation in the reporting year (sale of the investment in viafintech GmbH) resulted in a decrease in the item "investments accounted for using the equity method". The effect on the total assets and liabilities is immaterial as it amounts to less than 0.1 percent.

On the asset side of the statement of financial position, the decline in total assets resulted in particular from a decline in non-current and current lease receivables by a total of 9.2 percent to EUR 5.1 billion (December 31, 2020: EUR 5.6 billion). As a result, lease receivables accounted for 76.9 percent of total assets as of December 31, 2021. The decline in lease receivables compared to the previous year was essentially the result of the development of new business in the reporting year. Current lease receivables fell by 5.0 percent to EUR 2.0 billion (December 31, 2020: EUR 2.1 billion) and non-current lease receivables by 11.6 percent to EUR 3.2 billion (December 31, 2020: EUR 3.6 billion). For further details on the development of lease receivables in the 2021 financial year. please refer to the information in Note 5.2 "Lease receivables" in the notes to the consolidated financial statements.

Cash and cash equivalents fell by 9.7 percent in the reporting year to EUR 853.1 million (December 31, 2020: EUR 944.7 million). It should be noted that in the previous year, due to the difficult overall economic situation, the GRENKE Group had placed a particular focus on maintaining sufficient liquidity in order to maintain the ability to react with flexibility to market conditions. The decline in cash and cash equivalents in the 2021 financial year stemmed largely from the Consolidated Group's renewed sales efforts, particularly in the fourth quarter of 2021 as the market environment gradually improved. Compared to the previous year (December 31, 2020: EUR 944.7 million), GRENKE continues to have a very large liquidity position. The Consolidated Group is also obliged to maintain a liquidity buffer due to regulatory requirements. At the end of the 2021 reporting year, EUR 639.3 million (December 31, 2020: EUR 711.2 million) was held in accounts at Deutsche Bundesbank, which resulted in corresponding interest expenses due to the negative interest rate on credit balances.

Within non-current assets, the item property, plant and equipment declined by 5.3 percent to EUR 82.1 million (December 31, 2020: EUR 86.6 million) and other intangible assets by 19.1 percent to EUR 19.3 million (December 31, 2020: EUR 23.8 million). This was the result of low investments in the reporting year (EUR 7.1 million), which were offset by depreciation, amortisation and impairments of EUR 15.7 million. Depreciation, amortisation and impairment includes an impairment of EUR 1.5 million on an internally developed software application. Goodwill declined to EUR 41.0 million (December 31, 2020: EUR 43.6 million), mainly due to the impairment of EUR 2.7 million on the cash-generating unit Factoring Germany.

Due to the sale of the investment in viafintech GmbH, the value of investments accounted for using the equity method decreased to EUR 0.2 million (December 31, 2020: EUR 4.5 million).

On the liabilities side, the decline in total assets is reflected particularly in the decrease in current and non-current financial liabilities by a total of 12.6 percent to EUR 5.1 billion (December 31, 2020: EUR 5.8 billion). Current financial liabilities increased by 11.0 percent to EUR 2.1 billion (December 31, 2020: EUR 1.9 billion), while non-current financial liabilities fell by 23.8 percent to EUR 3.0 billion (December 31, 2020: EUR 3.9 billion). The largest item within financial liabilities, current and non-current liabilities from refinancing, fell to EUR 3.7 billion, or 14.1 percent compared to the end of 2020 (EUR 4.3 billion) due to the decline in new business volume in the reporting year. GRENKE Bank's current and non-current liabilities from the deposit business totalled EUR 1.4 billion, or 8.4 percent below the figure at the end of 2020 (EUR 1.5 billion).

The Consolidated Group's equity increased by 6.4 percent to EUR 1,269.0 million as of December 31, 2021 (December 31, 2020: EUR 1,193.1 million). The Consolidated Group net profit of EUR 95.2 million generated in the reporting year was offset by the dividend payment (EUR 12.1 million) and the interest payment for the hybrid capital (EUR 9.4 million). In addition, there were positive effects in other comprehensive income from currency translation (EUR 5.9 million), the market valuation of hedging instruments (EUR 1.7 million) and the change in the reserve for actuarial gains and losses (EUR 1.0 million), which were largely offset by the recognition of changes in the value of equity instruments optionally recognised in other comprehensive income according to IFRS 9 (EUR –5.3 million). Due to the increase in equity and the simultaneous decrease in total assets, the equity ratio rose to 19.1 percent as of December 31, 2021 (December 31, 2020: 16.3 percent). The equity ratio thus exceeded the Consolidated Group's target of a minimum of 16.0 percent.

2.7.4 Liquidity

Based on a high level of cash and cash equivalents and the broadly diversified refinancing structure, the GRENKE Group was able to meet its payment obligations at all times during the past financial year. Further information on the Consolidated Group's liquidity management can be found in Chapter 6.1.8.2 “Liquidity Management” contained in the risk report.

In the 2021 reporting year, an existing bond was increased by EUR 125.0 million via the subsidiary Grenke Finance PLC. Further information on the bonds issued is presented in the notes to the consolidated financial statements and is also available on the website www.grenke.com/investor-relations/debt-capital/issued-bonds/. Bonds totalling EUR 315.0 million and SEK 250.0 million were redeemed as scheduled during the reporting period. In total, bonds with a nominal volume of EUR 2,306.0 million, JPY 8,000.0 million and HKD 800.0 million were outstanding at the end of 2021 (previous year: EUR 2,496.0 million, JPY 8,000.0 million, HKD 800.0 million and SEK 250.0 million).

In addition, promissory notes of EUR 95.0 million, PLN 40.0 million, DKK 66.0 million and SEK 66.0 million were repaid as scheduled in the reporting year. Promissory notes of EUR 148.0 million were repaid early. The total volume of promissory notes outstanding as of December 31, 2021 was EUR 70.0 million (previous year: EUR 313.0 million), CHF 60.0 million (previous year: CHF 60.0 million), BRL 10.0 million (previous year: BRL 0.0 million), DKK 20.0 million (previous year: DKK 86.0 million), SEK 0.0 million (previous year: SEK 66.0 million) and PLN 0.0 million (previous year: PLN 40.0 million).

The utilisation of the ABCP programmes reached EUR 554.4 million and GBP 115.8 million as of December 31, 2021 (December 31, 2020: EUR 680.2 million and GBP 122.4 million). The total volume of these programmes was EUR 947.8 million and GBP 150.0 million (December 31, 2020: EUR 947.8 million and GBP 150.0 million).

The Consolidated Group's unutilised credit lines (bank credit lines plus available volume of bonds) amounted to EUR 2,702.4 million, PLN 2.5 million and HRK 75.0 million as of the reporting date of December 31, 2021 (December 31, 2020: EUR 3,367.9 million. PLN 24.0 million. HRK 40.0 million and CHF 10.0 million). On June 30. 2021. the GRENKE Group signed a syndicated revolving credit facility with a total volume of EUR 250 million with seven core banks. The facility runs for two years and includes extension options for up to two additional years.

GRENKE Bank's refinancing via customer deposits amounted to EUR 1,065.1 million as of the December 31, 2021 reporting date, compared to EUR 1,373.1 million at the end of 2020. This corresponds to a decrease of 22.4 percent.

To finance SMEs, the Consolidated Group cooperates with a number of development banks of the federal government and individual German states, as well as with the European Investment Bank. The total volume of global loans used to refinance the development loans brokered amounted to EUR 705.0 million as of December 31, 2021 (previous year: EUR 705.0 million). Of this amount, EUR 117.9 million was utilised (previous year: EUR 216.3 million). Further information on the existing collaborations with development banks can be found in the notes to the consolidated financial statements under Note 5.11.4 "Committed development loans".

The GRENKE Group uses various instruments for its refinancing and staggers the maturities of these instruments over several periods. This allows the Consolidated Group to react flexibly to changes in the refinancing markets. The table below shows the expected cash outflows resulting from the contractual obligations existing as of December 31, 2021. Of the total of EUR 1.2 billion in financial liabilities maturing in 2022, EUR 332.4 million relates to liabilities from ABCP programmes and EUR 751.1 million to bonds, debentures and private placements. Details on the maturities of the individual instruments are presented in the notes to the consolidated financial statements in Note 5.11 "Current and non-current financial liabilities".

The GRENKE Group's off-balance sheet obligations totalled EUR 692.1 million as of the December 31, 2021 reporting date (previous year: EUR 435.9 million). In addition to the usual purchase obligations in the ordinary course of business activities, these include irrevocable loan commitments and obligations from onerous contracts. Lease and rental agreements are off-balance sheet only to the extent that lease liabilities are not recognised under IFRS 16. Further details on off-balance sheet obligations are presented in Note 9.2 "Contingencies (Contingent Liabilities) and Other Financial Obligations" in the notes to the consolidated financial statements.

Expected cash outflows from contractual obligations

			Payment due			
EURk	**Dec. 31, 2020 total**	**Dec. 31, 2021 total**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**after 5 years**
Financial liabilities	4'633'653	3'927'464	581'620	635'268	2'489'496	221'080
ABCP related liabilities	891'931	762'168	92'103	240'317	427'540	2'208
Bonds, debentures, private placements (denominated in EUR)	3'149'673	2'550'714	386'990	239'699	1'866'584	57'441
Bonds, debentures, private placements (not denominated in EUR)	241'296	360'728	57'142	67'270	75'952	160'364
Sales of receivables agreements (denominated in EUR)	7'564	3'600	300	900	2'400	0
Sales of receivables agreements (not denominated in EUR)	92'466	108'086	16'314	38'394	53'378	0
Payments related to bank liabilities	250'723	142'168	28'771	48'688	63'642	1'067
Hybrid bond	262'387	248'981	12'946	0	236'035	0
Leases and rentals	51'637	50'388	5'396	13'741	28'015	3'236
Irrevocable credit commitments	4'708	6'892	6'892	0	0	0
Financial guarantees	0	0	0	0	0	0
Purchase obligations*	410'663	662'102	508'657	153'445	0	0
Obligations from onerous contracts	8'477	9'899	2'256	6'183	1'460	0
TOTAL CONTRACTUAL COMMITMENTS	**5'371'525**	**4'905'726**	**1'117'767**	**808'637**	**2'755'006**	**224'316**

* The obligations include those payment obligations that the Consolidated Group cannot avoid even if it exercises contractual termination options. Legally binding obligation to accept goods and services and trade payables.

2.8 General statement on the consolidated group's business performance and financial situation

The 2021 financial year was again a challenging one for the GRENKE Group. In addition to the negative effects of the Covid-19 pandemic, business development in the second half-year was impacted by global supply bottlenecks. In the opinion of the Board of Directors, the GRENKE Group achieved a solid result in this environment.

At the beginning of the year, GRENKE operated with a restrictive acceptance policy for contracting new business and a strong focus on small-ticket financing for companies with good to very good credit ratings. As the environment gradually improved, the restrictions on contracting new business were eased. Thanks to intensified sales efforts, the Group was able to significantly increase new leasing business again in the fourth quarter.

As a result of the focus on lower-risk new business during the pandemic, the Consolidated Group experienced largely stable payment behaviour from its customers, and the expenses for settlement of claims and risk provision decreased noticeably in the 2021 reporting year. At 1.6 percent, the loss rate was not only below 2 percent, as expected, but close to the level of 2019 (1.5 percent), the year before the outbreak of the Covid-19 pandemic. Due to the better-than-expected operating development, the GRENKE Group was able to increase its net profit forecast for the 2021 financial year twice. The extraordinary income from the sale of the investment in viafintech GmbH contributed to this.

Beyond the business results, important milestones were also reached. In July 2021, the enforcement procedure for the audit of the 2019 consolidated financial statements by BaFin was completed. The BaFin's points of criticism were already taken into account in the 2020 consolidated financial statements, so there was no need for further adjustments. The audits not only placed considerable demands on the Consolidated Group's personnel resources, but also had a negative impact on the Consolidated Group's reputation. Fol-lowing the conclusion of the proceedings, GRENKE resorted to the capital market for refinancing for the first time in September 2021 and increased an existing bond by EUR 125 million. The high order book demand can be seen as evidence of the renewed confidence investors have in GRENKE. In December 2021, S&P Global Ratings also confirmed GRENKE AG's "BBB+/A-2" long- and short-term issuer rating and raised GRENKE AG's stand-alone rating by one notch. Based on the very strong equity ratio of 19.1 percent at the end of 2021, the Board of Directors is confident that GRENKE will be able to refinance the planned growth in new leasing business at attractive conditions in the 2022 financial year.

3. Financial and non-financial performance indicators

The financial performance indicators utilised to manage the GRENKE Group are presented and explained in the section Chapter “1.3 Management System”. In addition, the value of the GRENKE Group is also determined by non-financial performance indicators. The development of the Consolidated Group’s key non-financial performance indicators in the 2021 financial year is described below:

// Workforce development: GRENKE employed an average of 1,865 people in the past year (previous year: 1,891). Measured in full-time equivalents, this corresponds to 1,794 employees (previous year: 1,823[7], excluding employees on parental leave). A further 62 people were in training at GRENKE in the reporting period (previous year: 75 trainees).

// Our German locations accounted for 760 employees (previous year: 727), while 1,104 people were employed at our international locations (previous year: 1,164). The Board of Directors currently expects the average number of employees in 2022 (measured in full-time equivalents) to be slightly above the level of 2021 (average for 2020: 1,863 employees measured in full-time equivalents).

// The group-wide average staff turnover rate was 12.9 percent (previous year: 10 percent). In Germany, it was 12.1 percent, compared to 8.4 percent in the previous year. The fluctuation rates were determined on the basis of employee data measured in number of employees. As in the previous year, there were no terminations for operational reasons. GRENKE’s goal is to keep fluctuation rates low.

// GRENKE AG gender ratio: We were able to achieve our target for the equal participation of women and men in management positions in the second and third management levels of 30 percent each in the past financial year. In 2021, the proportion of women in the second management level of GRENKE AG was 45 percent. In the third management level, the share of women was 56 percent. In the future, we would like to maintain a gender-specific target of at least 30 percent in each of the two management levels below the Board of Directors by December 31, 2022.

// Number of trainees/dual-study students: In the 2021 financial year, a total of 47 people (previous year: 62) completed dual training/dual studies in Germany. In the 2022 financial year, the number of apprentices and dual-study students in Germany is expected to be 60 people.

// Professional training: The percentage of employees at the GRENKE Group who took part in mandatory and voluntary training courses was 98 percent in the reporting year (previous year: 85 percent). The percentage of GRENKE Group employees participating in voluntary and mandatory training (training rate) is expected to be in the range of 95 to 98 percent in the 2022 financial year.

For further information, please refer to the non-financial statement that follows.

7 excluding employees on parental leave

4. Non-Financial Statement

Since its foundation in 1978, the GRENKE Group has focused on supporting small and medium-sized enterprises (SMEs) in their investment and financing projects, and thereby promoting their business growth. Today, the GRENKE Group operates as a global financing partner for SMEs with GRENKE AG as the parent company at the head of the Consolidated Group and 55 subsidiaries (as defined by Section 290 HGB/IFRS 10) in 33 countries (for details, please refer to Chapter 1 „Consolidated Group Principles“). We see our non-financial commitment as a key success factor for the GRENKE Group's future viability and performance and our strong positioning in the market. In the context of its largest business segment, Leasing, GRENKE fosters the innovative activities of SMEs in Europe with the help of use-oriented leases, as acquisitions are liquidity-friendly and can be planned and calculated through instalments. In addition, the Covid-19 pandemic provided a digitalisation boost for the work of many employees. We believe that the resulting need for investment by SMEs will continue beyond the pandemic, and that is precisely where we can help as a strong financing partner for SMEs.

In the interest of a sustainable circular economy, we lease new items that meet the current market and technical standards. This is how we ensure a longer useful life of the lease objects. Our customers can use the equipment beyond the normal lease term and, in addition, we ensure that used lease objects are recycled by selling them in the secondary market via our asset brokers, after checking that they are in working condition and making any of the necessary repairs.

At GRENKE, non-financial information (in an ESG context) is systematically collected and integrated as manageable indicators in controlling and risk management. A critical examination of the impact of the Consolidated Group's activities on the environment and society is part of our forward-looking management approach.

As part of our systematic stakeholder relations management, we address the concerns of our relevant stakeholder groups – who are first and foremost capital market participants, employees and customers – and incorporate them into our strategic decisions. The sustainability issues identified as essential for our business model are an integral part of GRENKE's risk management (see „Risk Management Process“).

In the evaluation and further development of the GRENKE Group's strategic orientation, initiated by the Board of Directors in the financial year, key processes along the value chain are also analysed with regard to ESG criteria and resulting fields of action are defined. In the past financial year 2021, the requirements of the new European Taxonomy Regulation (Regulation (EU) No. 2020/852) had to be taken into account both strategically and operationally for the first time (see Chapter 4.8 Disclosures in accordance with Article 8 of the EU Taxonomy Regulation). We intend to consistently advance our ESG strategy going forward in close alignment with the expected changes in the legal requirements.

This report presents the non-financial statement of the GRENKE Group in accordance with the CSR Directive Implementation Act (CSR-RUG), which came into force in the 2017 financial year. Unless otherwise stated, the following information refers exclusively to the GRENKE Group. In the year 2020, franchise companies were retrospectively included in the consolidated financial statements (fully consolidated). In this non-financial statement, the comparable figures are therefore presented accordingly.

4.1 Key issues and areas of action for stakeholder relations management

GRENKE has been recording and evaluating the proposals, requests and complaints of our employees, suppliers and business partners since as early as 1996. Meanwhile, we have been systematically expanding our stakeholder relations management and now address our relevant stakeholders using a variety of target group-specific formats and channels in addition to letters, phone calls and email. Communicating about sustainability-related topics is becoming increasingly important.

In 2022, we plan to deepen our stakeholders dialogue for selected stakeholder groups in our top 5 (regions/markets), taking particular account of the environmental, social and governance sustainability issues identified as material for our business model, in parallel with the continuation of our sustainability strategy.

Our stakeholders and communication channels

Stakeholders	Formats and channels

Employees
// Management
// Employees
	Group-wide management forums, regular information for employees, employee surveys, campaigns on occupational health and safety; social media (XING, LinkedIn, Facebook)

Business partners // Customers/resellers of the three business segments Leasing, Banking and Factoring	Visits and workshops with customers, welcome calls, customer and partner magazines, satisfaction surveys

Capital markets
// Investors (debt and equity)
// Analysts
// Rating agencies
	Annual reports, Annual General Meeting, analyst and investor conferences, roadshows and capital market conferences, ratings (S&P, GBB)

Government Bodies
// Supervisory authorities
// Regulators
// Auditing companies
// National/international legislators
	Supervisory discussions, notifications and reporting, annual reports/reporting, dialogue with development banks such as the Kreditanstalt für Wiederaufbau on development programmes and the Federal Ministry of Labour and Social Affairs regarding microcredits

Civil Society
// Potential employees
// Media representatives
// Local stakeholders
// Non-profit institutions
	Social media presence on XING, LinkedIn, Facebook and kununu, corporate reporting, exchange with media representatives, customer and partner magazines, interaction in charitable projects

Our internal stakeholder relations management includes, for example, the regular employee survey, which was conducted in 2018 (70.8 percent participation), 2020 (75.5 percent participation) and 2021 (75.7 percent participation) and will take place at least once each year in the future.

External proposals from our finance recipients and specialised reseller partners are recorded under the category of „external recipient satisfaction“ and continuously evaluated. We take this collection and evaluation of feedback into account when further developing our range of products and services.

No framework has been applied to date in the preparation of this non-financial statement and the selection of the key figures presented in Chapter 3 „Financial and non-financial performance indicators“. In the 2021 financial year, the implementation of an international reporting standard was further evaluated. In view of the requirements expected at the end of 2022 from the Corporate Sustainability Reporting Directive (CSRD) 2.0 and the more concrete standards of the European Financial Reporting Advisory Group (EFRAG), these new regulations, which will be binding in the EU in the future, are being awaited. These European standards will be used as a framework for sustainability reporting in the future and will supplement and, if necessary, replace the GRENKE Group‘s current non-financial reporting in individual areas.

Previously, the non-financial statement had contained a materiality analysis with sustainability issues of strategic relevance from a corporate and economic perspective while at the same time reflecting the interests and expectations of the relevant stakeholders. In the year 2020, the report of a short seller added other significant topics from both an external and internal perspective. We will therefore, continue to drive the development of the materiality matrix further ahead in the 2022 financial year.

Our activities in the areas of responsible corporate governance, sustainable human resources management, resource management, social aspects and community involvement, as well as in quality management are presented in the following overview. The five aspects of environmental, employee and social issues, respect for human rights and combating corruption and bribery from the CSR Directive Implementation Act pursuant to Section 289c (2) HGB are also presented in this reporting structure. We provide information on the development status of our sustainability strategy and report on individual KPIs that have been developed within the fields of action (indicated below by KPI). We also describe our sustainability measures in the respective fields of action. These are also presented in the table „Our sustainability measures“ together with their status. A review of the current status and consideration of new measures are carried out annually.

Our fields of action and related key issues

Fields of Action	Issues	Aspects pursuant to Section 289c HGB
Responsible Corporate Governance Ethical and legal standards determine our actions. We make our decisions in a responsible and value-oriented manner. We comply with applicable regulations and laws and internal rules and identify with the principles of transparent corporate governance. Assessments carried out in 2020/2021 focused, among others, on the areas of compliance and money laundering prevention. We see the partially criticised results as an opportunity for ongoing improvement.	Compliance Money laundering prevention Corporate Governance Data protection Information security	Combating bribery and corruption Respecting human rights
Sustainable Human Resource Management Attracting and retaining qualified employees who take responsibility for their actions is one of the most important pillars of our corporate success. GRENKE is loyal to its workforce and lives up to its duty of care more than ever in an extraordinary time of change due to the pandemic.	Desirability as an employer Training and education Employee development Health management and occupational safety	Employee concerns
Resource Management We pay attention to our responsible use of the resources left available to us.	Resource management Digital processes	Environmental concerns
Community Involvement We embrace our social responsibility to society. For example, we support projects and organisations that are active in the areas of social welfare, youth, sports and culture.	Collaborations	Social issues
Across all fields of action	Quality management Stakeholder relations management	

Our Sustainability Measures

Field of action	Measure	Scope of application	Deadline	Status
Responsible Corporate Governance, Sustainable Human Resource Management, Resource Management, Community Involvement, Across all fields of action	Evaluate reporting standard for sustainability reporting	GRENKE Group	Ongoing	In progress
Responsible Corporate Governance	Place Chief Risk Officer at level of Board of Directors due to continued increasing regulatory requirements for internal control systems	GRENKE Group	2021	Appointment of Isabel Rösler as CRO to the Board of Directors of GRENKE AG as of January 1, 2021
Responsible Corporate Governance	Review internal process for money laundering prevention	GRENKE Group	2021	Implemented
Responsible Corporate Governance	Train new employees on topics of compliance, money laundering, fraud prevention, anti-corruption and bribery	GRENKE Group	Ongoing	In progress
Responsible Corporate Governance	Conduct compliance and anti-money laundering audits	Subsidiaries of GRENKE AG	Ongoing – Each subsidiary is reviewed every 3 years	In progress
Responsible Corporate Governance	Introduce compliance e-learning tool	GRENKE Group	2021	Implemented
Responsible Corporate Governance	Provide e-learning on data privacy for all employees	GRENKE Group	Ongoing	In progress
Responsible Corporate Governance	Provide information security training for all employees	GRENKE Group	Ongoing	In progress
Resource Management	Reduce surface mail through processes such as digital personnel files, digital customer portals and the electronic signature solution	GRENKE Group	Ongoing	In progress
Resource Management	Carry out an energy audit according to DIN EN 16247	In Baden-Baden and selected branches in Germany	2021	Implemented
Resource Management	Implementation of a CO2 balance according to the Greenhouse Gas Protocol; intention of climate neutrality in Germany for the years 2020 – 2021 (under review)	GRENKE Group	Project initiated in 2021 Ongoing	In progress
Resource Management	Introduction of an ESG score for our lease contracts, taking into account the aspects of customer, objects and our service	GRENKE Group	2022	In progress
Resource Management	Update the company car policy to include the procurement of electric and hybrid vehicles as company cars	GRENKE Group	2021	Implemented
Community Involvement	Promotion of social and society-related projects	GRENKE Group	Ongoing	In progress
Sustainable Human Resource Management	Introduce measures to reconcile family and career, such as flexible working models and a digital infrastructure that enables location-independent work	GRENKE Group	Ongoing	In progress
Sustainable Human Resource Management	Introduce leadership principles	GRENKE Group	Ongoing	In progress
Sustainable Human Resource Management	Provide further training options for specialists and executives	GRENKE Group	Ongoing	In progress
Sustainable Human Resource Management	Staff management positions in the second and third management levels with at least 30 percent men and women	GRENKE Group	2021	Implemented
Sustainable Human Resource Management	Promote vocational training and dual-study programmes to secure young talent	GRENKE Group	Ongoing	In progress
Across all fields of action – Quality Management	Complete a control audit of the quality management system by TÜV SÜD Management Service GmbH	GRENKE Group	Annually	In progress
Across all fields of action – Quality Management	Obtain random sample certification of GRENKE locations by TÜV SÜD Management Service GmbH in addition to internal audits in the area of quality management	GRENKE Group	Ongoing	In progress

RESPONSIBLE CORPORATE GOVERNANCE

CODE OF CONDUCT

PERSONAL RESPONSIBILITY

RESPECT

FLEXIBILITY

EMPLOYEE APPRECIATION

EQUAL OPPORTUNITY

INNOVATION

TRANSPARENCY

FAIRNESS

4

MEMBERS ON THE BOARD OF DIRECTORS*, INCLUDING 1 WOMAN

6

MEMBERS ON THE SUPER-VISORY BOARD*, INCLUDING 1 WOMAN

**For more information, please refer to the Report of the Supervisory Board.*

WHISTLEBLOWER PLATFORM

GRENKE INTEGRITY LINE

for concerns related to compliance, money-laundering prevention and data protection

Updated BUSINESS IMPACT AND PRO-TECTION NEEDS ANALYSIS to identify risks and security measures

Routine employee training in compliance, money laundering prevention and data protection

10

Compliance audits in 2021 (2020: 11 audits)

4.2 Responsible corporate governance

Following a report from a short-seller in September 2020, the Company commissioned a separate audit from KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) in financial year 2020. In addition, the German Federal Financial Supervisory Authority (BaFin) mandated a special audit at the auditing firm Mazars in accordance with section 44 KWG as well as an audit of the consolidated financial statements of GRENKE AG as of December 31, 2019 and the combined group management report and management report for the 2019 financial year. For further information, please refer to Chapter 2.1 “Significant events and transactions in the 2021 financial year” in the report on business development.

GRENKE saw the resulting criticisms as an opportunity to take further measures to strengthen governance and to implement them consistently. Our aspiration is to act with integrity at all times and to make our decisions in accordance with the regulatory and legal framework as well as our values.

GRENKE AG complies with the essential statutory regulations for the management and supervision of listed companies as set forth in the German Corporate Governance Code (GCGC) as well as to a large extent with the internationally and domestically recognised standards for good and responsible corporate governance recommended by the GCGC (see Chapter 8 “Corporate governance statement”).

For information on changes to the composition of the Board of Directors and Supervisory Board, please refer to Chapter 5 “Changes in the Company’s governing bodies”.

4.2.1 Compliance management

Compliance at GRENKE extends to all business activities and processes. Acting in accordance with the law and supervisory and internal regulations is just as fundamental for us as the respectful treatment of employees and external stakeholders, equality, anti-discrimination and respect for human rights. The rules of mutual respect and ethical conduct are also laid down in writing in our Code of Conduct, which is given to all employees as part of their employment contracts. In addition, all corporate bodies and staff are kept informed of the laws, internal regulations and any reforms or changes thereto via the Company intranet, by email and in training courses. In the 2021 financial year, the existing regulations on the prevention of conflicts of interest and the handling of benefits were further developed for the entire Consolidated Group with validity for executive bodies and employees and published on the intranet. All employees received this information in a publication on the intranet in January 2022. This topic is also the subject of compliance training, which all employees must complete in 2022. Further regulations were updated and specified in the course of 2021.

In our international business operations, the various legal systems and laws in the 33 countries where GRENKE operates present a key challenge. Our goal is to meet the diverse international requirements and, thereby, mitigate operational risks and uncertainties with confidence using our Group-wide Compliance Management System (CMS).

The risk potential for non-compliance cases (including corruption and money laundering risks) is reviewed annually by GRENKE’s local foreign subsidiaries. Due diligence processes are carried out prior to company acquisitions. Local compliance officers in the respective countries ensure that our standards are observed both domestically and internationally. Subsidiaries are monitored regularly by means of compliance and money laundering audits.

Local compliance officers report directly to the compliance officer of the GRENKE Group, who then informs the relevant members of the Board of Directors (CRO) of any material findings. GRENKE Group’s compliance officer also helps the Board of Directors as a whole to avoid committing violations of the law, corruption, fraudulent activities and assists in the clarification of suspicious cases. The responsible member of the Board of Directors receives an annual compliance report. The Group Compliance Office also informs the Board of Directors and Supervisory Board of all material information by means of an annual compliance report.

We offer our employees a variety of ways to report possible rule violations. With our "GRENKE Integrity Line" whistleblower platform, we give employees, customers, resellers, and third parties the opportunity to make us aware of potential rule violations while remaining confidential (see www.grenke.com/grenke-integrity-line/). We handle the reported information responsibly. GRENKE addresses violations of applicable law with appropriate measures.

4.2.2 Money laundering prevention

We take measures to counter potential money laundering and terrorist financing, as well as criminal acts, through qualified employees, work procedures, guidelines and adequate controls. The potential for improvement in the area of money laundering prevention identified in the separate audit was systematically addressed, and measures had been largely implemented by the end of 2021. Within the scope of a project in 2022, further anti-money laundering safeguards will be introduced, including IT system-supported monitoring of transactions. At the Group-wide level, the appointment of national money laundering officers forms the basis for monitoring legally compliant action throughout the Consolidated Group. In order to further expand money laundering risk management, we plan to integrate the monitoring of politically exposed persons (PEPs) and persons and entities subject to sanctions into this IT-based monitoring tool with the planned introduction of the IT-based know-your-customer (KYC) and transaction monitoring tool by December 31, 2022. This is intended to automate and digitise the process, which has largely been carried out manually to date, and reduce the susceptibility to errors.

The level of risk in the areas of money laundering, terrorist financing and other criminal acts is assessed annually by all subsidiaries and at the Group level. This includes an assessment of the existing security and control measures, which are expanded further when the necessity for this is indicated by the risk analysis. The local money laundering officers report to the local management as well as to the GRENKE Group's money laundering officer, who forwards all relevant information to the responsible member of the Board of Directors (CRO). The Board of Directors and the Supervisory Board receive a detailed annual report on money laundering prevention.

We screen our customers as well as our specialised reseller partners (reliable third parties pursuant to Section 17 [5] of the German Anti-Money Laundering Act – GwG) within the scope of the law based on the know-your-customer process, which includes the identification and verification of the beneficial owners, their PEP status and listing on national and international sanctions and embargo lists. In addition, specialised reseller partners are regularly trained and informed of money laundering regulations and developments.

The employees of the GRENKE Group are also trained regularly and on an ad hoc basis. Participation in the training sessions is monitored by the HR department and, in the event employees do not participate, an escalation process is initiated

When there is an indication of a suspect case of money laundering or terrorist financing, our employees have various internal channels at their disposal to report them. This is supplemented by a whistleblower platform (see Chapter 4.2.1 “GRENKE Integrity Line”), which is available on the intranet. The respective money laundering officers in the Group immediately forward the suspicious cases to the competent authorities in accordance with national regulations.

4.2.3 Compliance training and audits

An understanding of compliance among our workforce is key to achieving our goal of effectively preventing violations. This is the reason all of the new employees throughout the Consolidated Group receive a comprehensive introduction to relevant compliance topics such as money laundering, fraud prevention, anti-corruption and bribery. The core content of the training includes instructions and rules on the correct and legally compliant handling of invitations and gifts.

With our use of online training as part of the induction process and the training provided by the local compliance and money laundering officers, we ensure that the topics of compliance and money laundering prevention are communicated at GRENKE on an ongoing basis. The compliance newsletter, launched in 2020, also helps raise the awareness of compliance-relevant topics.

With the introduction of the compliance e-learning tool, the training rate moved close to the target figure as part of an improved monitoring and escalation process. Further information on the training rate can be found in section 4.4.2 “Employee development”.

During the past financial year, we carried out **KPI** 10 audits on compliance and money laundering prevention remotely at our subsidiaries (previous year: 11 audits). One audit was postponed to 2022. Within the scope of these triennial audits the existence, adequacy, and effectiveness of the CMS and the money laundering organisation are examined.

4.2.4 Data protection

Data protection is a high priority at the GRENKE Group. We make it a point to develop our data protection management system on an ongoing basis to ensure that data processing activities within the Consolidated Group are executed in accordance with the legal requirements. This also allows us to recognise potential violations at an early stage so that we take the appropriate actions.

The European General Data Protection Regulation (GDPR), which took effect on May 25, 2018, establishes uniform data protection within the European Union. Despite this regulation, the different legal systems with their varying national legal requirements will continue to present GRENKE with a data protection challenge due to its international business activities.

The implementation of data protection requirements therefore also takes into account the changes to national legislation, which means that, in addition to the provisions of the GDPR, individual member states continue to have different data protection regulations. As soon as a member state introduces an opening clause to supplement or expand the requirements under national data protection regulations, the affected processes are adapted accordingly.

To meet the major challenges posed by data protection, both GRENKE AG, as the parent company, as well as the group companies, have each appointed their own data protection officers in accordance with the legal requirements. The parent company has also created a central unit for operational data protection. Employees receive ongoing e-learning sessions on the topic of data protection. In addition, data protection officers and operational data protection are available to our customers, business partners, and employees as competent contact people.

4.2.5 Information security

Information security is a key aspect of the GRENKE Group. We continue to advance our information security management system on a routine and ad hoc basis in order to provide an appropriate level of protection for the information that we are entrusted with and process.

The requirements of the relevant ordinances and laws, specifically the Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) and their updates, form the basis of our actions.

The measures, processes and controls follow the ISO 27001 standard and the IT security maturity model, according to COBIT (internationally recognised framework for IT governance) and are continually expanded. The Board of Directors and Supervisory Board are informed regularly of the current status of information security management. There is close cooperation and coordination with important interfaces such as compliance, data protection and risk management.

In the year 2021, the updated business impact analysis – which focuses on potential risks to the organisation – and the protection needs analysis were further expanded for targeted planning and investment in additional adequate security measures. The expansion focuses on defining and evaluating all business processes relevant to our financial and other services. Ever-increasing transparency is driving the measures planned going forward, which include the expansion of risk-reducing measures, the conversion of IT platforms, the promotion of strategic security concepts and the conversion of these to Zero Trust in order to constantly expand protection.

In a variety of target-group-oriented and modular training courses, employees are made aware of the key topics of information security. The structure of the training courses offers the advantage of being able to react promptly and in a targeted manner to changing situations, such as the increasing number of phishing attempts.

RESOURCE MANAGEMENT

eSignature
in 27 countries
(2020: 27 countries)

39 % of contracts
group-wide are
signed digitally
(2020: 30 % of contracts)

Invoices
dispatched
digitally in
25 countries
(2020: 18 countries)

Digital
customer portal
in 21 countries
(2020: 21 countries)

PHOTOVOLTAIC SYSTEM
COMMISSIONED
FOR BADEN-BADEN SITE

ROUTINE
ENERGY AUDITS
ACCORDING TO
DIN EN 16247

38 % OF COMPANY
VEHICLES IN GERMANY
POWERED BY
ALTERNATIVE ENERGY

IN THE CORE MARKETS*, ASSET BROKERS ARE RESPONSIBLE FOR THE DISPOSAL OF LEASE OBJECTS, WITH A PRIMARY FOCUS ON RESALE.

Core markets: Germany, France and Italy

PURSUANT TO SCOPE 1, 2, 3 OF THE GREENHOUSE GAS PROTOCOL, DATA ARE COLLECTED INTERNATIONALLY TO RETROSPECTIVELY ESTABLISH A CO_2 FOOTPRINT.

4.3 Resource management

The GRENKE Group is committed to the responsible use of all resources available and entrusted to it. Therefore, for our resource management, we bundle all of the measures we plan to use to increase our performance with regard to environmental aspects. Our focus is on the digitalisation of our processes, energy efficiency at our company sites, certified energy audits, and our travel expenses policy.

In the previous financial year, there were times when more than 80 percent of our employees worked remotely from different locations, which had a positive impact on the environment as it reduced the level of commuting. Even beyond the corona pandemic, GRENKE will continue to offer employees the opportunity to work remotely, which means potential savings in the future.

4.3.1 Aligning our customer financing services with environmental concerns

GRENKE has a clear focus on financing solutions that are tailored to the needs of SMEs. We are continuously striving to make our own financing products more sustainable and thus more attractive to our customers to facilitate and promote their own sustainable business practices.

As part of this effort, GRENKE is currently developing a sustainability score that incorporates the various components relevant to a lease contract life cycle. These include parameters related to the lease object (e.g. object categorisation), contract management (e.g. degree of digitisation) and the economic activity of our customers (e.g. industry key).

Details on digitisation measures at GRENKE and their positive effect on our customers are described in Chapter 4.3.2 “Digital processes”.

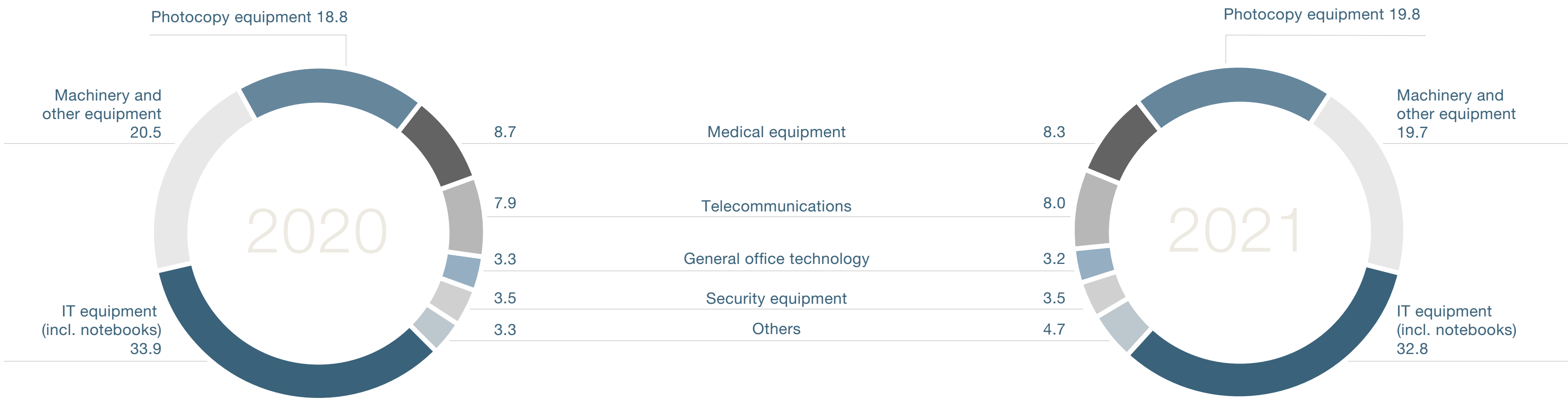
As a financing partner for SMEs, we are not directly involved in the production of goods and products, but we nevertheless strive to also exert our influence on sustainability criteria in upstream and downstream processes.

GRENKE offers a wide variety of lease objects with the aim of meeting our customers’ every need and ensuring our portfolio’s diversity.

Especially in the current pandemic, our diversified leasing portfolio has proven its strength by allowing our customers maximum freedom to undertake investment projects.

See diagram “breakdown of lease objects portfolio”

Object Portfolio in % on NAV



We are continuously evolving our lease object portfolio in step with our strategic focus. In the Other segment, we continued to drive forward the leasing business with e-bikes in line with our aim to expand our sustainable asset categories. E-bikes accounted for 13.3 percent of new leasing business in Germany (2020: 9.2 percent).

In the interests of a sustainable circular economy, we are helping to reduce waste and increase recycling rates by taking over lease objects at the end of their term using our own asset brokers in the core markets of Germany, France, and Italy and reselling these objects to third-party customers after testing to see that they are still in good working order.

This process or, alternatively, the conclusion of a repurchase agreement with the reseller partner at the time the contract is signed, allows the majority of the objects to be disposed of at the end of their lease term.

Most of the objects are resold to specialised resellers at the end of the lease term. The remaining objects are sold or scrapped by the respective asset brokers. In Germany, 13,230 items were resold in the 2021 financial year, as well as 7,895 in France and 1,713 in Italy.

Only a very small proportion of objects in 2021 could not be sold to resellers, customers or third parties and were eventually scrapped. In the 2021 financial year, the number of scrapped objects amounted to 775 items in Germany and Austria, 12 in Italy and 2 in France.

4.3.2 Digital processes

As an internationally positioned provider of lease financing, our business model traditionally involves a high volume of records and documents. Here, too, we recognise the challenge to minimise our ecological footprint and the tools we need to accomplish this. In concrete terms, GRENKE is striving to achieve a continuous reduction in its paper consumption. Three digitisation initiatives supporting this goal are described in the following:

The digital personnel file – By means of a digital personnel file, we make it possible for our employees to process and manage important formalities such as holiday requests and payslips without using paper.

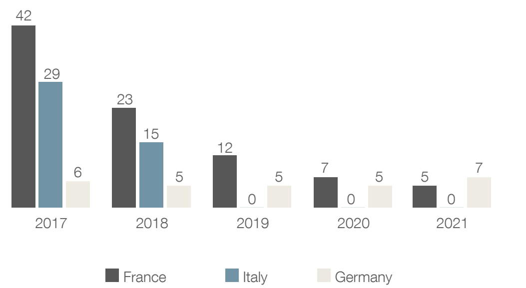
The digital customer portal – With our digital customer portal, our customers can manage their contracts, invoices and data online at any time. This portal is available to our customers in 21* countries (previous year: 21 countries), and there is also a plan to roll it out further to other countries. Dispatching invoices is an essentially paperless process. Invoices are sent digitally in 25** countries (2020: 18 countries). Electronic invoicing is also becoming the standard paperless solution for cooperation with public institutions. According to the EU Directive (2014/55/EU), all EU countries must successively introduce e-invoicing, at least in the business-to-government sector – a law we are happy to follow, especially as we are already pioneers in this area. After e-invoicing was introduced in our subsidiaries in France, Italy, Sweden, Turkey, Germany and Finland, as well as in the franchise company in Chile in recent years, the subsidiary in Portugal followed in 2021.

The aforementioned measures implemented at GRENKE further reduced the amount of invoices sent by regular mail. Following the introduction of e-invoicing, we were able to reduce the number of paper-generated invoices sent by regular mail in France to 5 percent compared to 7 percent in the previous year and in Italy to 0 percent (previous year: 0 percent). In Germany the share was 7 percent (previous year: 5 percent).

See diagram "percentage of printed invoices in core markets"

Percentage of printed invoices in core markets

as of 31 December 2021, in percent



In addition to invoices, we also digitise other correspondence, with the focus in 2021 on contract acceptance letters***.

* Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom

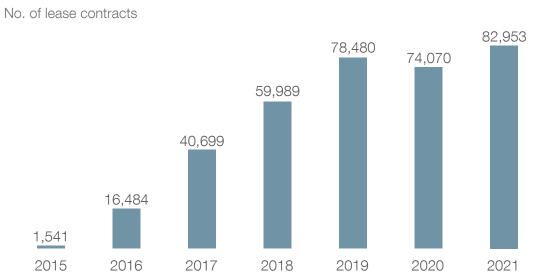
** Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, the Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovenia, Spain, Switzerland, United Kingdom, United Arab Emirates, United States of America

*** Denmark, Finland, Ireland, the Netherlands , Portugal, Spain, Switzerland

The electronic signature solution – GRENKE introduced eSignature back in 2015, and it has seen increasing user numbers ever since. The free service for specialised reseller partners and customers simplifies the conclusion of financing contracts. The documents are sent electronically and signed with a legally valid signature. This solution also saves paper for printouts and the dispatch of letters. eSignature was initially launched in Germany and France in 2015 and has since been implemented in a total of 27 markets. In the reporting year, the proportion of lease contracts concluded via eSignature was 39 percent (previous year: 30 percent). In our core markets, Italy stands out positively with 66 percent of contracts signed electronically. France is also above the Group average at 47 percent, while Germany is below at 15 percent. Electronic signatures are also gaining importance within the Group, for example, for signing meeting protocols or contracts between Group companies. In addition, the rollout of the qualified electronic signature and the related video ID process will be introduced in Germany in the first quarter of 2022.

See diagram "lease contracts concluded using an electronic signature"

Lease contracts concluded using an electronic signature



4.3.3 Disclosures in accordance with article 8 of the EU Taxonomy Regulation

The disclosures in accordance with Article 8 of the EU Taxonomy Regulation are presented in Chapter 4.8.

4.3.4 Location modernisation and energy audits

The company buildings leased by the GRENKE Group in Germany generally have an energy certificate documenting their respective energy status. However, for us, the current status is only an interim assessment, because we want to continuously reduce energy consumption at our locations. To this end, we are constantly modernising our building's technical systems. A digital, modern building control system enables us to operate these systems energy efficiently.

The energy audits carried out regularly in Germany provide us with data on energy efficiency within the Company. Based on this data, we identify measures to increase energy efficiency where necessary. A new energy audit in accordance with DIN EN 16247 was carried out in 2021 at our headquarters in Baden-Baden and at other selected sites in Germany. TÜV SÜD is responsible for regular recertification. The next audit is planned for 2026.

An order was placed for the installation of a photovoltaic system for our head office in Baden-Baden. The electricity generated by this will be used for our own purposes. According to the estimate calculated, this will result in a potential CO2 savings of 1.4 million kg over the next 21 years.

GRENKE is responding to the changes in the world of work ("New Work") due to digitalisation in order to increase the attractiveness of GRENKE for all stakeholders. The resulting space and workplace concepts, which not only address the needs of employees, but also the changed environmental and climate conditions, are currently being investigated. The GRENKE Milan headquarters, for example, will move into a new modern building and has developed a new space concept in cooperation with an architectural firm. This concept will be implemented as a pilot project and serve as a template for further space redesigns at GRENKE.

GRENKE started analysing its carbon footprint in accordance with the Greenhouse Gas Protocol (GhG) at the end of 2021. Initially, the corporate footprint will be accounted for retroactively for the years 2020 and 2021. GRENKE Group is working together with DEKRA Assurance Services GmbH to do this. In accordance with Scope 1, 2 and 3 of the Greenhouse Gas Protocol, data is evaluated at all branches worldwide. This data relates to energy and water consumption, the fleet of company cars, and other emission values. In the future, GRENKE will include additional data, such as emissions from business trips. The aim is to identify corresponding emission values by evaluating the data and to derive the necessary reduction measures on this basis. If necessary, projects are initiated to compensate for emissions. In order to ensure the success of the reduction measures, the evaluation of the CO2 footprint is carried out annually.

4.3.5 Mobility policy

The GRENKE Group aims to keep the number of business trips to a minimum and prefers environmentally friendly forms of communication such as video and telephone conferences. In the year 2021, 1,862,440 conference calls and 1,126,194 video conferences took place within our organisation. This was largely due to the Covid-19 pandemic and the remote work that was related. With advancing digitalisation, GRENKE is offering employees the option to work remotely even after the pandemic so the use of video and telephone conferences are likely to continue to a large extent.

Business trips are planned and carried out in accordance with our internal travel expense policy. This policy recommends, among other things, that public transportation and, particularly, rail travel be prioritised. With the introduction of a new travel booking and settlement tool in Germany in January 2022, the processing of travel at GRENKE will be digitalised. This will support our employees, starting from their choice of transportation to paperless reimbursement of invoices. The introduction of the travel booking and settlement tool is planned for other countries. The tool enables travellers to hold digital meetings as an alternative to business trips and choose alternative means of transportation for shorter distances all in an effort to save CO2.

Since mobility plays an important role in sustainability, this topic is also reflected in our Car Policy. GRENKE is taking a step forward by offering employees more hybrid and electric vehicles. At the German locations, more than 38 percent of the cars ordered by GRENKE will be powered by alternative energies in 2021. Of the 107 newly acquired vehicles in the GRENKE Group, a total of 33 cars will run on green fuels. For the future, we are striving for a completely emission-free vehicle fleet. To achieve this, we plan to commission the construction and operation of an additional smart charging infrastructure with 30 charging points at our headquarters for our future e-fleet. We are also currently developing a smart mobility concept.

SUSTAINABLE HR MANAGEMENT & SOCIAL ASPECTS

1,865 employees, of which 760 in Germany (2020: 1,891 employees, of which 727 in Germany)

33 countries
> 150 locations

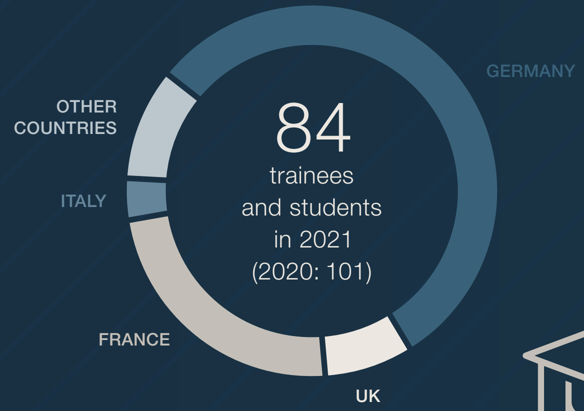
> 45 % women in the 2nd and 3rd management levels at GRENKE AG

Breakdown of group-wide workforce:
// 54 % female employees
// 46 % male employees

Cooperation with SRH University of Applied Sciences Berlin

One-year internships for young talents in cooperation with the KSC GRENKE aKAdemie

Chess tournaments “GRENKE Chess Classic” and “GRENKE Chess Open”



GRENKE Talent Lab as a platform for further development

98 % training ratio

11 fields of training and study (2020: 10 fields of training and study)

HEALTH MANAGEMENT PLATFORM GRENKE MACHTFIT FOR EMPLOYEES IN GERMANY

FLEXIBLE WORK MODELS AND PROGRAMME FOR SUPPORT IN SPECIAL LIFE SITUATIONS

4.4 Sustainable human resource management

The success of the GRENKE Group rests on the skills and commitment of its employees. Attracting, retaining and developing them accordingly are at the core of our human resource strategy. The principle of promoting and challenging is applied in our work together every day. As a family business, GRENKE is loyal to its employees and takes its duty of care seriously.

At GRENKE, employee concerns are given top priority above and beyond the legal and regulatory requirements. The manner in which we should work and interact with each other internally is set out in our Corporate Code of Conduct. The code clearly defines the obligations of the employees towards the Company, as well as those of the Consolidated Group towards the workforce. We focus special attention on mutual appreciation, fairness and respect. We support equal opportunity and accountability, promote employees' individual strengths and consider their proposals for improving the work environment.

The Human Resources department coordinates and monitors all key HR matters using the "SAP SuccessFactors" platform, which was rolled out across the Consolidated Group. Due to their high importance, personnel issues are recorded, backed by reports on key performance indicators, and routinely evaluated and discussed at meetings of the Board of Directors.

4.4.1 Desirability as an employer

The year 2021 was challenging for GRENKE. The outbreak of the Covid-19 pandemic affected not only our new business but also our work lives. Since mid-March 2020, more than 80 percent of the workforce has spent time working from home. The surveys conducted among the workforce showed that they highly appreciated the option to work remotely. The Board of Directors reached out to employees worldwide through video messages, internal communications, and personally in several video conferences. The transparent communication was reflected back in the form of great commitment and strengthened the GRENKE team.

The year 2021, in particular, showed that being a desirable employer is a high priority for GRENKE. To this end, we offer employees an attractive and safe working environment, flexible hours and fair compensation. GRENKE sees diversity as a crucial ingredient to success, and the principle of equal opportunity is given overriding importance.

The recruitment of new team members and their loyalty to the Company are also very important to GRENKE. The goal of recruiting new employees is to continue to ensure a sufficient level of personnel and, at the same time, keep the fluctuation rate low. To accomplish this, we work continually to raise the profile of GRENKE's brand as an employer both regionally and nationally. GRENKE uses selected social media to adequately address new target groups and increase the reach of job advertisements and recruiting initiatives. For example, we have a uniform presence on XING, kununu, LinkedIn, and Facebook. We continue to use blogs and podcasts to provide insights into our culture and working world at GRENKE. Potential applicants can gain significant insight into the Company on these platforms as well as communicate with employees. The approach using these channels and formats with the corresponding content is increasingly developed by our own employees, who present GRENKE based on their own experience.

GRENKE also uses social media to attract the attention of potential employees internationally. In Italy and France, LinkedIn and local job boards are increasingly used. We continue to participate in job fairs, which are mainly held virtually due to the Covid-19 pandemic.

In addition to the cooperation with the Baden-Württemberg Cooperative State University, the GRENKE Group organises other activities in cooperation with selected universities and initiatives that also contribute to strengthening our employer brand and attracting talent. The GRENKE Centre for Entrepreneurial Studies at the SRH Berlin University of Applied Sciences also identifies significant opportunities and challenges for companies, researches the skills such as leadership and innovation that are needed in the 21st century and transfers this knowledge to the entrepreneurship programme.

4.4.1.1 Employment models and remuneration
GRENKE employees have numerous options available to them for creating their own individual work schedules and their chosen locations to fit their current life situation. Our digital infrastructure offers employees a variety of flexible mobile work opportunities. Young parents have the option to set up special work schedules so that they can combine their family and career as best as possible. Employee remuneration consists of a fixed base salary and performance-related remuneration components. At regular intervals, we review this model to ensure it is in line with the market and incorporate the views of our employees from, for example, the employee satisfaction survey.

4.4.1.2 Diversity
GRENKE promotes diversity and equal opportunity for women and men. Since the departure of Claudia Krcmar (with the conclusion of the Annual General Meeting on July 29, 2021), the Supervisory Board has comprised 17 percent women (target of at least 33 percent). The target figure for the Supervisory Board was not met in 2021 but is expected to be met again in the future. The reason for it not being met was the decision to take candidates possessing a very specific skill profile. After the departure of Mark Kindermann on February 8, 2021, and until the departure of Antje Leminsky on June 30, 2021, 50 percent of the members of the Board of Directors were women. Since Michael Bücker joined the Company on August 1, 2021, 25 percent of the Board of Directors has been made up of women, which corresponds to the target set by the Supervisory Board for the 2021 financial year for the proportion of female executives on the Board of Directors of at least 25 percent.

> With regard to the equal participation of women and men in management positions, we were able to achieve our target of 30 percent in each of the second and third management levels in the past financial year. In 2021, the proportion of women in the second management level of GRENKE AG was 45 percent. In the third management level, the share of women was 56 percent. In the future, we aim to maintain a gender-specific target of at least 30 percent in each of the two management levels below the Board of Directors by December 31, 2022.

See chapter 8 corporate governance statement

The principles of equal opportunity and diversity apply at GRENKE. When selecting new talent, for example, GRENKE brings in external personnel specialists who are required to consider all genders equally in their selection in order to fill the advertised position with the most suitable candidate.

GRENKE will also place an especially strong focus in the future on the promotion and qualification of female employees in the area of further training.

4.4.1.3 Development of the workforce
GRENKE employed an average of 1,865 employees in the past year (previous year: 1,891 employees). Measured in full-time equivalents, this corresponds to 1,794 employees (previous year: 1,823[8] excluding employees on parental leave). A further 62 people were in training at GRENKE in the reporting period (previous year: 75 trainees).

8 excluding employees on parental leave

Our German locations accounted for 760 employees (previous year: 727 employees), while our international locations employed 1,104 people (previous year: 1,164 people).

The average fluctuation rate for the Consolidated Group was **KPI** 12.9 percent (previous year: 10 percent). In Germany, it was 12.1 percent, compared to 8.4 percent in the previous year. The increase was due mainly to employee terminations as a result of the impact of the Covid-19 pandemic and the publication of the short seller report along with the uncertainties arising in this context. The fluctuation rates were determined on the basis of employee data measured in number of employees. As in the previous year, there were no terminations for operational reasons.

4.4.2 Employee development

Business and work processes are changing just as rapidly as the legal environment. The knowledge, motivation and ongoing training of the workforce have long been strategic corporate resources that continue to gain increasing importance in a constantly evolving market environment. GRENKE believes that a well-qualified workforce makes all the difference. Further education injects new know-how into the Company, fosters innovation and the ability and enthusiasm to perform, and promotes strong job satisfaction among employees. This objective is firmly anchored in our personnel development concept. A basic prerequisite to accomplishing this is to actively accompany internal and external change processes and shape them together when possible. With the availability of internal and external digital HR platforms, this can be done at all times online.

4.4.2.1 Induction and orientation

Our goal is to give every employee the best possible start in our Company. Potential new team members are therefore supported by a permanent contact person from Human Resources (HR) during the application process and informed of every step of the selection process. They also have the opportunity to get to know the team in advance. The entire application process can be mapped digitally, right through to hiring if required. This means that GRENKE is also in a position to react optimally to external conditions at any time.

New team members are subsequently accompanied through a special induction process. The “Join GRENKE” programme is designed to help new employees integrate into the Company. In digital formats such as web conferences, employees are given insights into GRENKE’s individual departments, its history, working environment and the brand. The Board of Directors regularly welcomes new employees in an initial welcome call. In this way, the respective area of responsibility and the interaction between the departments are introduced during the familiarisation phase. These get-to-know-you meetings are offered at regular intervals, coordinated by HR and individually agreed with the relevant manager. In addition to the systematic introduction to the GRENKE Group, new employees naturally also undergo a thorough technical induction within their team.

In order to maintain social contacts and networking within GRENKE during the current pandemic, "Explore Breaks" were offered. Explore Breaks are virtual phases in which employees can meet and network with colleagues from GRENKE locations worldwide across teams and countries.

To steer the relevant workforce processes and make them even more efficient, we have implemented new HR management software (SAP SuccessFactors). This software supports the HR team and all executives in their HR tasks and provides them with tools to facilitate the recruitment, development and retention of our employees.

4.4.2.2 GRENKE Talent Lab

The GRENKE Talent Lab provides all further training offers and formats within the GRENKE Group. The Lab's objective is to ensure the continuous qualification and development of our employees through a diverse range of further training programmes tailored to their specific needs.

The GRENKE Talent Lab offers practical, didactically and methodically structured continuing education programmes across all locations. Through the use of various learning formats and media such as modern e-learning programmes and permanent evaluation processes, we ensure the quality of our ongoing training and guarantee that knowledge is shared within the Company. Where feasible, our goal is to ensure that each and every employee participates in a minimum of one GRENKE Talent Lab continuing education programmes every year in addition to mandatory training.

GRENKE Talent Lab is divided into two areas: personnel qualification and personnel development. The Lab offers continuing education programmes that are tailored to specific departments and roles within the organisation. The two areas supplement each other and are designed as a common path that can be individually tailored for each team member.

See diagram "structure of the GRENKE talent lab".

At GRENKE, personnel qualification refers to the ongoing support employees receive to do their daily work through high-quality, practice-oriented training to ensure they are continually qualified in their field of responsibility. When we design the annual training programmes, we place a special emphasis on combining internal and external training courses with supplementary individualised training on specific topics.

Internal training is carried out by GRENKE experts who are accompanied and supported by the HR department. In the case of external training, GRENKE commissions experienced trainers who are qualified in a particular topic. In its selection and assessment of external trainers and coaches, the HR department uses an in-house evaluation model.

The GRENKE Talent Lab offering was expanded in August 2020 to include the leading digital learning platform LinkedIn Learning. With this addition, the GRENKE team can now access over 17,000 e-learning programmes in the categories of business (e.g. project management), IT (e.g. handling hardware and software), and creativity (e.g. brainstorming and innovation) and continue their education flexibly, without the constraints of time or location.

At least once a year, a review meeting is held between the employee and the responsible manager. This meeting involves a discussion about the employee's performance of duties and a skill assessment, among others. As a result of these meetings, GRENKE also determines whether or not further training requirements are necessary and, if so, includes these in the annual training schedule.

In order to obtain an objective view of the potential of the first management level below the Board of Directors, regardless of previous experience, 30 participants underwent a management appraisal in collaboration with an external consultant in the fall of 2021. The evaluation covered the topics of leadership culture, values and dealing with the demands placed on the international management level. The format chosen here combined the participants' own and others' perceptions according to the same standards and formed the basis for a personal exchange with the responsible board member. The management appraisal also marked the start of the future inclusion of the international management level in our regular group-wide annual review process.

Within the scope of personnel development, which is dedicated to the individual advancement and further development of the GRENKE workforce in line with the Company's objectives, an additional instrument is used:

> Application for special individualised further training – employees can apply to receive some desired further training or make a concrete request for training outside of what is offered in the annual training portfolio. Once the application has been approved, an individual training agreement is concluded between the employee and GRENKE.

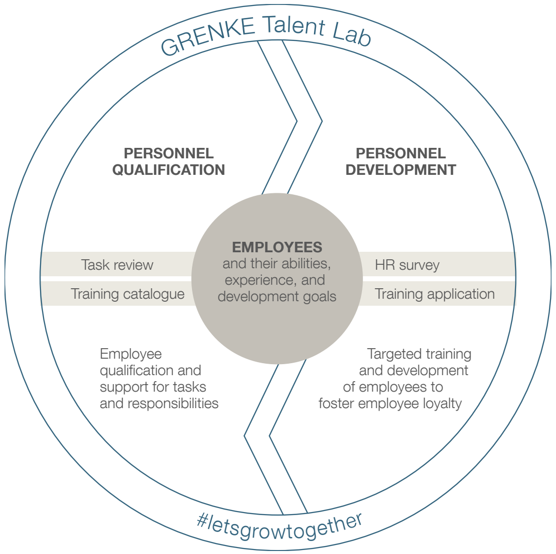
The "Leadership Personality" programme established in 2018 is conducted throughout the Company for middle managers. In 2020, a French group consisting of eight people successfully completed the training programme. In addition, a total of 21 executives from the German GRENKE companies distributed across three groups and an international group of ten people started in the same financial year.

During the past financial year, another group of nine executives from GRENKE's German companies began training.

The training programme contains a total of five modules encompassing ten training days, which were held digitally due to the Covid-19 pandemic. The programme is complemented by individual coaching for each participant. The training modules address relevant content on the theory and practice of managing employees and are linked to GRENKE-specific topics. Due to the current pandemic, for example, the topics of remote working and leadership from a distance were added. The training is focused on the open exchange, practical application and experience of the learning content. The GRENKE team uses the support of an external partner to carry out this programme. The topic of leadership from a distance was also offered to all executives as an online course. Executive development at GRENKE will continue to be emphasised and successively expanded in the current year. Management guidelines have been drawn up to provide our executives orientation for their management roles. The next step will be to review and prepare for the implementation. We also intend to introduce new career paths (talent journeys) in addition to the programme for executives.

The training offered by the GRENKE Talent Lab was in high demand again in the reporting period. **KPI** 98 percent of GRENKE Group employees took part in the training courses in 2021 (previous year: 85 percent).

Structure of the GRENKE Talent Lab



4.4.3 Training and education

Our human resources management is continuously developing and improving the content of the training and education programmes and the qualification and development of employees. At a minimum, this effort not only strengthens GRENKE's desirability as an employer but also draws new, qualified talent to the Company.

At the same time, the HR department works to ensure that all employees identify positively with the Company. Possessing a qualified and autonomous workforce is one of our most important resources – especially during periods where there is a shortage of skilled workers. Our goal in the area of training and education is to retain as many suitable young people and potential managers as possible at an early stage. To achieve this, we rely on a host of supporting activities, including training coordination, partnerships with schools within the scope of the "Business Provides Education" campaign, internships and various campaigns for vocational training.

4.4.3.1 Training management and dual-study programmes

We provide our employees with all of the professional skills they need for their careers at GRENKE, starting with the traineeships at the Company. Our trainees receive individualised and demand-oriented training, which takes into account their strengths and the requirements of their special areas of activity.

Next to an in-depth online induction day, the training programme includes an established feedback process and a half-yearly deployment plan that incorporates the training requests of our students and trainees.

Trainees and students are assigned designated contact persons and their deputies in each department who have taken the Chamber of Industry and Commerce (IHK) training exams. The contact persons are responsible for supervising and accompanying the trainees and students and familiarising them with specific vocational topics. By rotating the trainees and students through different departments, they develop a comprehensive understanding of the Company's processes. We also use standardised introduction plans to ensure that all trainees and students obtain extensive and uniform fundamental knowledge in addition to individual vocational skills.

A comprehensive orientation programme ensures that trainees and students develop the fundamental skills necessary for their desired position/course of study, as well as an understanding of the specific challenges faced during a typical workday at GRENKE. As the trainees and students continue to develop, they start to actively participate in projects and contribute their original ideas.

In Germany, together with the Chambers of Industry and Commerce of Karlsruhe, Kiel and Mannheim, we offer trainees courses for the following vocations:

// Office manager
// IT specialist in application development and systems integration

We have also been educating young trainees in a variety of study areas in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) since 2004. Our range of training currently includes the following courses of study:

// International Business (B.A.)
// International (trinational) Business Management (B.A.)
// Business Administration/German-French Management (B.A.)
// Business Administration/Financial Services (B.A.)
// Business Administration/Digital Business Management (B.A.)
// Accounting & Controlling (B.A.)
// Business Information Systems (B.Sc.)
// Information Technology (B.Sc.)
// Cyber Security (B.Sc.)

Due to the ever-evolving market situation, it is important that we review our training programme regularly. Through our ongoing market research, we have identified new vocations and study courses and are striving to expand our training portfolio to better meet the need for junior staff.

In the 2021 financial year, a total of 47 trainees and students in Germany (previous year: 62 trainees) completed either a dual vocational training programme or dual degree programme. A total of 14 of the 16 trainees and students were subsequently hired, which corresponds to a hiring ratio of **KPI** 87.5 percent (previous year: 72.2 percent). The development internationally was as follows: our French subsidiary, GRENKE Location SAS, had 20 trainees in 2021 (previous year: 25 trainees). Italy and Denmark each currently have 3 trainees. The UK had 6 trainees. The subsidiaries in Switzerland, Spain, Portugal and Finland each have one trainee. In Ireland, we launched our training programme in 2021 and took on one trainee. Internationally, 16 (previous year: 10) people completed their vocational training, of which 8 (previous year: 3) were taken on. The number of trainees decreased slightly; the training ratio of the GRENKE Group's training companies is **KPI** 3.2 percent, compared to 3.6 percent in the previous year.

For our commitment to training management, we received the award in the category "Best Trainers in Germany" in 2021 for the fourth consecutive year in a study with the same name, conducted by Capital business magazine. Achieving the highest possible score in this category encourages us even more to maintain the outstanding quality of training at our Company.

4.4.3.2 School partnerships, corporate internships and training ambassadors

As part of the "Business Provides Education" campaign sponsored by the Karlsruhe Chamber of Industry and Commerce, GRENKE has entered into collaboration agreements with the Markgraf-Ludwig

High School and the Richard-Wagner High School in Baden-Baden, as well as with the Lothar-von-Kübel Secondary School in Sinzheim. The aim of these collaborations is to give students a better understanding of economic interrelationships, make it easier for them to choose a profession and manage the application process, in addition to strengthening the advisory skills of the teachers. We are also involved through workshops, sponsorships and through our participation in career fairs. In 2021, for example, we participated in the virtual Karlsruhe education fair “Career Start” and a “Study Info Day” each sponsored by DHBW Mannheim, as well as in “Open House”, which was held virtually, sponsored by DHBW Karlsruhe.

In addition, four internships were also completed, which gave trainees the opportunity to visit the departments of their choice. In addition, in 2021 the “KSC GRENKE aKAdemie” partnership made it possible for two additional KSC youth players to complete a one-year internship at GRENKE.

We also give our trainees the opportunity to be trained as “training ambassadors” by the Chamber of Industry and Commerce (IHK). As training ambassadors, they support the IHK, among others, at career orientation events where they present their job profile and the Company.

Through our strong presence in the pre-professional training sector, we strive to help students choose a career and further strengthen their perception of GRENKE as a committed and attractive training company and employer for the long term.

4.4.4 Health management and occupational safety

We promote the long-term well-being of our workforce and ensure a health-protected workplace. In Germany, for example, we identify potential health and safety risks for each workplace and define the appropriate actions to take. Our focus is on ergonomic design and general instructions provided on the potential hazards in the individual work environment. In addition to the measures mentioned, GRENKE offers all employees the option to receive regular medical health check-ups.

Together with our architects, the company physician and the occupational safety specialists of Klinikum Mittelbaden gGmbH, we were able to develop and implement a comprehensive clearance, protection and hygiene concept for the headquarter in Germany.

The concept includes ensuring minimum distances in the buildings and at the workplace. GRENKE also provides free antigen rapid tests and FFP2 masks in sufficient quantities. Critical areas with customer contact were equipped with translucent plastic barriers.

Great importance was attached to hand hygiene and sufficient disinfectants/dispensers were placed in all passageways and wet areas.

All measures are in line with regional laws and operational requirements and are regularly reviewed and adjusted. We follow the official recommendations and guidelines. Our hygiene concept in Germany and the measures we have taken have been recognised as exemplary by Klinikum Mittelbaden gGmbH.

In order to be able to protect our employees from infection, we organised offers for the Covid-19 vaccination in July 2020 in cooperation with Klinikum Mittelbaden. In December 2021, we launched a further Covid-19 vaccination offer (first/second/booster vaccination) on our own premises for our employees and their families.

The “GRENKEmachtfit” health platform, introduced in Germany in 2017, supports our corporate health management with fitness offers and nutritional advice. In the reporting period, 81 percent of our workforce in Germany had registered on this platform (previous year: 83 percent). Again in 2021, many of the courses were offered digitally due to the Covid-19 pandemic. The platform is also used to efficiently organise the G37 preventive medical checkup for computer workstations, which is relevant under occupational safety law, and to promote internal, health-supportive and team-strengthening sports groups.

Employees at branches in other countries can design comparable health programmes and implement them on the basis of similar offerings. For example, health seminars and “Cycle to Work” programmes have been offered in the United Kingdom. In addition, cooperation agreements have already been concluded with fitness studios in Poland and Portugal. In France, employees have the opportunity to calculate their “health age”. In addition to organised sports sessions, fruit baskets are regularly offered to employees at the branches.

The following corporate team sports offers are available in Germany and include the participation of members of the Board of Directors:

// Since 2006, the GRENKE soccer team has been meeting weekly to train at the Baden-Baden location. The team also participates in leisure competitions.

// Since 2014, employees have been competing in the B2RUN corporate marathon. Starting in 2019, a weekly running and strength training programme was offered for the GRENKE team in Baden-Baden to encourage running as a sport.

Since March 2020, the above-mentioned sports offers, as well as the corporate B2RUN marathon, have no longer taken place due to the Covid-19 pandemic.

// As part of the “Support in Special Life Situations” programme introduced in 2021, employees receive support, when going through especially challenging life situations. Through the programme, employees have the opportunity to reduce their workload to 80 percent and still receive full payment from GRENKE. The “Support in Special Life Situations” programme can be utilised by any employee for a period of two months once every three years after receiving approval from the HR department.

// A Well-being Week was held at GRENKE for the first time during October 11 - 15, 2021. This week was specifically dedicated to the well-being of employees. In informative and interactive events throughout the week, all employees had the chance to gain special insights and new experiences for improving their well-being in everyday life.

// The B2Mission, a sporting team challenge in which GRENKE AG employees can participate together, ended on July 4. The goal of the challenge was to collect as many points as possible over a period of four weeks and compete with companies from all over Germany. Whether walking, running, hiking or cycling – every kilometre covered was counted. With 131 participants, Team GRENKE ended up in sixth place in the “Team size <200” category.

4.5 Social aspects

By providing and managing microloans, GRENKE BANK AG opens up access to credit for company founders and strengthens micro, small, and medium-sized enterprises and helps to secure the jobs associated with these businesses – and not only during the Covid-19 pandemic.

In 2021, GRENKE BANK AG was again awarded the sole contract for the Microcredit Fund Germany of the German government under the auspices of the Federal Ministry of Labour and Social Affairs and has been offering this product on the market again since September. The managed portfolio of government microloans of up to EUR 25,000 for micro, small and medium-sized enterprises (SMEs) amounts to EUR 75,774.4k (previous year: EUR 63,952.0k). The proportion of applicants with a migration background is around 25 percent. The proportion of female applicants was around 29 percent, while the proportion of male applicants was around 71 percent.

4.6 Community involvement

At GRENKE, sustainability management is primarily considered in direct connection with our core business. We believe, however, that corporate responsibility should also include returning a portion of the profits we generate to the community and supporting organisations and projects that are not necessarily directly related to our value creation. Always with our brand values in mind: simple, fast, personal, and entrepreneurial as binding criteria for all activities. We have set out the binding criteria in the GRENKE Corporate Sponsorship & Donation Guidelines. A few examples of GRENKE's community involvement are described in the sections below.

4.6.1 Sports, culture and education

GRENKE has traditionally placed a special emphasis on promoting the mental discipline sport of chess. Since 1997, the Company has been a sponsor of the Baden-Baden chess centre, as well as the Ooser chess society (OSG), which, with over 390 members, is one of the largest chess clubs in Germany. The OSG holds the German championship record in both the women's and men's team events. A number of successes and championships were also achieved in the youth, adolescent and senior segments.

In 2013, we took over the primary sponsorship of the "GRENKE Chess Classic" in Baden-Baden for the first time. This event is regularly attended by high-ranking players such as the Norwegian chess world champion Magnus Carlsen. We also sponsor the "GRENKE Chess Open," which has been held in Karlsruhe since 2016 and is one of the world's largest open chess tournaments. In 2019, nearly 2,000 participants from all over the world took part. Both chess tournaments did not take place in 2020 and 2021 due to the Covid-19 pandemic.

GRENKE also sponsors other types of sports events. The indoor football tournament known as the GRENKE Cup was scheduled to take place for the fourth time in November 2020 under the sponsorship of GRENKE AG and the SV Sinzheim sponsorship association but was cancelled due to the Covid-19 pandemic. This tournament is held to benefit young people and aims to create a stronger link between athletics and education, vocational training and university studies.

GRENKE also maintains an unwavering focus on youth development when it comes to soccer. Together with Karlsruher SC, GRENKE helps talented young people to develop a professional career and as they get started on their chosen career path. The KSC GRENKE aKAdemie offers a holistic education that goes far beyond a pure football training programme and is geared towards the long-term promotion of KSC young talents in the areas of athletics, academics and personal development (see www.ksc.de/akademie).

In the areas of music and education, we support a school programme entitled “Columbus – discover classical music!”. Through a grant, we provide pupils discounted access to events at the Festspielhaus (festival hall) in Baden-Baden. Girls and boys participate in classes discussing the content of the performances they have attended. They are also allowed to visit opera, ballet and orchestra rehearsals (see www.festspielhaus.de/bildung/schulprojekt-kolumbus).

Since 2016, GRENKE AG has been supporting the SRH Berlin University of Applied Sciences through its endowed professorship for entrepreneurship and two part-time doctoral positions expiring in 2022. GRENKE has also been a promoter of the GRENKE Centre for Entrepreneurial Studies research institute, which opened in January 2018. The work of this institute involves analysing business start-ups and using scientific methods to determine the real-world factors for success.

4.6.2 Other sponsorship activities for charitable projects and organisations

In addition to sponsoring the institutions mentioned, we also pledge our support to regional and national non-profit organisations, which include the following:

// SOS Children’s Villages relief organisation – SOS Children’s Villages is an independent, non-governmental and non-denominational aid organisation for children that is active worldwide. They have made it their mission to accompany abandoned and needy children into a better future.
// Foundation for the maintenance and scientific development of regulatory economics (Stiftung Ordnungspolitik) – Institution for the maintenance and scientific further development of the economics of order.
// KIT Science Week – Using different program formats, KIT Science Week provides important impetus to research in the field of AI through the intensive scientific exchange of a multi-day high-level conference.

In Italy, we support charitable projects and place great emphasis on sponsoring sports teams. Examples of this are:

// Sponsorship of a women’s soccer team – GRENKE has long been committed to gender equality and empowering women. For this reason, we support a sport that is traditionally perceived as more male.
// Support for a national fund (FAI – Fondo Ambiente Italiano) for the preservation and promotion of the environment – the aim of the Foundation is the protection and enhancement of the historical, artistic and landscape heritage of Italy.

4.7 Quality management

GRENKE uses a quality management system that provides the framework for various actions in the everyday business of the GRENKE Group, thereby also contributing to the implementation of our sustainability strategy. All business and work processes established throughout the Consolidated Group are scalable and customer-oriented and aligned with our quality management. This is how we make sure that our national and international customers receive simple, flexible and cost-efficient financing solutions from us locally. All employees have access to our quality management system. These measures enable us to react appropriately to requirements at all times. The international quality management team at the headquarters in Baden-Baden has access to a broad internal network in order to be able to communicate relevant information and changes quickly and in a targeted manner. Each country has a QM contact person, and some countries even have their own QM teams. Regular network calls and monthly newsletters ensure a mutual exchange of information and experience in order to promote and further develop quality management at GRENKE in the best possible way.

The quality management system places a strong focus on work processes, which supports the GRENKE team in its everyday work. This helps employees to become more familiar with and understand the processes more easily.

Since 1998, GRENKE's quality management has been certified by independent auditing companies. However, we are not resting on our laurels; instead, we will continue to regard quality management as the supporting pillar of our business success in the future – and will continue to have it certified regularly in order to ensure and continuously improve the quality of our products and services. Following the surveillance audit in 2021, TÜV SÜD Management Service GmbH once again confirmed that we have a well-functioning and effective quality management system that fully meets the requirements of the ISO 9001:2015 standard. The current certificate is valid until October 2022. Our certified locations and entities can be found on our website (see www.grenke.de/unternehmen/grenke-deutschland/auszeichnungen-zertifizierungen).

4.7.1 Quality management control cycle

Quality management is the central component of our corporate philosophy, risk management and due diligence process. In a so-called quality management cycle, which includes the modules "quality policies", "quality objectives", "programmes and projects", "quality audits" and "quality reviews", we systematically examine and optimise our organisational structure, processes and results within the Consolidated Group in order to contribute to the Company's long-term success.

Quality management control circle

As part of this quality management control cycle and in addition to the recertification audits and TÜV monitoring mentioned, we carry out internal audits and continuously record quality-relevant documents, which are updated regularly. This is how we ensure that our quality management reflects both legislative changes and any ongoing product or process modifications. This allows us to identify any deviations in the process early enough to make any necessary adjustments. In the past financial year, **KPI** 28 locations were audited by TÜV SÜD as part of the random sample certification (previous year: 24 locations). In addition, 112 internal audits took place (previous year: 104 audits).

4.7.2 Idea management

Suggestion schemes have always been a part of the corporate culture at GRENKE. Their success relies on the awareness of the schemes and the motivation they generate throughout the entire staff. At the end of 2018, a new process for submitting suggestions was created, and the scheme was then renamed Idea Management. Employees have the opportunity to present their ideas for the idea campaign every quarter using a digital platform. This year saw the first themed campaigns on the two topics of "Crisis" (Q1) and "Sustainability" (Q3). In the meantime, 32 ideas have been implemented and a further 22 are in the process of being implemented.

4.8 Disclosures in accordance with article 8 of the EU Taxonomy Regulation

For the financial year 2021, the European legislator has focused on the topics of climate change mitigation and climate change adaptation and has prescribed the disclosure of sustainability-related key performance indicators (KPIs) on the basis of the EU taxonomy (Regulation (EU) 2020/852) as part of non-financial reporting on a uniform basis throughout Europe. The KPIs prescribed by the legislator take into account sectoral specifics by distinguishing between non-financial companies (NFC) and financial companies (FC).

As a financial holding company supervised by BaFin in accordance with the German Banking Act (KWG) and within the scope of CRR II with a credit institution and other financial services institutions as subsidiaries, we have prepared the climate protection-related disclosures in accordance with the statutory requirements of Sections 340 et seq. HGB in conjunction with the EU taxonomy and the delegated acts adopted in relation to the EU taxonomy, those being

// the Delegated Regulation (EU) 2021/2178 (Disclosures Delegated Act, EU DDA) and

// the Delegated Regulation (EU) 2021/2139 (Climate Delegated Act, EU CDA)

in accordance with the requirements for credit institutions.

For financial year 2021 as the year of first-time application, the assessment of the taxonomy eligibility of certain risk positions is to be determined in a first step. As of the financial year 2023, the second step will be the assessment based on full compliance with the characteristics of Article 3 of the EU taxonomy, the so-called taxonomy alignment. The key KPI for banks to measure taxonomy compliance will be the "green asset ratio".

The relevant scope of consolidation for the calculation is the regulatory scope of consolidation, which for the GRENKE Group corresponds to the IFRS scope of consolidation.

The total assets of the GRENKE Group amount to EUR 6.7 billion as of the reporting date of December 31, 2021. Taking into account the existing risk provisions, total assets (consolidated total assets at gross carrying amounts) amounted to EUR 7.2 billion. The information required to be disclosed for the 2021 financial year as the year of first-time application in accordance with Article 10 (3) EU DDA is as follows for the reporting date of December 31, 2021:

Risk position	**% of total assets**
Risk positions in taxonomy-eligible economic activities	–
Risk positions in non-taxonomy-eligible economic activities	15.42
Trading portfolio and short-term interbank loans	3.08
Risk positions vis-à-vis sovereigns, central banks and supranational issuers	8.85
Derivatives	0.02
Exposures to entities not required to disclose non-financial information under Article 19a or Article 29a of Directive 2013/34/EU	67.00

The method of calculating the information to be published by the GRENKE Group in accordance with the statutory requirements can be outlined as follows:

In Article 10 (3) EU DDA, the legislator has not clearly regulated how total assets are to be defined. In accordance with the wording of Article 10 (3) DDA ("total assets"), the GRENKE Group uses the total assets in its consolidated balance sheet at gross carrying amounts.

We have used the balance sheet items relevant to the GRENKE Group for the delineation of risk positions, which will also be included in the future in the determination of the green asset ratio in accordance with the EU taxonomy (Annex V, 1.1.2 EU DDA).

According to the FAQ published by the EU Commission on December 20, 2021 regarding the implementation of the EU DDA, credit institutions are not allowed to use estimates for the purposes of mandatory disclosures on risk positions in (non) taxonomy-eligible economic activities if the financed entities have not yet disclosed their taxonomy eligibility. Accordingly, we do not make any quantitative mandatory disclosures in this regard. We also refrain from publishing these disclosures as voluntary disclosures based on estimates and supplementary explanations, as stated by the EU Commission.

Accordingly, we only report our receivables from households as defined by the FinRep regulations under the risk positions for non-taxonomy-eligible economic activities. In accordance with the EU taxonomy, receivables to households are always classified as non-taxonomy-eligible if they are not receivables from real estate loans, loans for the renovation of real estate or automobile loans.

We have combined derivatives with positive fair values (EUR 9 million) that are not designated as on-balance sheet hedging relationships, as well as short-term interbank loans (EUR 214 million) to the item "Trading portfolio and short-term interbank loans."

Accordingly, the item "Derivatives" contains our derivative positions that are assets in on-balance sheet hedging relationships at their respective fair values.

To determine the "Exposure to entities not required to disclose non-financial information under Article 19a or Article 29a of Directive 2013/34/EU", we have used the criteria of the country of domicile and the number of employees at individual company level. The criterion of the stock exchange listing of our customers has not yet been included in our group-wide data.

The current focus of the EU Taxonomy Regulation is on the environmental goals of climate change mitigation and climate change adaptation. The reduction of CO2 emissions is also a strategic ambition of the GRENKE Group. Due to the legal requirements of the EU taxonomy and the legal requirements of Article 7 (3) DDA, a large proportion of our risk positions in our total assets are not relevant for the calculation of the taxonomy eligibility KPI. Our main focus with regard to the taxonomy is therefore on capturing the relevant key figures for the future KPIs.

5. Changes in the Company's Governing Bodies

5.1 Changes in the Board of Directors

Effective January 1, 2021, Isabel Rösler took up her position as Chief Risk Officer (CRO) of the GRENKE Group. In this role, she is responsible for key internal control functions such as risk controlling, compliance, money laundering prevention and data protection, as well as the administrative functions of the back office. The Supervisory Board of GRENKE AG appointed Ms. Rösler to the newly created position at the Board of Directors level at the end of December 2020.

On February 8, 2021, the Supervisory Board complied with Mark Kindermann's request to terminate his contract prematurely and resign from his Board of Directors' and other Consolidated Group mandates. Following his resignation, the number of members on the Board of Directors declined to four members. Mark Kindermann's resignation was preceded by a hearing letter from the German Federal Financial Supervisory Authority (BaFin), which expressed criticism of internal auditing processes and procedural weaknesses in the compliance area.

On June 14, 2021, GRENKE AG announced that the Chair of the Board of Directors, Antje Leminsky, had decided to leave the Company for personal reasons effective June 30, 2021. The Supervisory Board appointed Michael Bücker to succeed her as Chair of the Board of Directors effective August 1, 2021. In his prior position, Michael Bücker, born in 1962, was a member of the Board of Management of Bayerische Landesbank responsible for the Corporates & Markets division.

On October 29, 2021, GRENKE AG announced that the Company's Supervisory Board had additionally appointed Chief Financial Officer Dr Sebastian Hirsch as Deputy Chair of the Board of Directors effective November 1, 2021. The appointment was in recognition of Dr Hirsch's performance in managing the challenges faced by GRENKE, particularly in connection with the Covid-19 pandemic. He has been a member of the Board of Directors of GRENKE AG since 2017 and is responsible for Controlling, M&A, Treasury, Legal, Tax and Investor Relations. Dr Hirsch was appointed CFO of GRENKE AG in October 2020.

5.2 Changes in the Supervisory Board

The GRENKE AG Annual General Meeting on July 29, 2021 elected Norbert Freisleben, graduate economist, Nils Kröber, attorney-at-law, and Dr Konstantin Mettenheimer, attorney-at-law and tax advisor, as successors to Wolfgang Grenke, Claudia Karolina Krcmar and Florian Schulte, who resigned from the Supervisory Board at their own request at the end of the Annual General Meeting.

6. Report on risks, opportunities and forecasts

6.1 Risk report

6.1.1 Risk management

The GRENKE Group has established strategies and processes in accordance with the regulatory requirements to ensure that risk-bearing capacity is permanently guaranteed. The internal processes for ensuring adequate capital and liquidity (ICAAP / ILAAP) are an integral part of the management system, which, in turn, is integrated into the risk management framework and continuously developed. The GRENKE Group's risk management is designed to identify and assess new, potential and existing risks. Both individual risks and possible risk concentrations and interdependencies between different risk areas are considered. GRENKE Group's risk management follows an internally defined process that covers all relevant levels of the Consolidated Group's organisation and is closely aligned with the activities of the individual divisions. The Board of Directors bears overall responsibility for monitoring the risk management system and its compliance throughout the Consolidated Group.

Based on the business strategy, the Consolidated Group's risk strategy defines the long-term risk policy framework for risk management. This framework defines the overarching risk objectives as well as the use of consistent standards, methods, procedures and instruments to achieve these objectives. Corresponding requirements have been defined for operational implementation. Compliance with the regulatory capital and liquidity ratios at all times is also implemented operationally and strategically. In order to comply with regulatory requirements, a Group-wide risk controlling system has also been implemented that independently assesses, evaluates, monitors, communicates and manages risks. The Internal Audit department annually reviews the proper implementation of the regulatory requirements for risk management. In the 2021 reporting year, the audit of risk management by the Internal Audit department resulted in one material objection and no serious objections. The material objection concerned the design of the risk type-specific stress tests.

6.1.2 Risk management process

The risk management process is derived from the risk strategy and includes a coordinated cycle of risk definition, risk measurement, risk analysis, improving risk management and risk control measures. This process systematically and structurally recognises, discloses, evaluates and documents internal and external risks and opportunities within the Consolidated Group.

The risk inventory is at the centre of the risk definition. Within the scope of the risk inventory, the types of risk relevant to us are identified and assessed in terms of materiality. For this purpose, the main risks are determined annually and, if necessary, on an ad hoc basis, an overall risk profile is created, and the methods used in the risk management system are reviewed. The risk inventory includes financial and non-financial risks. The assessment is divided into a quantitative and a qualitative analysis, each based on a scale of 1 (immaterial) to 5 (significantly material). The assessments are aggregated by risk type and then discussed in workshops on an ad hoc basis so that, among other things, the materiality of individual risks can be determined. Finally, the overall risk profile is prepared, resolved by the Board of Directors, and made available to the participants of the central risk committee (AK Risk). Within the scope of the risk inventory, the following risks were classified as material as of December 31, 2021:

- // Credit risk: credit default risk, migration risk
- // Market risk: foreign currency risk, interest rate adjustment risk, yield curve risk
- // Operational risk: Operational risk according to CRR, model risk, risk associated with the legal validity of receivables, compliance risk, ICT cost risk, ICT security risk, ICT data integrity risk, ICT organisational risk, legal risk
- // Liquidity risk: Liquidity risk in the true sense, refinancing risk
- // Other risks: Business and strategic risk, reputational risk

In 2021, measures were intensified within the GRENKE Group to implement the regulatory requirements for sustainability risks as part of risk management. In the course of the gradual integration of sustainability risks into risk management, sustainability risks, among others, were taken into consideration as part of the risk inventory. Sustainability risks, in particular, should not be seen as a separate new type of risk, but as driving forces that will materialise in the types of risk already known. We have taken sustainability risks into account qualitatively in the risk inventory by analysing physical risks (e.g. extreme weather events) and transitory risks (e.g. change in customer preference in response to climate change or environmental pollution) to determine the extent to which they influence the existing risk types. While transition risks have a particular impact on business and strategic risk as well as reputational risk, physical risks have a particular impact on country risk and operational risk.

The Risk Task Force (AK Risk) is the central body for the coordination of group-wide risk management. Within the framework of AK Risk, the results of the risk inventory, the ad hoc risk reports and other regulatory and legal challenges, as well as innovations with regard to risk management, are discussed. Three ad hoc risk reports were submitted during the 2021 reporting year.

The Risk Control unit uses a period-based risk-bearing capacity model that assesses all risks identified as material and serves the Group-wide control and monitoring of the overall risk profile and capital. The defined risk areas or risk types – with the exception of the liquidity risk in the true sense (insolvency risk) – are to be backed with risk coverage capital and limited in the course of the risk-bearing capacity considerations. The assessment of risk-bearing capacity includes consideration given to the findings of the stress test for material risks. Risk Control prepares a quarterly risk report that presents and explains the current risk situation.

Pursuant to Germany's minimum requirements for risk management (MaRisk), the independent functions of the Compliance Office, the anti-money laundering officer, the data protection officer and the Chief Information Security Officer, as well as the risk control function, are organised at the Group level. The Compliance Office oversees the handling and compliance with GRENKE's Code of Conduct. It also identifies and manages potential risk associated with conflicts of interest throughout the GRENKE Group. The data protection officer monitors the compliance and implementation of data protection laws. The anti-money laundering officer monitors compliance with the duty of care under the Prevention of Money Laundering Act and takes risk-based measures to combat legal and reputational risks using an up-to-date risk analysis of the Consolidated Group, as well as through monitoring and research tools in compliance with regulatory requirements. The Chief Information Security Officer sets standards, monitors IT security and is responsible specifically for protecting the Consolidated Group's internally generated intangible assets. The Consolidated Group has implemented internal control mechanisms for managing and monitoring the risks specified based on the structure and operation of the respective processes in accordance with regulatory requirements. These risks are in turn assessed and evaluated by the Risk Control department and independently monitored, managed and communicated.

6.1.3 Implementation of regulatory requirements

Due to the fact that GRENKE AG is the parent company of a group of institutions within the meaning of Sections 10 a and 25 a of the German Banking Act (KWG), the GRENKE Group is a financial holding company pursuant to Section 1 (35) KWG in conjunction with Article 4 (1) no. 20 of the CRR. The GRENKE Group also has a bank as a subsidiary, GRENKE BANK AG. Both the GRENKE Group and GRENKE BANK AG are subject to the regulatory provisions of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) and the German Banking Act (KWG). In the 2021 reporting year, the revision of the Capital Requirements Regulation (CRR II) and the Capital Requirements Directive (CRD V) came into force. The GRENKE Group and GRENKE BANK AG must therefore comply with the Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) issued by the German Federal Financial Supervisory Authority (BaFin). These include qualitative and quantitative requirements for risk management that must be implemented by financial institutions taking into account their size as well as the type, scope, complexity and risk content of the business.

Additionally, the financial services institutions GRENKEFACTORING GmbH and Grenke Investitionen Verwaltungs KGaA are also subject to the KWG and supervision of BaFin and the Deutsche Bundesbank at the individual institution level. GRENKE AG made use of the waiver rules according to Section 2a (1 or 2) KWG in combination with Section 2a (5) KWG for these group companies. The subordinate institutions have notified BaFin and the Bundesbank that certain regulatory provisions have been applied and incorporated at a Group level rather than being applied at the individual institution level because the necessary organisational requirements have been fully met by the primary institution. GRENKE AG's application submitted to BaFin requesting that it recognise the regulatory Consolidated Group as identical to the consolidated accounting group was approved in 2009. As a result, all Group companies attributable to the GRENKE Group are included in the regulatory scope of consolidated companies. In the course of the reconciliation with the BaFin regarding the scope of consolidation, it was agreed that changes to the scope of consolidation, such as the first-time consolidation of franchise companies in the 2020 financial year, must be reported to the BaFin without delay.

Pursuant to Section 12 (1) of the Restructuring and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG), banks and securities institutions are obliged to prepare a restructuring plan. Under the conditions of Section 12 (2) SAG, this obligation applies to the superordinate company. The companies obligated to prepare a restructuring plan must submit the restructuring plan after being requested to do so by the supervisory authority. In the case of less significant institutions (LSIs) such as GRENKE AG, BaFin is this supervisory authority in accordance with Section 3 (2) SAG in conjunction with Section 1 (5) KWG. After being requested to do so by BaFin, GRENKE AG submitted a group restructuring plan in accordance with simplified requirements for the first time in financial year 2021. The recovery plan is a preventative preparation of operational implementation plans for strategic planning with the aim of preparing for a possible crisis event. Specifically, measures are to be identified in order to ensure or restore the financial stability of the bank on its own responsibility.

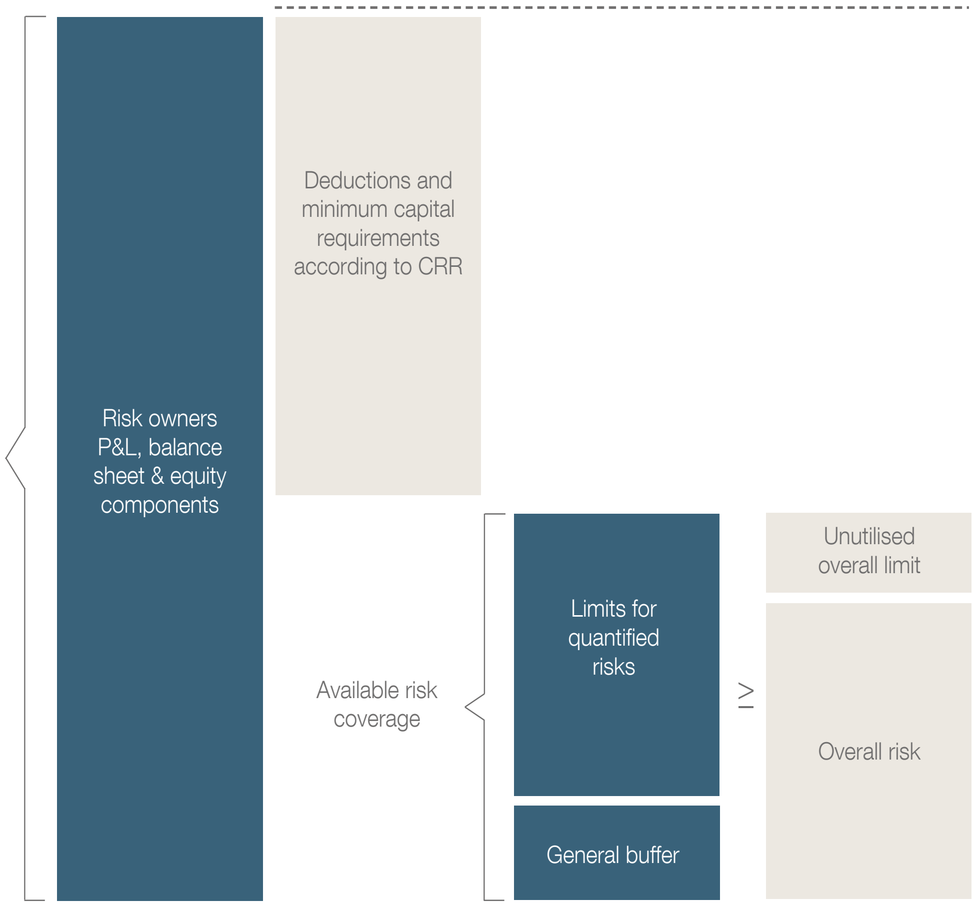
The restructuring indicators were selected to reflect the business model and strategy, risk profile, size and complexity of the GRENKE Group. Pursuant to Section 14 (1) sentence 2 of the Recovery Plan Minimum Requirements Ordinance, the GRENKE Group must implement at least one indicator per observation dimension (capital, liquidity, profitability and quality of assets) in the monitoring process and set an early warning and recovery threshold.

6.1.4 Risk-bearing capacity

The interaction of risk limitation, quantified risk capital requirements (risk) and risk coverage capital (capital made available for risk coverage) is referred to as the risk-bearing capacity system. The risk-bearing capacity checks, in accordance with the going-concern approach, whether the material risks are sufficiently covered with risk coverage capital. A portion of the risk coverage capital is reserved for compliance with minimum capital requirements, regulatory deductions and other regulatory capital surcharges (currently SREP capital surcharge for other risks) and is not available for risk coverage. The GRENKE Group uses an internal risk-bearing capacity model to monitor its risk-bearing capacity, including all risk types identified as material. An exception is liquidity risk in the true sense (insolvency risk), as this does not necessarily need to be included in the risk-bearing capacity analysis in accordance with AT 4.1, Item 4 MaRisk. The areas and types of risks defined are to be limited and covered by risk coverage (when contemplating risk-bearing capacity. The fundamental aim of the risk-bearing capacity model is to quantify existing risk and identify potential burdens on equity at an early stage and take the appropriate measures.

See diagram "risk-bearing capacity concept

Risk-bearing capacity concept



The maximum financial resources available for risk coverage are referred to as risk coverage capital. They essentially consist of the balance sheet equity (share capital, capital reserves, retained earnings, unappropriated surplus and additional core capital) and the planned annual result based on a rolling twelve-month view. In accordance with the logic of the going-concern approach, part of the risk coverage capital is reserved for compliance with the regulatory minimum capital requirements and other deductible items (particularly intangible assets, non-controlling interests in equity and goodwill) and is not available for risk coverage. The remaining available or free risk coverage capital is allocated to the quantified risk areas. As of the December 31, 2021 reporting date, the free risk coverage capital amounted to EUR 752.4 million (previous year: EUR 597.0 million). Refinancing risk, model risk, risk associated with the legal validity of receivables and other risks are taken into account in the risk-bearing capacity calculation by means of risk buffers. In accordance with its risk strategy, the GRENKE Group aims to achieve an overall risk utilisation of permanently less than 95 percent.

One aspect of the risk-bearing capacity system is the consideration of stress test findings from extraordinary but possible events. Risk Control creates classic scenarios (historical and hypothetical) that are adopted by resolution of the Board of Directors. The focus is on analysing the sources of potentially high risk in the respective stress scenarios.

The following stress test scenarios are computed as part of the quarterly ascertainment of risk-bearing capacity:

// Severe economic downturn: This scenario assumes a severe economic downturn and stagnation in the years that follow, caused, for example, the financial difficulties of a major banking or financial services institution. It also assumes that growing financial market uncertainty is accompanied by higher risk premiums in the money and capital markets, rating downgrades, an implosion in exports and investment in both Germany and Europe. The ECB responds by increasing liquidity and lowering key interest rates. Unemployment rises sharply due to the severe economic downturn. The poor outlook and increasing uncertainty lead to a sharp decline in new business. Fraud would become more prevalent due to rage and desperation. Ultimately, the very poor outlook and growing strong insecurity would lead to a drop in new business.

// Serious EU currency crises after Italexit: This scenario assumes the imminent bankruptcy of the Italian government leading to Italy's exit from the euro area. It also assumed that receivables against this country would need to be impaired to a large extent and followed by higher risk premiums in the money and capital markets, rating downgrades for Italian companies, banks and the government and a massive decline in the euro following the accompanying loss of confidence. The new Italian currency would depreciate significantly versus the euro. The increasing uncertainty would lead to a decline in new business. The ECB and, if necessary, local central banks respond with increased liquidity injections and a reduction in key interest rates.

// A downturn in the IT sector: Due to industry-specific factors, there is a worldwide structural change in the IT industry. This leads to a global decline in demand for IT products, resulting in a domestic price reduction for IT products and consequently an increase in other risks. As a result of the declining market values and the decrease in the volume of new business, lower proceeds are generated from the disposal and subsequent leasing of the lease objects. This leads to a lower CM margin.

// Reputational damage: This scenario was revised and escalated in the reporting year (previously: scenario "loss of investment grade status"). The scenario assumes reputational damage following a short-seller attack, which means that refinancing via the capital market (bonds, CP) is only possible with above-average credit spreads. In addition, expiring credit lines (revolving credit facilities) are extended by the refinancing partners at significantly less favourable conditions. It is assumed that new business will remain unchanged. In addition, the effects resulting downstream from the special audits by BaFin will lead to a temporary reclassification within the framework of the SREP. This worsens the quantitative classification, which leads to an increase in the additional capital buffer (SREP) of three percentage points. In addition, there are increasing administrative expenses as a result of measures imposed by the supervisory authority as well as costs for special audits.

// Inflation: The scenario assumes a rise in inflation in the euro area as a result of drastic monetary and financial policy measures. The rise in share prices signals that people are increasingly investing in real assets. In addition, there is a significant decline in the savings rate due to the prevailing fear of inflation. This is accompanied by a rise in the consumption ratio due to increased demand for durable consumer goods and brought-forward investments. GDP growth is the result. To avoid excessive lending, all European central banks abruptly increase the country-specific quotas for setting the institution-specific countercyclical capital buffer by 1 percent. Due to increasing investments in the euro area, the euro appreciates. The ECB reacts by raising key interest rates to absorb the excess liquidity in the market. The higher demand due to inflation is partially offset by the increased interest rate level and the loss of potential new customers who realise a purchase instead of leasing. New business is growing.

// Covid-19 pandemic: In this scenario, government-imposed restrictions on public life lead to a drastic decline in economic activity worldwide. A large number of sectors are affected by direct restrictions or closures, including tourism, catering, passenger transport, culture, entertainment, retail and personal services. Downstream, manufacturing and international value chains (e.g. mechanical engineering, vehicle manufacturing) are affected by a decline on the supply and demand side.

In all of the stress test scenarios described above, the limit utilisation in the reporting year was below 100 percent of the amount of free risk coverage capital. In the most unfavourable scenario for the GRENKE Group (reputational damage), the limit utilisation increases to 84 percent of the relevant risk limit.

As a result of the sixth MaRisk amendment, sensitivity analyses of the stress test assessments had to be carried out for the first time in the 2021 reporting year. The sensitivity analyses represent example calculations with which the effects of individual risk factors are to be estimated. Sensitivity analyses were carried out on the basis of two risk factors as of December 31, 2021:

// Historical risk factors: Analysis of the impact of the increase in default probabilities and new business assumptions according to historical shifts from the severe economic downturn scenario.

// Hypothetical risk factors: Analysis of the impact of the increase in default probabilities and new business assumptions according to hypothetical shifts from the Covid-19 pandemic scenario (hypothetical industry-specific stress).

In the first scenario, limit utilisation decreases by 3.7 percentage points, while in the second scenario, limit utilisation increases by 4.2 percentage points.

In addition, an inverse stress test is carried out annually. This is based on the assumption that the business activity cannot be continued (as opposed to a going concern). Based on this assumption, it is determined at which stress scenario level the threshold for the Company's non-viability would have just been reached. This is particularly the case if earnings strength declines significantly primarily in the context of new business development. However, once the pandemic subsides, the GRENKE Group is expected to return to its precrisis level and subsequently to a sustained growth trajectory. Currently, there is uncertainty due to the overall European economic situation in relation to the critical situation in Ukraine. The GRENKE Group has no direct exposure to Ukraine or Russia at this time.

6.1.5 Risk situation of the GRENKE group in the 2021 financial year

In the risk-bearing capacity calculation, the GRENKE Group's total risk on a gross basis fell to around EUR 366 million as of the December 31, 2021 reporting date (previous year: EUR 459 million). The lower overall risk is primarily due to the decline in new business in the reporting year, as a result of which the Consolidated Group's receivables volume as of December 31, 2021 fell by 9.1 percent compared to the previous year. The credit risks fell accordingly by 15 percent. Credit risks accounted for 71 percent of total risks (previous year: 74 percent), which means that they continued to be by far the most important risk type for the Consolidated Group. With a share of around 17 percent (previous year: 17 percent), operational risks continued to be the second most important risk type for the Consolidated Group. The share of market risks (interest rate and currency risks) remained unchanged at around 1 percent (previous year: 1 percent).

Buffers exist for significant other and operational risks, as well as for refinancing risks. In the context of operational risks, buffers for model risks of EUR 34 million and for risks associated with the legal validity of receivables of EUR 1 million were estimated. With regard to other risks, risk buffers for reputational risks of EUR 30 million and for business and strategic risks of EUR 22 million were applied. As in the previous year, the buffer for refinancing risks is EUR 11 million.

The total limit utilisation in the risk-bearing capacity calculation in the regulatory normal scenario was 72 percent at the end of 2021 (previous year: 84 percent). The lower risk utilisation compared to the previous year resulted primarily from the lower overall risk due to the decline in new business in the reporting year. In addition, the free risk coverage capital recorded an increase due to the higher own funds and lower deduction items for minimum capital requirements. The overall risk utilisation of permanently less than 95 percent specified in the Consolidated Group's risk strategy valid as of the reporting date was thus adhered to.

As in the previous year, no risks were present as of the December 31, 2021 reporting date, that would endanger the existence of the Consolidated Group or a significant group company.

The individual risk areas of the GRENKE Group are described below:

Overview of the GRENKE group's risks

Credit risks	Potential losses that may arise primarily from the default or deterioration in creditworthiness of borrowers, lessees or debtors.
Market risks	Potential losses that may result from uncertainty about the future development (level and volatility) of market prices (mainly interest rates and foreign exchange rates).
Liquidity risks	Potential losses that may arise due to liquid funds being missing or more expensive to obtain than expected, to meet payment obligations as they fall due.
Operational risks	Potential losses that may arise from the inadequacy or failure of internal processes, people and systems or as a result of externally driven events.
Other material risks	
Business and strategic risks	Potential losses due to unexpected development of results that are not covered by other types of risk. In particular, this includes the risk that losses cannot be countered due to changes in key framework conditions (e.g. economic and product environment, customer behaviour, competitive situation) and/or due to inappropriate strategic positioning.
Reputational risks	Potential losses to an institution's earnings, own funds and liquidity as a result of damage to the institution's reputation.

6.1.6 Credit risks

6.1.6.1 Risk definition

Credit risk, in a broader sense, can be defined as the potential loss that can primarily occur as a result of the default or deterioration in the solvency of borrowers or debtors. The GRENKE Group is especially subject to this risk with on-balance sheet and off-balance sheet customers and proprietary businesses, whereby the on-balance sheet leasing business is dominant. In addition to credit risk, the GRENKE Group also considers migration risk as a material risk.

6.1.6.2 Risk management

To manage its business, the GRENKE Group places a high value on the measurement and expectation of losses due to default or credit deterioration of its customers. The Consolidated Group defines credit risk in a narrower sense as the potential negative difference between losses expected and those that actually occur. Therefore, the strategic goal is to keep the gap between expected and actual losses from credit risk as low as possible. This is a prerequisite for the Consolidated Group to be able to generate a risk premium that is adequate for the risk.

In addition, the Consolidated Group counters possible credit concentration risk by diversifying its business across countries, industries, products and customers and by focusing on individual small-ticket exposure. Credit concentration risk occurs particularly in connection with the proprietary business portfolio and is methodically taken into account within the framework of the credit portfolio.

Migration risk, which is classified as material, is assessed alongside the mapping of credit rating deteriorations via the IFRS 9 levels within the framework of risk provisioning as well as within the framework of the stress scenarios in terms of a historical increase in the risk parameters. Further consideration of migration risk will take place in the course of implementing the regulatory requirements for the economic risk-bearing capacity model in 2022.

Credit risks are assessed as part of the risk-bearing capacity assessment using an internal rating-based approach (IRB formulae) in accordance with Articles 153 and 154 of EU Regulation 575 / 2013 (CRR). The main risk parameters of the approach are the probability of default (PD) and the loss given default (LGD). These parameters are estimated using statistical models, whereby conservatism premiums are applied in order to take sufficient account of the regulatory facts of economic downturn phases. The estimated credit default risk, including the growth assumption, amounted to EUR 319.7 million as of December 31, 2021 (previous year: EUR 368.9 million). The decrease in credit default risks is, as described in chapter 6.1.5, primarily due to the declining volume of new business in the reporting year and in the previous year.

6.1.6.3 Credit Volume – GRENKE Consolidated Statement of Financial Position

The GRENKE Group's receivables volume totalled EUR 6.3 billion as of December 31, 2021 (previous year: EUR 6.9 billion). At approximately EUR 5.1 billion (previous year: EUR 5.6 billion), the majority of the receivables volume was attributable to current and non-current lease receivables.

See table "credit volume – GRENKE consolidated statement of financial position"

Credit volume – GRENKE consolidated statement of financial position

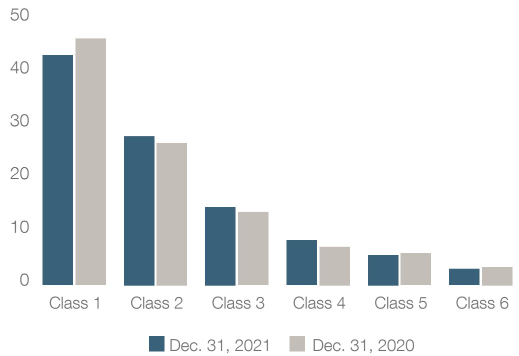
EURk	Dec. 31, 2021	Dec. 31, 2020
CURRENT RECEIVABLES		
Cash and cash equivalents	853'071	944'733
Lease receivables	1'963'532	2'066'352
Financial instruments with positive fair value	5'331	5'074
Other current financial assets	169'119	161'757
Trade receivables	6'050	6'384
TOTAL CURRENT RECEIVABLES	**2'997'103**	**3'184'300**
NON-CURRENT RECEIVABLES		
Lease receivables	3'155'440	3'569'940
Other non-current financial assets	97'059	120'767
Financial instruments with positive fair value	4'878	2'442
Investments accounted for using the equity method	162	4'523
TOTAL NON-CURRENT RECEIVABLES	**3'257'539**	**3'697'672**
TOTAL RECEIVABLES VOLUME	**6'254'642**	**6'881'972**

As of December 31, 2021, cash and cash equivalents included a Bundesbank deposit of EUR 639.3 million (previous year: EUR 711.2 million). This amount partially results from the liquidity coverage requirements pursuant to Implementing Regulation (EU) 2016/322. Other cash and cash equivalents, with the exception of EUR 14k cash on hand (previous year: EUR 18k), consisted of credit balances at domestic and foreign banks. Financial instruments with a positive fair value represented the Consolidated Group's derivatives carried at their fair value as of the reporting date.

The GRENKE Group assesses the creditworthiness of its customers by calculating expected values for payment defaults. Lessees and customers in the lending business are assigned score classes from 1 to 6 with regard to their creditworthiness. Score class 1 corresponds to the best possible rating and score class 6 to the worst rating. As of the December 31, 2021 reporting date, the average decision value for new business was 2.18 (previous year: 2.13). The slight deterioration of the value compared to the previous year is due to the fact that in the reporting year, the Consolidated Group gradually increased its sales activities again and also consciously acquired higher-risk new business. The average decision value for the existing business was unchanged as of the December 31, 2021 reporting date at 2.17 (previous year: 2.17).

New business according to risk category*

at 31 December 2021



* Excl. factoring business

The distribution of GRENKE Group's new business according to volume is shown in the following table.

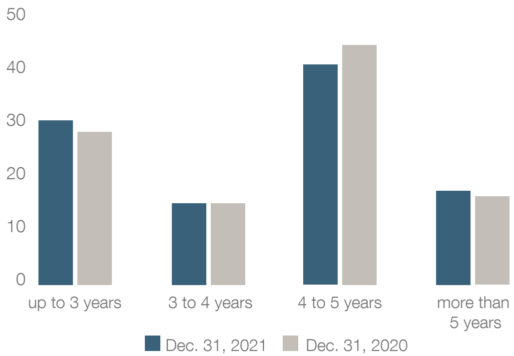
GRENKE Group: new business by volume (based on net acquisition values)

Percent	Dec. 31, 2021	Dec. 31, 2020
EURk < 2.5	6.30	5.64
EURk 2.5 – 5	13.34	12.46
EURk 5 – 12.5	22.41	22.75
EURk 12.5 – 25	19.55	19.84
EURk 25 – 50	15.31	16.30
EURk 50 – 100	10.40	10.66
EURk 100 – 250	7.15	7.28
EURk > 250	5.55	5.08

As the receivables from the factoring business are of a short-term nature, the breakdown of the net acquisition values by term class is based exclusively on the Leasing and Banking segments. The average term of the new business contracted in the reporting year was 48 months (previous year: 48 months).

New business by term category
(based on net acquisition values)

at 31 December 2021



6.1.6.4 Leasing business

A share of 82 percent of the GRENKE Group's total receivables volume as of December 31, 2021 was attributable to lease receivables (previous year: 82 percent). Accordingly, the Consolidated Group considers the credit default risk of its lessees to be the most significant business risk. This risk is assessed and managed on the basis of statistical models. Country-specific logistic regression models based on both internal and external data are predominantly used. Country-specific models can be used if there is a contract portfolio with a sufficiently large number of contracts that is also sufficiently mature for statistical evaluation. In the overall result, the models used by the Consolidated Group lead to an expected value of future default losses, which are taken into account as risk costs in the contribution margin calculation. Decision-making powers for the conclusion of contracts gradually increase with the rise from the sales staff to the Board of Directors in the form of powers of attorney and serve as a further instrument to limit risk.

A review of credit risk is performed regularly and at least once per quarter based on actual losses. This system is continually enhanced by GRENKE.

Target/actual comparisons are carried out continually for all portfolios, in which the initially expected credit losses are compared with the updated loss expectancy. Findings from this comparison flow into statistical models, thereby forming a loop system. The plan ensures that the ongoing costs of operations can still be generated even when the actual losses significantly exceed the expected losses.

Throughout the Group, the aim is to achieve the broadest possible portfolio diversification when contracting leasing agreements based on the following:

// Lessees: Diversified portfolio of lessees consisting of business and corporate clients (B2B)
// Resellers/manufacturers: No individual dependencies
// Leased assets: No significant outstanding residual values (full cost recovery); maintenance and warranty risks are always borne by suppliers/manufacturers; leased assets are seen as part of the customer's value chain
// Categories of lease items: IT products, small machinery and systems and medical devices
// Lease agreements: A large number of current contracts with an average contract term of roughly four years and a focus on small tickets below EUR 25k each (more than 90 percent of all leases)
// Sales channels: A variety of sales channels with an extensive network of resellers, direct business and brokers
// Geographic presence: The GRENKE Group is represented in all major European economies with locations in 33 countries worldwide

The business model's focus on small-ticket leasing largely avoids a concentration of risk. This is reflected in the comparatively low mean acquisition value per lease contract concluded by the GRENKE Group. In the 2021 financial year, the mean acquisition value amounted to EUR 7,744 (2020: EUR 8,227). The GRENKE Group had no individual lessee whose total exposure accounted for more than one percent of the Consolidated Group's equity. At the end of the 2021 financial year, there were 33 borrowers in the Leasing segment whose exposure exceeded EUR 1.5 million. In total, they accounted for less than 2.2 percent of the total exposure to leases. Exposures above EUR 750k are monitored particularly closely. In the case of sales partners, the Consolidated Group also monitors its dependence on individual resellers and agents with regard to possible risk concentrations. The most important reseller for the GRENKE Group accounted for a share of only 0.76 percent of the total new business volume at the end of the 2021 financial year. The 20 largest resellers accounted for a total share of 5.78 percent of new leasing business in 2021 (previous year: 4.65 percent).

The majority of finance leases concluded provide for full economic cost recovery. This means that payments made by the lessee during the basic lease period, including the guaranteed residual values, exceed the acquisition and contract costs. Accordingly, there are no material residual value risks in the GRENKE Group's leasing business model. In accordance with IFRS 16, residual values are calculated for the recognition of lease receivables on a portfolio basis. Therefore, over the total period, gains/losses from disposals do not contribute a material amount to earnings.

The expected losses for the GRENKE Group's 2021 new business portfolio averaged 4.5 percent (previous year: 4.8 percent) in relation to the acquisition costs of the leased assets and for the entire contract term of 48 months on average (previous year: 48 months). The increase in expected losses is primarily due to the risk mitigation measures taken by the Consolidated Group in the previous year in the context of the Covid-19 pandemic. In contrast, the Consolidated Group deliberately acquired higher-risk new business again in the reporting year. In the course of the year, the risk mitigation measures taken by the Consolidated Group in the previous year in the context of the Covid-19 pandemic were gradually relaxed in order to return to precrisis risk levels. The annual average is therefore of limited value. In Q4, the value is already at 5.1 percent (for comparison, the average of the precrisis year 2019: 5.7 percent).

To determine the risk provision for lease receivables in accordance with IFRS 9, these are divided into three levels depending on their respective credit risk. Impairment losses for leases in Level 1 correspond to the expected loss for a twelve-month period. For lease receivables in Level 2, a risk provision is recognised in the amount of the expected loss for the entire remaining contract term. For Level 3 lease receivables, the expected losses are recognised as risk provisions. As of the reporting date December 31, 2021, 91.6 percent of the net receivables volume of the Leasing segment was allocated to Level 1 (previous year 90.2 percent). Levels 2 and 3 accounted for 6.9 percent (7.2 percent) and 1.5 percent (2.6 percent) respectively. After the sharp increase in the previous year with the spread of the Covid-19 pandemic, expenses for risk provisions for the leasing business fell again to EUR 33.1 million in the reporting year (previous year: EUR 121.2 million). The declining volume of new business in the reporting year also contributed to this. At the end of the financial year, impairment losses amounted to EUR 538.7 million (previous year: EUR 504.1 million).

Country risk at the end of the 2021 financial year was concentrated in four countries, Germany, France, Italy, Switzerland and the UK, which together accounted for 72 percent of the total receivables volume of the leasing business. Although France, Italy and the UK in particular were severely affected by the Covid-19 pandemic and experienced sharp declines in economic output, the Euler Hermes Country Risk Rating for Germany and France remains at "1", and that for the UK and Italy unchanged at “2” (the scale ranges from the best possible rating of 1 to the worst possible rating of 4). Of the countries in which the GRENKE Group operates, Brazil, Hungary and Romania are currently rated “3” and Turkey “4”. In the 2020 financial year, the GRENKE Group introduced a division into A and B countries. This classification was regularly adjusted as required. Branches in B countries were only allowed to decide on leasing applications themselves up to certain limits or score classes. Applications exceeding these limits had to be approved by the credit centre. In the fourth quarter of 2021, this regulation was abolished in the course of a fundamental adjustment of the competence structure.

6.1.6.5 Lending business

GRENKE BANK AG represents an important strategic pillar of the GRENKE Group’s refinancing strategy through the purchase of intragroup lease receivables. In addition, the receivables resulting from GRENKE BANK AG’s lending business mainly consist of microloan and business start-up financing as well as SME loans. Accordingly, credit default risks represent the material financial risk of GRENKE BANK AG.

In cooperation with Mikrokreditfonds Deutschland and selected microfinance institutions, GRENKE BANK AG has been granting microloans of up to EUR 25k to SMEs since 2015. Processing and refinancing is carried out on behalf of the Federal Republic of Germany. The credit default risk is borne entirely by the Microloan Fund Germany. GRENKE BANK AG’s receivables volume from the microloan business amounted to EUR 76.1 million at the end of 2021 (previous year: EUR 64.0 million). As a financing partner for SMEs, GRENKE BANK AG also offered loans on its own account to SMEs until 2020. At the end of 2020, GRENKE BANK AG made the strategic decision to largely discontinue the SME lending business and to focus its lending activities primarily on the microloan business. GRENKE BANK AG’s remaining receivables volume from the SME lending business amounted to EUR 32.9 million at the end of 2021 (previous year: EUR 50.5 million). GRENKE BANK AG’s lending business also has a focus on the small-ticket segment, with the average receivables volume at customer level at EUR 7k as of December 31, 2021 (previous year: EUR 9k).

The expected credit loss model is applied to determine loan loss provisions for receivables from GRENKE BANK AG’s lending business. GRENKE BANK AG’s loan loss provisions for the traditional lending business amounted to EUR 4.4 million in the 2021 reporting year (previous year: EUR 9.4 million) The year-on-year decrease was mainly due to the decline in new business. Total impairments as per the reporting date amounted to EUR 14.0 (previous year: EUR 11.9 million).

6.1.6.6 Factoring business

The GRENKE Group’s factoring business also focuses on the small-ticket segment. In addition to its own subsidiaries in Germany and Switzerland, GRENKE Bank branches in Italy and Portugal provide factoring services. In addition, factoring is offered by franchise companies of the GRENKE Group in the United Kingdom, Ireland, Poland, and Hungary. For the most part, the Consolidated Group’s factoring companies process factoring contracts with domestic customers. They mainly offer “notification factoring”, in which the invoice recipients (debtors) are notified of the assignment of existing receivables. Under certain conditions, contracts are also offered in the form of non-notification factoring, in which the debtor is not notified of the assignment of the existing receivable to the factoring company. The range of services also includes recourse factoring, where the del credere risk remains with the customer. As of December 31, 2021, the portfolio of factoring receivables for all companies amounted to EUR 78.6 million (previous year: EUR 65.5 million).

The main criteria for selecting customers in the factoring business include creditworthiness, average annual turnover, industry affiliation and the debtor base of the potential factoring customer. The ongoing monitoring of the customer allows for risk-adjusted terms and conditions. As part of the credit decision, the creditworthiness of the factoring client's debtors is checked on the basis of data from external credit agencies and freely accessible information, which is evaluated with the support of the Consolidated Group's credit centre above certain amount limits. During the term of the contract, the creditworthiness of the debtors and customers is continuously checked and evaluated on the basis of their payment history and other indicators.

As of December 31, 2021, there were 9 customers in the Consolidated Group's factoring business (including franchises) with receivables of more than EUR 1.0 million, accounting for 7.1 percent of total factoring receivables.

For the expected losses from factoring receivables, impairment losses are recognised on the basis of the 12-month expected credit loss. As factoring receivables are short-term receivables, the 12-month expected credit loss corresponds to the lifetime expected credit loss. Impairments in the factoring business amounted to EUR 4.0 million as of the December 31, 2021 reporting date (previous year: EUR 3.9 million), and the expenses for risk provisioning in the reporting year were EUR –0.3 million (previous year: EUR 0.8 million).

6.1.6.7 Investments

As of year-end 2021, the GRENKE Group held a 30.03 percent share in the associated company finux GmbH, which is accounted for using the equity method. The investment is held via the subsidiary GRENKE digital GmbH. In addition, the GRENKE Group holds a 13.71 percent interest in Munich-based Finanzchef24 GmbH via GRENKE BANK AG, which is included in the consolidated financial statements. In the reporting year, the GRENKE Group sold its minority interest of 25.01 percent in the fintech company viafintech GmbH to paysafecard.com Wertkarten GmbH, Vienna (Austria). The Consolidated Group realised a net profit in the amount of EUR 23.0 million.

6.1.7 Market risks

6.1.7.1 Risk definition

Market risk is defined as potential losses that may result from uncertainty about the future development (amount and volatility) of market prices. Financial market price fluctuations can have a significant effect on the Consolidated Group's cash flow and net profit. Of particular importance are changes in interest rates and certain currencies. The Consolidated Group is not subject to risks from changes in share prices or in the cost of raw materials.

6.1.7.2 Risk management

The GRENKE Group's strategic approach is to enter into market risk exclusively in conjunction with the operating business and reduce these risks to the greatest extent possible. As part of the risk management and ongoing monitoring of interest and currency positions, the Consolidated Group actively manages its positions and risk (for example, by hedging open currency positions) in the course of its ordinary business.

The GRENKE Group's goal is for the Group's net profit to have the lowest level of sensitivity to the volatility of market prices possible. This means that while maintaining an appropriate relationship between the costs and benefits of hedging relationships, net profit should be as unaffected as possible by developments in the interest rate and currency markets.

The predominant market risks and the outstanding interest rate and currency risk positions are discussed at least once monthly with the responsible member of the Board of Directors and the Finance & Treasury and Corporate Risk Management departments.

6.1.7.3 Derivatives for hedging purposes

The Consolidated Group uses derivative financial instruments specifically when ordinary business activities involve risks that can be reduced or eliminated through the appropriate derivatives. The sole instruments used are interest rate and currency swaps and forward exchange contracts. Each derivative contract relates to an underlying economic transaction with a corresponding opposing risk position. The contract partners are banks with predominantly good or very good credit ratings with an S&P rating starting at BBB+. Further details on market risks and specifically interest rate and currency risk management are presented in section 6.3 “Derivative financial instruments” in the notes to the consolidated financial statements”.

6.1.7.4 Interest rate risk

The GRENKE Group’s interest rate risk results from the effects of changes in market interest rates on the positions in the interest book (interest-bearing asset and liability items on the statement of financial position) and the corresponding effects on net interest income. The GRENKE Group does not engage in maturity transformation to generate net interest income but instead strives for financing with matching maturities. For this reason, the effects of future interest rate developments affect only the portfolio to be contracted in the future.

A sensitivity analysis is prepared to conduct risk assessments using a 100 basis point (1 percentage point) parallel shift in the interest rate curve. The analysis is based on ceteris paribus assumptions, in which the shift in the interest rate curve is considered independently of any compound effects on other interest rate-induced market developments. The analysis also assumes that all other influencing factors, especially exchange rates, remain constant. The actual effects on the consolidated income statement can deviate significantly from this due to the actual development. A 100 basis points (bps) change in interest rates in the reporting year would have increased or decreased the equity and net profit before income taxes for the year by less than EUR 3 million. There were no interest rate swaps outstanding outside the ABCP programmes as of the December 31, 2020 reporting date.

See table “interest rate risk and the impact on net profit and equity before income taxes”.

Interest rate risk and its impact on net profit and equity before income taxes

	Net profit before income taxes		Equity before income taxes	
EURK	**+100 BP**	**–100 BP**	**+100 BP**	**–100 BP**
DECEMBER 31, 2021				
Variable-rate instruments	–2'933	2'933		
Fair value measurement of interest rate swaps			0	0
December 31, 2020				
Variable-rate instruments	–4'317	4'317		
Fair value measurement of interest rate swaps			0	0

The issue of bonds and the contracting of interest rate swaps are part of implementing the Consolidated Group's risk strategy, in which liquidity procurement and interest rate hedging are carried out separately. This gives the GRENKE Group a high degree of flexibility to optimise its refinancing. Any resulting risks (variable interest-related cash flows) are hedged using suitable interest rate derivatives. Because designated hedging transactions have proven to be almost 100 percent effective, any changes in the fair value of interest rate derivatives as hedging transactions were recognised directly in equity based on their clean value (excluding accrued interest).

Under the ABCP programmes with Helaba (Opusalpha Purchaser II), Hypo-Vereinsbank/UniCredit Bank AG (Elektra) and HSBC France (Regency), the GRENKE Group is responsible for interest rate hedging and, therefore, interest rate risk management. The ABCP transaction serves as the underlying floating-rate transaction, whereas cash flows are hedged using interest rate swaps. Under both ABCP programmes with SEB AG (Kebnekaise Funding Limited) and DZ Bank (CORAL Purchasing [Ireland] 2 DAC), interest rate swaps are used to limit the risk of changes in interest rates. GRENKE AG is not the counterparty to these swaps.

When contracting the interest rate swaps, the focus is always on the parameters of the underlying transaction dictated by the financing (liabilities). Therefore, interest rate terms of the swaps on the variable side are largely identical to those of the underlying transaction. Furthermore, the swap volume contracted is never greater than the volume of the hedged financing. Existing and planned refinancing transactions are actively incorporated into risk management, and the related hedge relationships are subject to ongoing analysis in the form of quarterly effectiveness tests using a method permitted under IFRS.

The open interest positions according to the internal definition are evaluated monthly, and any need for action is derived on this basis. Hedging transactions decided by the Board of Directors are then carried out by the Finance & Treasury team.

Interest rate risk is quantified quarterly within the framework of the risk-bearing capacity calculation on the basis of the value-at-risk (VaR) approach. Here, the change in the respective risk parameter (respective reference interest rate) is determined by means of a historical simulation at a confidence level of 99.0 percent with a specified holding period of 240 days and presented as an absolute shift in basis points. Since the historically derived risk shifts are considered too low, the procedure was adjusted so that falling interest rates are mirrored and assumed as rising interest rates. In addition, all standard interest rate shock scenarios of the EBA Guideline 2018/02 are calculated. In addition to the parallel interest rate shift of 200 basis points, these also include various rotations of the yield curve. With a risk horizon of one year, the Consolidated Group's estimated maximum loss at a confidence level of 99.0 percent was EUR 2.9 million at the end of 2021 (previous year: EUR 2.2 million).

6.1.7.5 Currency risks

Due to the international orientation of its business, the GRENKE Group has open foreign currency positions and is exposed to currency risks accordingly. Internally defined hedging strategies are used to limit or eliminate these risks. The derivatives used are recognised on the balance sheet as of the reporting date at their fair values under the line items financial assets or financial liabilities. In the larger markets, such as Great Britain, the Consolidated Group refinances the new business acquired in local currencies. The subsidiaries generally conduct their business in the respective local markets rather than internationally (cross border), which excludes currency risks almost entirely.

Currency risks exist mainly in the area of financing for Group companies that operate outside the eurozone. The hedging of open foreign currency cash flows is carried out on the basis of internally defined hedging limits, which take effect from a balance at the daily rate of the equivalent of EUR 500k per currency. The exchange rate for the majority of internal financing in Australia, Canada, Chile, Switzerland, Denmark, Great Britain, Sweden, Singapore, Poland, the USA, the United Arab Emirates, Czechia and Hungary is fixed. In addition, external agreements exist in Brazil, Chile, Poland, Croatia, Switzerland and the United Kingdom for lease refinancing in local currency, which do not lead to any direct currency risk from the Consolidated Group's perspective. Here there are only risks for the respective open tranches, and the hedging limit of EUR 500k applies. Brazil, Chile, Poland and Croatia are only affected by currency risks in direct lease refinancing to a very limited extent, as there are agreements for lease refinancing in local currency. GRENKE BANK AG grants loans in local currency to the Consolidated Group companies in Turkey and Croatia. Here, all cash flows are hedged at fixed exchange rates via forward exchange contracts. The lease contracts concluded in Norwegian kroner are also hedged on the basis of internally defined hedging limits.

Currency risk resulting from the cash flows of the issued foreign currency bonds is fully hedged by the simultaneous conclusion of cross-currency swaps with matching maturities.

In general, risks arise from currency fluctuations related to financial assets and receivables, onerous contracts denominated in foreign currency and from the translation of the Consolidated Group companies' financial statements. The use of derivatives (forward exchange contracts and currency swaps are used for currency risk) lessens the market sensitivity of the underlying transaction, i.e. cash flows from financial assets and receivables. Ideally, the instruments are offset almost entirely.

Currency risk is quantified quarterly within the framework of the risk-bearing capacity calculation on the basis of a value-at-risk (VaR) approach. To identify open positions that are subject to foreign currency risk, cash flows in foreign currency are compared with the -forward exchange transactions concluded. For each currency position, the corresponding confidence level is calculated using historical exchange rate fluctuations. In addition, various stress scenarios such as an ad hoc exchange rate shift of 25 percent are simulated. As of the reporting date of December 31, 2021, the VaR calculation resulted in an estimated currency risk across the various foreign currencies relevant to the Consolidated Group of EUR 1.0 million (previous year EUR 0.7 million) at a confidence level of 99.0 percent and a risk horizon of one year.

Foreign currency sensitivities and their impact on the net profit before income taxes

	2021		2020	
EURk	Appreciation	Depreciation	Appreciation	Depreciation
GBP	–1'128	1'128	–715	718
HUF	–595	603	–844	851
CHF	–94	94	–196	215
SEK	–97	150	39	47
TRY	–1'074	942	–596	417
DKK	374	–313	192	–53

6.1.7.6 Foreign currency sensitivity analysis

Management has concluded that the Consolidated Group's primary material exposure to foreign exchange rate risk is related to the British pound (GBP), Hungarian forint (HUF), Swiss franc (CHF), Swedish krona (SEK), Turkish lira (TRY) and Danish krone (DKK). The selection of currencies was based on the potential impact on the analysis and on the size of the volume of lease receivables in the respective country. The table shows the sensitivity of a ten percent appreciation or depreciation of the euro against the respective other currencies as of December 31, 2021 and during the reporting period from a Consolidated Group perspective and its impact on the net profit before income taxes.

See table "foreign currency sensitivities and their impact on the net profit before taxes".

The impact on net profit before income taxes shown results from the changes in the fair value of monetary assets and liabilities, including those that are foreign currency derivatives not designated as hedging transactions or from actual cash flows that were recognised in whole or in part in profit or loss in the reporting period and converted during consolidation into euros. At the same time, all other influencing factors were kept unchanged, particularly interest rates. The influence of projected sales and purchase transactions is not considered. Changes in the values of cross-currency swaps have no material effect on earnings before taxes, as these swaps are accounted for as hedges. Changes in the values of swaps have a direct impact on the Consolidated Group's equity.

6.1.8 Liquidity risks

6.1.8.1 Risk definition

Liquidity risk is defined as the potential loss that may result from a lack of liquidity or liquidity that can only be generated at higher-than-anticipated costs in order to meet payment obligations when due. Consequently, the GRENKE Group defines liquidity risk as insolvency risk (liquidity risk in the strict sense) and refinancing risk.

6.1.8.2 Liquidity management

The Consolidated Group's liquidity management is based on the three pillars of money and capital market programmes, the sale of receivables, and financing via GRENKE BANK AG. Thanks to this diversified refinancing structure, the Consolidated Group was able to raise sufficient liquidity for its global business and meet its payment obligations at all times in the 2021 reporting year.

In the case of the bonds and promissory note loans issued by the GRENKE Group and its subsidiaries, GRENKE was not obliged to comply with certain financial and regulatory ratios (such as equity, debt, or profitability ratios – so-called financial covenants). In this respect, there is currently no risk of potentially not complying with such obligations. As with market risks, liquidity risks are mitigated by the principle of not engaging in any significant maturity transformation. Liquidity risks are managed operationally by the Finance & Treasury department and strategically by the Board of Directors. The Corporate Risk Management & Regulatory team monitors liquidity risks as part of monthly liquidity risk reporting.

6.1.8.3 Short-term liquidity

Liquidity risk management consists of the day-to-day management of incoming and outgoing payments. A liquidity overview is prepared for short-term reporting on the first working day of the calendar week and is discussed by the Board of Directors. The overview includes all of the relevant information on the short-term cash developments expected in the following weeks. The weekly liquidity overview gives the Consolidated Group's current liquidity status and focuses on cash flows from the leasing business. Wages and tax payments are also taken into account.

Reporting distinguishes between three liquidity levels:

- // Liquidity 1 (cash liquidity): Money in all accounts plus overdraft facilities at banks and all "immediately" (time horizon of approx. one week) flowing funds.
- // Liquidity 2: Liquidity 1 plus cash flows due or to be received up to the one-month horizon and those tied assets that can be monetised without significant losses in value at the one-month horizon.
- // Liquidity 3: Liquidity 2 plus cash flows that are not due or received by one month's notice and plus those tied assets that require more than one month to monetise without significant loss of value.

Liquidity levels

Eurk	Dec. 31, 2021	Dec. 31, 2020
Liquidity 1 (cash liquidity)	443'421	733'103
Liquidity 2 (up to 4 weeks)	655'920	869'952
Liquidity 3 (more than 4 weeks)	827'542	843'647

In addition, short-term liquidity is managed within the framework of the Liquidity Coverage Ratio (LCR). The LCR aims to ensure short-term solvency at all times in a stress scenario of 30 calendar days. The LCR is calculated by dividing the liquidity buffer by the net outgoing payments (liquidity gaps). The LCR minimum ratio is 100 percent, i.e. the liquidity buffers from unencumbered, first-class and highly liquid assets (Bundesbank funds) must fully cover the net payment outflows (liquidity gaps). In this respect, the LCR serves as a limit for the cumulative liquidity shortfall. The GRENKE Group's liquidity buffer amounted to EUR 628.9 million as of the reporting date of December 31, 2021 (previous year: EUR 702.5 million) and consisted exclusively of Level 1 assets, i.e. Bundesbank balances and cash on hand. As of the December 31, 2021 reporting date, the LCR was 521.73 percent (previous year: 852.39 percent). The LCR minimum ratio of 100 percent was complied with at all times in 202.1

The main sources of refinancing to secure short-term solvency are cash holdings, the syndicated revolving credit facility in EUR, CHF and GBP, revolving credit facilities in CHF, GBP, CLP, DKK and SEK, and overdraft facilities in EUR, GBP, HRK, HUF and BRL. Some of these short-term refinancing lines are firmly committed and are only subject to minor market fluctuations with regard to the benchmark interest rates €STR, SONIA, SARON, BUBOR, EURIBOR or CDI. In addition, the refinancing agreements used do not provide for ordinary early termination rights. The term for overdraft facilities is indefinite, while the term for the syndicated revolving credit facility is two years and includes options to extend for up to two additional years. Contractually committed revolving credit facility agreements with various banks amounting to EUR 280 million, HRK 125 million, PLN 150 million, and CLP 20,250 million are available to bridge short-term liquidity shortages as of December 31, 2021.

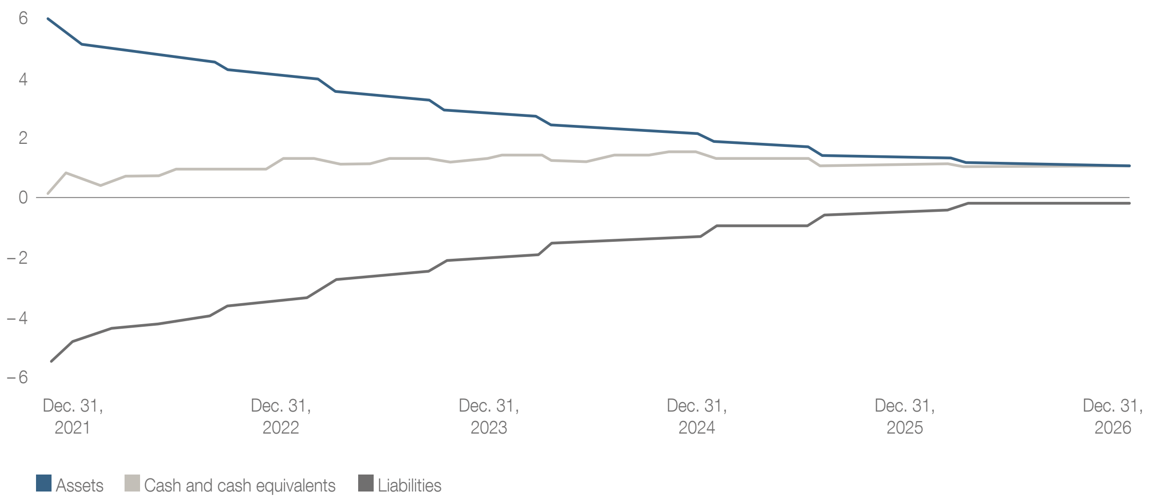
6.1.8.4 Medium-term and long-term liquidity

Monthly static liquidity planning is carried out in addition to short-term liquidity management and weekly reporting. The basic assumption of this planning is the liquidation of the existing leasing, lending and factoring portfolio in accordance with the contractual agreements so that the proceeds from the assets flow in due time. The liabilities are also repaid on time on the basis of contractual agreements. As the duration of the liabilities side (liabilities) approximates that of the portfolio, financing largely matching maturities is ensured. For more information, please also refer to the overview of the expected out-flows from contractual obligations in chapter 2.7.4 Liquidity

See chart "liquidity development

Liquidity development

as per December 31, 2021, in EUR millions



In addition, dynamic liquidity planning is carried out monthly with the aim of replicating the liquidity status under stress conditions and thus the liquidity risk in the true sense for the next periods. This serves to control the entire Consolidated Group with regard to its liquidity. Refinancing risk is observed on a quarterly basis as part of the risk-bearing capacity assessment by checking whether and to what extent an increase in credit spreads on the refinancing costs increases the refinancing risk.

In the 2022 financial year, bonds and promissory notes in the amount of EUR 540.0 million, JPY 1,000.0 million, DKK 20.0 million and CHF 10.0 million are scheduled to mature. The refinancing of these promissory notes may be subject to refinancing risk at maturity. As a relevant measure for managing the maturities of new refinancing and the liquidity structure, the duration is calculated on a monthly basis for the assets and liabilities side. As of December 31, 2021, the duration for the assets side was 19 months (previous year: 20 months) and for the liabilities side 26 months (previous year: 32 months). Based on this data, the maturity transformation risk can be reduced through appropriate measures.

In principle, the GRENKE Group refinances itself independently of individual banks and also has direct access to various refinancing alternatives on the debt capital markets. The wide range of refinancing instruments available includes traditional bank financing, revolving loan facilities and ABCP programmes. GRENKE has firm commitments for financing options at fixed conditions and terms for a defined time period so that there is no risk as to their availability.

ABCP programmes are funding arrangements based on defined underlying assets, i.e. lease receivables and are currently being used to refinance the Consolidated Group's business in Germany, France and Great Britain. The Consolidated Group also has access to forfaiting facilities for Brazil, Germany, Great Britain and Poland.

GRENKE Group also makes use of other refinancing instruments that are not asset-based and can be used at its discretion depending on the business development. One example of this is GRENKE's direct access to the capital markets via its debt issuance programme (DIP). A platform for issuing commercial paper (CP) has also been available since 2011 and can be utilised up to a maximum volume of EUR 750 million and durations ranging from 1 to 364 days. This CP platform provides interim refinancing alternatives with durations starting under one year, while DIP bonds offer durations in excess of one year. GRENKE Group also takes advantage of the financing opportunities available to it via GRENKE BANK AG's deposit business. This broadly diversified range of instruments allows the Consolidated Group to choose financing channels available from a variety of alternatives.

Due to the temporarily tense situation on the capital markets amid the Covid-19 pandemic, the GRENKE Group changed its focus for refinancing in financial years 2020 and 2021 compared to previous years. In financial year 2021, the Consolidated Group only increased an existing bond by EUR 125.0 million as part of the debt issuance programme (DIP) via its subsidiary GRENKE Finance PLC. No promissory notes or commercial paper were issued. In addition, a new syndicated revolving credit facility with a volume of EUR 250 million was concluded in the reporting year. Of this, EUR 75 million can be drawn in GBP and CHF. In turn, an adjustment in the conditions for time deposits led to a significant increase in deposits at GRENKE BANK AG. In December 2021, S&P Global Ratings confirmed GRENKE AG's "BBB+ / A-2" long-term and short-term issuer rating. S&P left the outlook for the long-term rating at "negative". The issuer rating for the hybrid bonds was raised from "BB-" to "BB".

6.1.9 Operational risks

6.1.9.1 Risk definition

Operational risks are potential losses that may result from the inappropriateness or failure of internal procedures, systems and people, or as a result of externally driven events (e.g. elementary hazards, forces majeure, intentional acts). According to the internal definition, reputational risks do not fall under operational risks but instead under other risks.

6.1.9.2 Risk management

As part of the risk inventory 2021, the risk subtypes operational risk (in accordance with the CRR), legal risk, model risk, risk associated with the legal validity of receivables and compliance risk as well as individual manifestations of ICT risk (information and technology) were classified as material. For the Group-wide monitoring of operational risk, GRENKE Group has implemented indicators (e.g. cost and organisational indicators) that are reported to the management bodies (Board of Directors and Supervisory Board) on a quarterly basis – also within the scope of the early warning indicator set.

Additionally, all cases of fraud and other operational damage of more than EUR 10k are collected in a loss database. This serves both for reporting and prevention purposes. The Board of Directors receives an annual report on major losses within the Consolidated Group, their extent and causes, as well as existing countermeasures. Initiatives to raise awareness (e.g. newsletters) are done on a regular basis. If individual loss amounts cannot be precisely determined, then the values are based on estimates.

Since the outbreak of the Covid-19 pandemic, a Covid Response Team has been meeting at regular intervals or on an ad hoc basis to discuss, among other things, the processes for deferring receivables, IT availability in the home office, compliance issues related to the Covid-19 pandemic and the situation surrounding the return to the new normal for the organisations. In addition, the Covid Response Team prepares decision papers for the Board.

Since June 30, 2021, operational risks have been quantified on the basis of the CRR standard approach as part of the risk-bearing capacity assessment and monitored and controlled via individual recording in the risk inventory. Previously, quantification was based on the basic indicator approach in accordance with CRR. The changeover from the basic indicator approach to the standard approach resulted in a reduction of the risk and thus a reduction of the capital requirement. The estimated risk, including the growth assumption, therefore amounted to EUR 42.9 million as of December 31, 2021 (previous year: EUR 87.1 million). Operational risks are also considered as part of the stress test scenarios across all risk types.

6.1.9.3 Business process and IT risk management

All core business, management and support processes of the GRENKE Group are aligned with the business strategy, standardised and digitised and are continually developed to make them simpler and faster. In the course of renewing legacy systems, these are being further developed in a customer-oriented manner with the aim of simplifying and accelerating them. The prerequisite for this is a technologically modern and highly flexible system architecture whose changes (change management) are systematically documented in terms of content and methodology and regularly reviewed. High operating reliability is achieved through the continued modernisation of the infrastructure based on completely duplicated data centre architecture and the virtualisation of servers, storage and networks. IT risk management involves full risk transparency across all functional areas of IT, including the administration; processes; applications; and infrastructure operations including IT security, projects and compliance.

The measurement and control of risks arising from information and communication technology (ICT) is carried out on the basis of information networks based on GRENKE-specific business process clusters. These are enhanced with additional IT-specific information, such as the applications and hardware components used. The measured ICT risk therefore relates to the essential business processes and provides a reliable assessment of the quality of the performance support provided by the Consolidated Group's ICT systems. The following risk subtypes were newly included in the risk inventory for ICT risk carried out in the reporting year: Availability and continuity, performance, organisation and costs. In addition, the following risks were assessed unchanged: Further development, security, data / information quality, adaptability, compliance, maintainability and outsourcing. The 2021 risk inventory concluded that despite some existing latent risks, the overall performance of the Consolidated Group's ICT systems is at an adequate level. The main findings are being addressed in ongoing projects.

6.1.9.4 Business continuity management

The Consolidated Group has set up a business continuity management system that documents the measures to be taken in the event of an emergency and all necessary information in writing, including scenarios for the continuation and relaunch of business. The aim is to reduce the extent of potential losses. A crisis unit serves as an emergency central response tool when needed. The crisis unit's responsibilities are broken down into the areas of situation assessment, coordinated actions, communication with the parties involved, activation of measures to relaunch processes and restoring operational continuity. Precautionary measures, organisational structures and processes for the technical operation of systems are reviewed once annually using an emergency test to ensure the adequacy, efficiency and accuracy of emergency plans and emergency and crisis management.

Amid the Covid-19 pandemic, the GRENKE Group further expanded its business continuity management. A cross-functional Covid Response Team (CRT) reporting directly to the Board of Directors was formed at an early stage and met regularly. The CRT is responsible for the Company-wide management of pandemic-related measures and reporting to the Board of Directors.

Through terminal-independent workplace virtualisation and established platforms for digital collaboration, the IT architecture is designed for secure mobile working worldwide. The operational capability for mobile working was already given by the hardware equipment of our employees before the pandemic began. Around 75 percent of all workstations had mobile devices as standard. During the various lockdown phases, work could continue quickly and smoothly in the home office. The majority of employees – in some cases up to 90 percent – were able to ensure the provision of all processes and services from the home office.

As in the previous year, the tools of video communication and mobile decentralised cooperation continued to be used intensively to ensure direct communication with staff, partners and customers via digital channels. This ensured the continuation of operations in all core business processes at all times.

6.1.10 Other risks

In addition to risks arising from changes in the legal, political or social environment, other risks include or consider pension, insurance, real estate, investment, tax and sovereign risks. Among the other risks, business and strategic risks and reputational risks are considered material. Other risks are taken into account in the risk inventory. Within the framework of the risk-bearing capacity calculation, the other risks are taken into account by means of a lump-sum buffer using risk coverage. For the monitoring of other risks, indicators are reported to the management body on a quarterly basis within the framework of the early warning indicator set. In addition, the group has implemented a PR and social monitoring tool.

6.1.11 Internal control system related to the consolidated group accounting process

At GRENKE, the internal control system and the risk management system are both interlinked with regard to group accounting. In the following, the term "ICS" is used when referring to the internal control system. ICS represents the entirety of the principles, procedures and measures introduced by the Company's management that are aimed at the organisational implementation of the management's decisions in the organisation and ensures

- // the effectiveness and efficiency of business activities, including the protection of assets and the prevention and detection of losses to assets;
- // the correctness and reliability of internal and external accounting; and
- // compliance with the legal provisions relevant to the Company.

The Board of Directors bears overall responsibility for the accounting process at the Company and the Consolidated Group. All of the companies included in the annual financial statements and the consolidated financial statements are also a part of a defined management and reporting organisation process. The Consolidated Group's accounting and consolidation are organised centrally. The posting of each country's local entity transactions is centrally recorded and processed by the responsible administrators in accordance with mandatory schedules for generating qualitative and quantitative information. The cross-check principle generally applies.

The principles, structures, process organisation and accounting methods used by the ICS are documented in writing and updated at regular intervals.

The systems used for the group accounting process and the required IT infrastructure are regularly reviewed by the Internal Audit department with regard to the necessary security requirements. The same applies to the continuing development of the Consolidated Group's accounting process, particularly with respect to new products, facts and revised legal regulations. External consultants are called in, if necessary. To ensure the quality of the Consolidated Group's accounting, the employees involved are regularly trained on a demand-driven basis. The Supervisory Board is also involved in the control system and supervises the Consolidated Group-wide risk management system, including the internal control systems in the areas of audit, accounting and compliance. The Supervisory Board also reviews the contents of the non-financial statement. The Supervisory Board is supported by the Audit Committee, whose focus is to oversee internal and external accounting and the accounting process.

In view of the accounting process for the Company and the Consolidated Group, features of the ICS are considered to be significant when they are capable of materially influencing the accounting and general statement presented in the financial statements, including the combined management report. These features include the following elements in particular:

- // Identification of significant risk and control areas relevant to the accounting process
- // Controls to monitor the accounting process and its results at the levels of the Board of Directors and the companies included in the financial statements
- // Preventative control measures in the finance and accounting systems as well as in the operative, performance-oriented company processes that generate material information for the preparation of the financial statements and the combined management report, and a separation of functions and pre-defined approval processes in relevant areas
- // Measures that safeguard the orderly IT-based processing of accounting issues and data
- // The establishment of an internal audit system to monitor accounting-related ICS

To reduce the identified risks, controls are implemented as part of the Group's accounting process. For the effectiveness of the ICS, the design of the controls and their integration into the process, and the operational implementation of the controls are the important determinants of risk minimisation. Internal Audit regularly examines the ICS for the Consolidated Group's accounting process in subareas on a rotating basis which reinforces the ICS.

Composition of core capital prior to adoption

EURk	Dec. 31, 2021	Dec. 31, 2020
Paid-in capital instruments	46'496	46'354
Premium on capital stock	298'019	289'314
Retained earnings	653'707	581'535
Other comprehensive income	1'735	–1'507
Deductions from core capital	–78'190	–84'292
Transitional provisions pursuant to Section 478 CRR	-	-
Total Tier 1 capital pursuant to Section 26 CRR	921'768	831'403
Total additional core capital pursuant to Section 51 CRR	200'000	200'000
Total supplementary capital pursuant to Section 62 CRR	-	-
TOTAL EQITY PURSUANT TO SECTION 25 FF CRR	**1'121'768**	**1'031'403**

Relevant risk exposures

Eurk	Dec. 31, 2021	Dec. 31, 2020
Equity requirements for credit risk with central governments and central banks	-	-
Equity requirements for credit risk with regional / local authorities	5'015	5'279
Equity requirements for credit risk with institutions / corporations with short-term rating	13'021	14'301
Equity requirements for credit risk with corporations	213'312	230'837
Equity requirements for credit risk from retail business	106'926	116'579
Equity requirements for credit risk from other positions	11'381	13'268
Equity requirements for credit risk from investments	13	846
Equity requirements for credit risk from positions associated with particularly high risks	-	-
Equity requirements for credit risk from non-performing positions	17'188	25'249
TOTAL EQUITY REQUIREMENTS FOR CREDIT RISK	**366'855**	**406'359**
TOTAL EQUITY REQUIREMENTS FOR MARTKET RISK	**-**	**-**
TOTAL EQUITY REQUIREMENTS FOR OPERATIONAL RISK	**84'557**	**77'927**
TOTAL EQUITY REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENTS	**1'560**	**5'170**
TOTAL EQUITY REQUIREMENTS	**452'972**	**489'457**

6.1.12 Own funds

As GRENKE AG is the parent company as defined by Section 10 a KWG, the GRENKE Group must regularly comply with the requirements of the Capital Requirements Regulation (CRR). In accordance with the requirements of Article 92 (1) of the CRR in conjunction with Section 10 a KWG, GRENKE AG calculates the Consolidated Group's total capital ratio on the basis of the IFRS financial statements.

In accordance with the requirements of EU Regulation 575/2013 (CRR), the GRENKE Group had eligible own funds of EUR 1,121.8 million as of the December 31, 2021 reporting date (previous year: EUR 1,031.4 million). The Consolidated Group's own funds (regulatory capital) consists of paid-in capital, the premium on capital stock, retained earnings from previous financial years, other accumulated income and eligible items of additional Tier 1 capital. In addition, deductible items consisting primarily of intangible assets and goodwill are taken into account. As in the previous year, there was no Tier 2 capital.

The risk amount requiring underlying results from credit risk, operational risk and market risk. In the case of credit risk, which is determined on the basis of the Credit Risk Standard Approach (CRSA), the risk amount is calculated based on the risk weightings for the individual categories of receivables. The risk amount for operational risks is calculated according to the basic indicator approach on the basis of the gross income of the past three financial years. The market risk results from the open foreign currency positions.

The total capital ratio in accordance with Article 92 (2) b CRR was 19.81 percent as of the December 31, 2021 reporting date (previous year: 16.86 percent). The requirements for the total capital ratio of 11.50 percent (previous year: 11.50 percent), which in addition to the 8 percent pursuant to Article 92 CRR also includes the capital conservation buffer of 2.5 percent, the countercyclical capital buffer of 0.00 percent and the SREP capital surcharge of 1.0 percent, were consistently met in the 2021 reporting year.

In addition to the risk-adjusted equity requirement, the CRR also requires the observation of a capital ratio that is largely based on balance sheet ratios and is therefore risk-sensitive. As of the reporting date, the ratio pursuant to Article 429 CRR was 17.16 percent (previous year: 14.30 percent). The minimum ratio of 3.0 percent required by the supervisory authorities was thus met as of the reporting date.

6.2 Opportunities report

The effects of the Covid-19 pandemic had a significant impact on the overall economic environment and the business development of the GRENKE Group in financial year 2021 and in the prior year. The Board of Directors of GRENKE AG assumes that these effects will continue to be felt into 2022. However, once the pandemic has subsided, the Board of Directors expects that the GRENKE Group will return to its pre-crisis level followed by a sustainable growth path. The potential is to be tapped primarily through the following strategic approaches:

// Markets: densification of the network in existing markets and entry into new markets
// Group structure: Integration of the franchise model into the group in order to accelerate international expansion
// Channels: Diverse design of customer acquisition via existing and new distribution channels
// Customers/partners: Intensification of existing relationships
// Products/objects: Expansion of the product and service range and further diversification of the portfolio of lease objects
// Niche focus: consistent service of small-ticket finance solutions for SMEs

As what it considers to be a leading provider in the small-ticket leasing segment in Europe, GRENKE is growing in its core market primarily by gaining market share. Opportunities are opening up particularly in those areas where smaller competitors are withdrawing from markets in whole or in part due to factors such as the increased regulatory burden. In addition, the network of existing branches is being continuously consolidated through cell divisions – i.e. by splitting up existing sales territories – thus ensuring the greatest possible proximity to customers. Due to the difficult general conditions in connection with the Covid-19 pandemic, the GRENKE Group did not open any new locations in the past 2021 financial year, whereas a total of five new locations were added in the previous year.

At the end of 2021, the GRENKE Group was represented in a total of 33 countries. Since 2011, GRENKE has gradually entered additional markets outside the European core market and is currently present in the Americas (Brazil, Chile, Canada and the United States), Asia (Singapore, Turkey and the United Arab Emirates) and Australia. In the reporting year, these countries accounted for a share of approximately 5.5 percent (previous year: 4.8 percent) of the GRENKE Group's new leasing business volume).

In the reporting year, GRENKE decided to gradually integrate the existing franchise model into the Consolidated Group by 2022. Since 2003, the Consolidated Group's expansion into new markets has been carried out, among others, through franchise companies where the managing partners of these companies held a substantial minority interest. In the past, GRENKE has typically been able to acquire the franchise companies after a period of four to six years. The Consolidated Group expects the integration of the franchise companies and the future entry into new markets with its own subsidiaries to accelerate its international growth and increase its flexibility to take advantage of market opportunities as they arise.

It is planned to complete the acquisition of the franchise companies by the end of 2022. Additional growth potential results primarily from the expansion of the direct and online sales channel. GRENKE introduced eSignature, a process for the fully digital processing of lease contracts, back in 2015. In the 2021 financial year, 38.8 percent of all contracts were concluded on the basis of eSignature. The goal of the subsidiary GRENKE digital GmbH, which was founded in 2018, is also to consistently drive forward the digitalisation of all of the processes and products, thereby giving the Consolidated Group cost and efficiency advantages over the competition.

Intensive relationships exist with numerous customers and resellers that go beyond a single contract. Many customers are repeat contract partners, often servicing one branch or one country, but increasingly in several countries at the same time. In other cases, customer loyalty can be strengthened, for example, in addition to a leasing line of credit, which is used to draw down financing for various objects as needed, through a parallel business current account at GRENKE BANK AG or single invoice factoring via GRENKEFACTORING GmbH. This is an example of the Consolidated Group's options for generating business with existing customers within the segments as well as across segments.

In recent years, GRENKE has increasingly expanded the Leasing segment's range of products and services beyond the IT area. The goal is to successively expand the expertise acquired in the IT area to other asset categories and to further develop GRENKE into a general small-ticket leasing provider for SMEs. The Factoring and Banking business units round off the range of solutions for customers.

With these measures, the Consolidated Group is pursuing the strategic goal of establishing the GRENKE brand and its business model globally. Taking advantage of the opportunities that arise, the GRENKE Group plans to further expand its market position new business in the coming years.

6.3 Summary

For the GRENKE Group, the controlled assumption of risks is a significant part of its business model. A comprehensive system for risk identification, quantification, control and management has been implemented and is being continuously refined.

For identified credit, market, liquidity, operational and other risks from the leasing, banking, factoring and investment business, write-offs, impairments and provisions were made using objective evidence. In the opinion of the Board of Directors, adequate precaution has been recognised for all identifiable risks. Based on the overall assessment of the risk situation, the Board of Directors concludes that the Consolidated Group's risk-bearing capacity was consistently given in the reporting year. The overall limit utilisation in the risk-bearing capacity calculation in the regulatory normal scenario was 72 percent at the end of 2021 (previous year: 84 percent). Within the GRENKE Group, the total exposure does not exceed the 1 percent mark of the Consolidated Group's equity for any individual lessee. In view of the volume of business and the Consolidated Group's economic situation, the Board of Directors considers the overall risk situation to be manageable.

The total capital ratio in accordance with Article 92 (2) b CRR was 2021 19.81 percent as of the December 31, 2021 reporting date (previous year: 16.86 percent). The maximum possible requirements for the total capital ratio of 11.50 percent (previous year: 11.50 percent), which in addition to the 8 percent according to Article 92 CRR also includes the capital conservation buffer and the countercyclical capital buffer as well as the SREP capital surcharge, were consequently met in the 2021 reporting year. The Consolidated Group's own funds (regulatory equity) amounted to EUR 1,121.8 million at the end of the 2022 financial year and consisted exclusively of core capital.

With regard to the future development of the Consolidated Group and the Company as well as its subsidiaries, no special risks associated with the business that go beyond the normal level can be identified. The risk coverage capital is sufficient to cover future planned business activities for at least one year.

6.4 Report on forecasts and outlook

6.4.1 Expected development of the macroeconomic and sector environments

The macroeconomic environment at the beginning of 2022 remains challenging, dominated by the pandemic, ongoing supply bottlenecks and the escalating geopolitical situation in Ukraine.

Successful vaccination campaigns were not enough to prevent new highs in the number of infections due to the rapid spread of the omicron variant in many countries. Despite the fact that several countries have now relaxed most of their corona measures, and in some cases, have even lifted them completely or have held out the prospect of doing so in the spring, the pandemic situation remains difficult to predict for the year as a whole. The next wave expected by experts is already in the fall of this year. Overall, however, the Board of Directors expects the Covid-19 pandemic and the related economic restrictions to lose significance in the 2022 financial year, making room for the market environment and investment activity for SMEs to improve as a result.

The second major factor affecting the overall economic development in the past year, namely, global supply chain bottlenecks, has also not yet dissipated. This is particularly the case in the manufacturing sector, where shortages of raw materials and intermediate products are expected to continue to lead to production losses in the months ahead. The extent to which these bottlenecks can be corrected will play a key role in determining the momentum of the expected recovery as the pandemic-related impact on the economy as a whole finally subsides. The availability of raw materials, supply products and, not least, IT and chip-based components will remain fundamental to the speed of the economic recovery and thus to overall economic growth.

Due to the escalating geopolitical tensions and the Russian war against Ukraine, the overall economic conditions are characterised by added extraordinary uncertainties. The Board of Directors believes that a lasting military conflict between Ukraine and Russia may also potentially increase the volatility on the capital markets to the extent that the availability of liquid funds could be limited in the short term. The Board of Directors also believes however that the Company's comfortable level of liquidity means that it will not be dependent on raising funds on the capital markets in the short term. Furthermore, GRENKE does not have its own branches in Russia or in Ukraine and has no financial involvement in those countries.

The impact of these developments on business activities in the further course of 2022 cannot be reliably estimated at the time of preparing these consolidated financial statements. In light of this, the forecasts for the 2022 financial year are marked by considerable uncertainty.

In January 2022, the International Monetary[9] Fund (IMF) lowered its forecast for global economic growth in the current year to 4.4 percent, down from 4.9 percent (October forecast). The IMF cited rising Covid-19 infection rates due to the rapid spread of the omicron variant and higher inflation due to rising energy prices and supply chain problems as reasons for its more cautious assessment. These are also the reasons why the IMF has lowered its estimates for the major economies in the eurozone for 2022. For example, the IMF now expects growth of only 3.8 percent for Germany (October forecast: 4.6 percent), 3.5 percent for France (October forecast: 3.9 percent) and 3.8 percent for Italy (October forecast: 4.2 percent).

The Federal Association of German Leasing Companies is cautiously optimistic in the press statement of January 27, 2022[10]. Whether there will be major catch-up effects this year remains questionable, according to the BDL at the beginning of the year. Nevertheless, the leasing industry is optimistic about the new year.

Capital market interest rates in the eurozone have risen slightly over the course of the year, mainly driven by a strong increase in inflation. Nevertheless, at year-end, the yield on ten-year German government bonds remains in negative territory. The European Central Bank (ECB) announced in December 2021 that it would significantly reduce net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) in the first quarter of 2022 and discontinue them at the end of March 2022. However, the redemption amounts of the securities purchased under the PEPP are to be reinvested at maturity at least until the end of 2024. At the same time, the ECB signalled its willingness to continue to provide the eurozone economy with ample liquidity and to continue its course of monetary policy accommodation. Against this backdrop, the Board of Directors of GRENKE AG expects interest rates to rise again in the medium term, but no significant change in the current general low interest rate environment, at least for 2022.

6.4.2 Business performance and future strategy

The following statements on the future business development of the GRENKE Group and the assumptions regarding the development of the market and the industry that are considered material for this purpose are based on our estimates, which the Board of Directors currently considers to be realistic according to the information available to us. However, these are subject to uncertainties and entail the unavoidable risk that the forecast developments may not actually occur either in terms of their tendency or their extent.

6.4.3. Development of new leasing business

For the 2022 financial year, the Board of Directors expects new leasing business in the range of EUR 2.0 billion to EUR 2.2 billion. Compared with the previous financial year, this represents an expected increase of between 20 percent and 33 percent.

9 Source: World Economic Outlook, January 2021 1.https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022
10 Source: Federal Association of German Leasing Companies, press release dated January 27, 2022. BDL: Leasing business climate clouded by delivery times (leasingverband.de)

In comparison to the 2021 financial year, the volume of new business is expected to double by the 2024 financial year.

The CM2 margin of new business in the 2022 financial year is expected to be slightly below the previous year. This is due primarily to the refinancing terms, but also to a renewed increase in the average ticket size. The average value per lease contract is expected to be at a level of above EUR 8,000 but below EUR 10,000 in the 2022 financial year, as in earlier financial years.

6.4.3.1 Development of the results of operations

The lower volume of new business in financial years 2020 and 2021, which were impacted by the Covid-19 pandemic, is expected to result in lower operating interest income from the leasing portfolio in the current 2022 financial year. At the same time, staff costs in financial year 2022 should exceed those of the previous year as a result of the banking-related regulatory measures and the new salary model. The Board of Directors expects a compensating effect from the anticipated decrease in expenses for risk provisioning, resulting from the expected continued solid payment behaviour of customers in 2022. In summary, the Board of Directors expects net profit in the range of EUR 75 million to EUR 85 million for the 2022 financial year. Compared to the prior year, this corresponds to a flat to slightly higher net profit when considering that the net profit of EUR 95.2 million in the 2021 financial year included extraordinary income of EUR 23 million from the sale of the viafintech shares. Accordingly, after deduction of the extraordinary gain, the basis for comparison with the current 2022 financial year is EUR 72.2 million for the 2021 financial year.

Based on this basis of comparison for 2021, the net profit is also expected to double as early as the 2024 financial year due to the scalability of the business.

The expectation for the range of net profit in the 2022 financial year is based on the assumption that the loss rate will be between 1.4 and 1.7 percent and thus within an almost normalised corridor. This is due to the solid portfolio of lease contracts, the stable level of incoming payments in recent quarters, and the appropriately conservative risk provisioning already recognised in light of the pandemic.

The Board of Directors also aims to continue its long-term dividend policy in the 2022 financial year to ensure that shareholders participate appropriately in the Company's success. Consequently, the Board of Directors and Supervisory Board are proposing the distribution of a dividend of 51 cents per share for the 2021 financial year.

6.4.3.2 Development of the financial position and net assets

Based on the expected development of the Consolidated Group net profit, GRENKE expects an equity ratio above 16 percent (2021: 19.1 percent).

The Board of Directors anticipates stable cash flow from operating activities, with which the planned investments can be fully internally financed. The existing strong liquidity of the Consolidated Group is intended to be used, as one component, to finance new lease objects. In addition, the Board of Directors expects the Group's equity base and cash flow development to enable it to refinance the expected volume of new business in 2022 through various money and capital market accesses and the deposit business at risk-adequate conditions.

6.4.3.3 Non-financial performance indicators

The Board of Directors currently expects the average number of employees in 2022 (based on full-time equivalents) to be slightly above the level of 2021 (annual average 2020: 1,863 employees measured in full-time equivalents).

With regard to the equal participation of women and men in management positions, the target for the second and third management levels for the 2022 financial year remains at a level of at least 30 percent for each gender (2021: at least 30 percent for each).

In the 2022 financial year, the number of trainees and dual-study students in Germany is expected to be 60 persons. (2021: 47 persons).

The percentage of GRENKE Group employees participating in voluntary and mandatory training (training rate) is expected to be in the range of 95 to 98 percent in financial year 2022 (2021: 98 percent).

6.4.3.4 Overall statement on future development

It is currently not possible to predict how long the macroeconomic consequences of the Covid-19 pandemic will be felt worldwide and what consequences the Russian war against Ukraine will have. However, the Board of Directors is convinced that the GRENKE Group is well-positioned to embark on a new growth course after the 2021 transition year. The Consolidated Group intends to further expand its position as one of Europe’s leading providers of financial services for SMEs with a focus on small-ticket financing by consolidating its network in existing markets, supplementing its range of products and services, and expanding direct and online sales. In consideration of this, the Board of Directors expects new leasing business in the range of EUR 2.0 and 2.2 billion in 2022. The Board of Directors is aiming for a cost-income ratio of below 52 percent, even though the lower level of new business in previous years will mean that operating income, especially interest income, will be lower than in the previous year, especially in the first half of the year, and that further investments will be necessary. At the same time, the Consolidated Group’s stable equity position provides it with the necessary financing basis to conclude the new business it is targeting.

7. Acquisition-related disclosures

Explanatory report on the disclosures pursuant to Section 289a and Section 315a HGB

Composition of the subscribed capital

As of the December 31, 2021 reporting date, GRENKE AG had fully paid-in subscribed capital of EUR 46,495,573, divided into 46,495,573 no-par value registered shares ("shares") with a notional interest of EUR 1.00 each. All shares carry the same rights. Each share grants one vote. The rights and obligations of the shareholders arise from the provisions of the German Stock Corporation Act (AktG), particularly from Sections 12, 53a et seq., 118 et seq. and 186 AktG. GRENKE AG shares have been admitted for trading on the Frankfurt Stock Exchange in the segment of the regulated market with additional post-admission obligations defined by Deutsche Börse AG (Prime Standard segment).

Restrictions affecting voting rights and share transfers

Each share grants one vote at the Annual General Meeting and is decisive for the shareholders' participation in GRENKE AG's net profit.

Voting rights are generally excluded by law in the cases of Section 136 AktG from the shares concerned. According to Section 71 b AktG, no rights may be exercised from treasury shares either.

The Board of Directors is not aware of any restrictions agreed between shareholders that affect voting rights or share transfers, other than the vesting periods for shares acquired by members of the Board of Directors under the share-based payment scheme mentioned in the remuneration report. For further information, please refer to the remuneration report (download; www.grenke.com/investor-relations/reports-and-presentations/).

Furthermore, in connection with Article 19 (11) of Regulation (EU) No. 596 / 2014 (Market Abuse Regulation) and based on internal guidelines, certain trading prohibitions exist for members of the Board of Directors and the Supervisory Board of GRENKE AG when buying and selling GRENKE AG shares in (temporal) connection with the publication of an interim report or an annual financial report.

Direct or indirect shareholdings in the capital exceeding 10 percent of the voting rights

As of December 31, 2021, Grenke Beteiligung GmbH & Co. KG, which is domiciled in Baden-Baden (Germany), held 18,989,984 shares in the Company, corresponding to approx. 40.84 percent of the share capital. The general partner of Grenke Beteiligung GmbH & Co. KG is Grenke Vermögensverwaltung GmbH, which is domiciled in Baden-Baden (Germany), and its limited partners are the following members of the Grenke family: Anneliese Grenke, Moritz Grenke, Oliver Grenke, Roland Grenke and Wolfgang Grenke. Grenke Vermögensverwaltung GmbH has no interest in the assets or income of Grenke Beteiligung GmbH & Co. KG. Anneliese Grenke and Wolfgang Grenke are each managing directors with sole power of representation.

The Company is not aware of any other direct or indirect shareholdings in the share capital exceeding 10 percent of the voting rights.

Shares with special rights conferring powers of control

Shares with special rights conferring powers of control have not been issued.

Type of voting rights control if employees have an interest in the capital and do not exercise their control rights directly

Employees who hold shares in GRENKE AG exercise their control rights like other shareholders in accordance with the statutory provisions and the Articles of Association.

Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Board of Directors and on amendments to the Articles of Association

GRENKE AG's Articles of Association do not contain any provisions on the appointment of members of the Board of Directors by the Supervisory Board that deviate from the statutory provisions. Accordingly, members of the Board of Directors are appointed for a maximum of five years. A repeat appointment is permissible.

The members of the Board of Directors are appointed and dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG), Sections 24 (1) and 25 c (1) of the German Banking Act (KWG), and Article 5 (2) of the Articles of Association. Pursuant to Article 5 (1) of the Articles of Association, the Board of Directors of GRENKE AG consists of at least two persons. The Supervisory Board determines the number of members of the Board of Directors. It decides on their appointment, the revocation of their appointment, and the conclusion, amendment, and termination of the employment contracts to be concluded with them. The Supervisory Board may appoint a chair of the Board of Directors and a deputy chair of the Board of Directors as well as appoint deputy members of the Board of Directors. If a required member of the Board of Directors is missing without the Supervisory Board making a corresponding appointment, such member shall be appointed by court order in urgent cases in accordance with Section 85 AktG.

Pursuant to Section 179 (1) sentence 1 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. The resolutions of the Annual General Meeting shall be adopted by a simple majority of the votes cast unless otherwise required by law or the provisions of the Articles of Association and, if the law prescribes a capital majority in addition to a voting majority, by a simple majority of the share capital represented (Section 133 AktG, Article 15 (1) of the Articles of Association). Pursuant to Article 11 (2) of the Articles of Association, the Supervisory Board is authorised to adopt amendments to the Articles of Association that only affect their wording. In addition, the Supervisory Board was authorised to amend the wording of Article 4 of the Articles of Association, which, among other things, specifies the amount and division of the share capital, in accordance with the respective utilisation of the Authorised Capital or after the expiry of the authorisation period. Amendments to the Articles of Association become effective upon entry in the commercial register (Section 181 [3] AktG).

Authorisation of the Board of Directors, particularly related to the possibility of issuing or repurchasing shares

Pursuant to Article 4 (4) of the Articles of Association, with the consent of the Supervisory Board, the Board of Directors is authorised to increase the Company's share capital until May 2, 2023, by a total nominal amount of up to EUR 2,217,529 by issuing a total of up to 2,217,529 new shares on one or several occasions against cash contributions and/or contributions in kind (Authorised Capital 2018). The authorisation may be used in partial amounts.

With the consent of the Supervisory Board the Board of Directors is authorised to exclude shareholders' subscription rights in the case of capital increases against contributions in kind, in particular in order to issue new shares in the context of business combinations or in the context of the acquisition of companies, parts of companies or interests in companies, including the increase of existing interests, or within the scope of other assets eligible for contribution or claims to the acquisition of assets, including claims against the Company or its Group companies. The Board of Directors is further authorised, with the consent of the Supervisory Board, to exclude the statutory subscription rights of shareholders when issuing new shares for the purpose of implementing a scrip dividend, whereby the shareholders are offered to contribute their dividend entitlement in whole or in part as a contribution in kind to subscribe to new shares in the Company.

In the case of capital increases against cash contributions, the shareholders shall generally be granted a subscription right to the new shares. The shares may be underwritten by at least one credit institution or a company operating pursuant to Section 53 (1) sentence 1 or Section 53 b (1) sentence 1 or (7) KWG with the obligation to offer them to the shareholders for subscription. However, with the consent of the Supervisory Board, the Board of Directors is also authorised to exclude shareholders' statutory subscription rights in the event of capital increases

a) to exclude any fractional shares from the subscription rights,

b) in order to grant holders of bonds with conversion or option rights or with conversion or option obligations issued or to be issued by the Company or by its group companies within the meaning of Section 18 AktG subscription rights to new no-par value registered shares of the Company to protect them against dilution to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling conversion or option obligations, or

c) in the case of cash capital increases, if the issue price of the new shares is not significantly lower than the stock exchange price of the shares already listed and the notional interest of the shares issued against cash contributions in accordance with or in mutatis mutandis application of Section 186 (3) sentence 4 AktG with the exclusion of shareholders' subscription rights during the term of this authorisation does not exceed a total of 10 percent of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. This 10 percent limit of the share capital shall include:

// treasury shares sold during the term of this authorisation in mutatis mutandis application of Section 186 (3) sentence 4 AktG under the exclusion of shareholders' subscription rights, and

// shares issued or to be issued to service bonds with conversion or option rights or obligations, if and to the extent that the bonds are issued during the term of this authorisation in mutatis mutandis application of Section 186 (3) sentence 4 AktG under exclusion of shareholders' subscription rights.

With the consent of the Supervisory Board, the Board of Directors is authorised to determine the further specifications of the share rights and the conditions of the share issue.

The authorisation to carry out a capital increase from the Authorised Capital 2018 was not used in the reporting period.

By resolution of the Annual General Meeting of May 14, 2019, the Board of Directors was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered bonds with warrants and/or convertible bonds (collectively "bonds") with or without a limited term in a total nominal amount of up to EUR 500,000,000.00 once or several times in partial amounts until May 13, 2024 and to grant or impose the holders or creditors (hereinafter also "holders") of the bonds with warrants option rights or obligations and the holders of convertible bonds conversion rights or obligations for no-par value registered shares of GRENKE AG (hereinafter also referred to as "GRENKE shares") with a notional interest in the share capital of up to EUR 4,500,000.00 in total in accordance with the terms and conditions of these bonds. The respective terms and conditions may also provide for mandatory conversions at the end of the term or at other times, including the obligation to exercise the option or conversion right. Bonds may also be issued against contribution in kind.

In addition to euros, the bonds may also be issued in the legal currency of an OECD country, limited to the corresponding euro equivalent. The bonds may also be issued by a GRENKE AG Group company within the meaning of Section 18 AktG in which GRENKE AG directly or indirectly holds a 100 percent interest (hereinafter “subsidiary”). In this case, the Board of Directors is authorised, with the consent of the Supervisory Board, to assume the guarantee for the bonds on behalf of GRENKE AG and to grant or impose option or conversion rights or obligations on the holders of the bonds for new no-par value registered shares of GRENKE AG.

The Board of Directors was also authorised, among other things, to exclude shareholders’ subscription rights to the bonds under certain conditions and within defined limits with the consent of the Supervisory Board. Subscription rights may be excluded under these defined conditions, among other things, in the case of issuing bonds against contributions in kind, in particular in the context of business combinations and the acquisition of companies, and in the case of issuing bonds against cash consideration at an issue price that is not significantly lower than the theoretical market value of the bond.

To service the bonds issued under the above authorisation, the Annual General Meeting on May 14, 2019 also resolved to conditionally increase GRENKE AG’s share capital by up to a nominal amount of EUR 4,500,000.00 by issuing up to 4,500,000 new no-par value registered shares (Conditional Capital 2019).

No use was made of the authorisation to issue bonds with warrants and/or convertible bonds in the reporting period.

By resolution of the Annual General Meeting of August 6, 2020, the Company was authorised until the end of August 5, 2025 to acquire treasury shares for any permissible purpose in the amount of up to 5 percent of the share capital existing at the time of the resolution of the Annual General Meeting or, if this amount is lower, of the share capital existing at the time of the exercise of the authorisation and to use them for all legally permissible purposes. Among other things, the shares may be used, with the consent of the Supervisory Board, in the context of business combinations and the acquisition of companies or sold to third parties for cash at a price that is not significantly lower than the stock exchange price at the time of the sale, excluding the shareholders’ subscription rights. In this case, the total of the shares sold may not exceed 10 percent of the respective share capital of the Company. The amount of the share capital at the time this authorisation becomes effective or – if the amount is lower – the amount of the share capital at the time this authorisation is exercised shall be decisive for the calculation of the 10 percent limit. If during the term of this authorisation until its utilisation, other authorisations to issue or sell shares of the Company or to issue rights that enable or oblige the subscription of shares of the Company are exercised, and the subscription right is excluded pursuant to or in accordance with Section 186 (3) sentence 4 AktG, this shall be included in the aforementioned 10 percent limit. The acquired shares may also be used to service issued convertible bonds and/or bonds with warrants or to implement a scrip dividend. The treasury shares may also be cancelled.

No use was made of the authorisation to acquire own shares in the reporting period.

Compensation agreements of the Company with the members of the Board of Directors or employees in the event of a takeover bid

In the event of a takeover bid, there are no compensation agreements with the members of the Board of Directors or employees.

Significant agreements of the Company subject to a change of control

Further disclosures in accordance with GAS 20 K211 (conditions of a change of control in the event of a takeover bid) are omitted, as the corresponding disclosures would be likely to cause a significant disadvantage to the Company.

8. Corporate Governance Statement / Report on Corporate Governance

The corporate governance statements to be submitted in accordance with Sections 289f and 315d of the German Commercial Code (HGB) are summarised for GRENKE AG and the GRENKE Group. The Board of Directors and Supervisory Board of GRENKE AG also report on the Company's corporate governance in the Declaration of Conformity in accordance with Principle 22 of the German Corporate Governance Code (GCGC).

The Board of Directors and the Supervisory Board of GRENKE AG are committed to responsible, transparent management and control of the Company with a view to increasing the Company's value on a sustainable and long-term basis. To this end, the Board of Directors and the Supervisory Board analyse and evaluate the Company's role in society and the resulting social responsibility, as well as social and environmental factors, and include these and their potential effects as relevant parameters for the corporate strategy and the operating business and address them accordingly.

8.1. Declaration of Conformity in accordance with Section 161 AktG

2022 DECLARATION OF CONFORMITY

OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD WITH THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) IN ACCORDANCE WITH SECTION 161 AKTG

The Board of Directors and the Supervisory Board of GRENKE AG declare the following in accordance with Section 161 Act (AktG):

The new version of the German Corporate Governance Code dated December 16, 2019 ("GCGC 2020") entered into force upon its publication in the German Federal Gazette on March 20, 2020. Since the issue of the last annual Declaration of Conformity in January 2021, GRENKE AG has complied with the applicable recommendations, with the exception of the following justified deviations, and will continue to comply with them in the future:

According to **Recommendation D.1** GCGC 2020, the Supervisory Board shall make its Rules of Procedure available on the Company's website. The Rules of Procedure were available on GRENKE AG's website for the majority of the reporting period but not for the entire period. This recommendation will also be complied with in the future.

In **Recommendation D.5**, the GCGC 2020 recommends that the Supervisory Board form a nomination committee composed exclusively of shareholder representatives who nominate suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members. The Supervisory Board formed a Nomination Committee with effect from January 1, 2022, despite the Company's belief it had ensured the transparency of the selection process and proper selection desired by the Commission in Recommendation D.5 GCGC 2020, even in the absence of a corresponding committee. Recommendation D.5 GCGC 2020 will therefore be followed now and in the future.

According to **Recommendation F.2** GCGC, the consolidated financial statements and the group management report shall be publicly accessible within 90 days after the end of the financial year, and the mandatory interim financial information shall be publicly accessible within 45 days after the end of the reporting period. The Company was not able to comply with Recommendation F.2 GCGC with regard to the date of public disclosure of the consolidated financial statements and the group management report for the 2020 financial year and the mandatory interim financial information for the first quarter of 2021. As a result of the audits carried out by the auditing firm Mazars that were mandated by the German Federal Financial Supervisory Authority (BaFin) and the parallel audit of the annual financial statements by KPMG, the audit of the financial statements and the interim financial information for the first quarter could not be completed on time. In the future, the Company will again follow Recommendation F.2 GCGC, which was only deviated from in 2021 due to special circumstances.

In Recommendation G.3, the GCGC 2020 recommends using a suitable peer group made up of other companies to assess the customary level of total remuneration for the members of the Board of Directors and that it be disclosed. In assessing the customary nature of the Board of Directors' remuneration, the Supervisory Board carried out a peer group comparison but published this only in the context of the changeover to the remuneration system approved by the 2021 Annual General Meeting. Recommendation G.3 will also be followed in the future.

In **Recommendation G.4,** the GCGC 2020 recommends an internal company comparison to assess the customary nature of the remuneration of the Board of Directors by taking into account the Board of Directors' remuneration relative to the remuneration of the senior management and the workforce as a whole. This comparison should also include the development of the remuneration over time. These criteria were initially taken into account in assessing the remuneration of the Board of Directors in relation to senior management but not in relation to the workforce. Since the introduction of the new remuneration system, the relationship to the remuneration of the workforce as a whole has also been taken into account when assessing the customary level of remuneration for the Board of Directors, so that Recommendation G.4 is currently being followed and will continue to be followed in the future.

In **Recommendation G.10 sentence 2,** the GCGC 2020 recommends that the members of the Board of Directors should be able to dispose of their long-term variable grant amounts only after a period of four years. The variable share-based remuneration components were already granted under the previous remuneration system subject to multi-year, albeit not four-year, payout restriction periods. This deviation remains in effect with regard to existing Board of Directors' contracts that have not yet been converted to the new remuneration system and are subject to grandfathering. Under the new remuneration system, only the non share-based, long-term variable grant amounts do not meet the four-year payout restriction period. The Supervisory Board considers this appropriate in view of their percentage share of variable remuneration and the underlying multi-year assessment period.

In **Recommendation G.10 sentence 1,** the GCGC 2020 recommends that the Board of Directors invest the variable remuneration amounts granted to them predominantly in shares or be granted share-based remuneration. The granting of share-based remuneration was already a focus of the variable remuneration of GRENKE AG's Board of Directors under the previous remuneration system, although this did not always necessarily predominate. This deviation therefore remains for the contracts that are subject to grandfathering. Otherwise, this recommendation is being followed now and will continue to be in the future.

In **Recommendation G.11 sentence 2,** the GCGC 2020 recommends that the option be given to reclaim variable remuneration in justified cases (clawback clause). Such clawback options for variable remuneration exist now and will continue to exist in the future, even though the clawback clauses have not yet been incorporated into the existing Board of Directors' contracts due to grandfathering.

In **Recommendation G.12,** the GCGC 2020 recommends, among other things, adhering to the agreed holding periods in the event of the termination of a Board of Directors' contract. This was not entirely the case with regard to share-based remuneration. A deviation from the agreed holding periods is not provided for in the new remuneration system. The recommendation is now being followed and will continue to be followed in the future. This is not entirely the case for share-based remuneration in the agreements that are subject to grandfathering.

In **Recommendation G.13 sentence 1,** the GCGC 2020 recommends that payments to members of the Board of Directors not exceed the value of two years' remuneration (severance payment cap) in the event of premature termination of Board of Directors' activities. This recommendation has been followed since the implementation of the new remuneration system and will be followed in the future. In deviation from this, the Board of Directors' contracts that are subject to grandfathering do not provide for severance payment caps.

Baden-Baden, January 31, 2022

GRENKE AG

On behalf of the Board of Directors	On behalf of the Supervisory Board
Michael Bücker	Prof Dr Ernst-Moritz Lipp

In May 2021 and August 2021, interim updates of declaration of conformity were issued on an ad hoc basis. The first interim Declaration of Conformity in May was issued as the Company was unable to comply with Recommendation F.2 of the GCGC in terms of the timing of the publication of the consolidated financial statements and the group management report for the 2020 financial year and the mandatory interim financial information for the first quarter of 2021. The reasons for the second interim Declaration of Conformity in August were the compliance with Recommendations G.3, G.4, G.11 sentence 2, G.12 and G.13 sentence 1 resulting from the approval of the remuneration system for the Board of Directors members at the Annual General Meeting on July 29, 2021 and, on the other hand, the compliance with D.1 resulting from the publication of the Rules of Procedure of the Supervisory Board on the Company's website.

The declarations of compliance issued in the past five years are accessible on our website in the Investor Relations section at www.grenke.com/investor-relations/corporate-governance/.

8.2 Management and Supervision

GRENKE AG is a stock corporation under German law. Accordingly, the Company has three corporate bodies: the Board of Directors, the Supervisory Board, and the Annual General Meeting. The Board of Directors manages the Company, while the Supervisory Board monitors and advises the Board of Directors. The respective duties and powers are essentially derived from the law and the Company's Articles of Association and the respective Rules of Procedure of the Board of Directors and Supervisory Board.

The Board of Directors and Supervisory Board of the Company work closely together for the benefit of the Company. The Board of Directors informs the Supervisory Board regularly, promptly, and comprehensively about all issues relevant to GRENKE AG and the GRENKE Group regarding the implementation of corporate strategy, planning, business development, the financial and earnings situation, and particular business risks and opportunities. Significant decisions of the Board of Directors are subject to the approval of the Supervisory Board; the Rules of Procedure of the Board of Directors contain a corresponding catalogue of such transactions requiring approval.

8.2.1 Board of Directors

Pursuant to Article 5 (1) of the Articles of Association, GRENKE AG's Board of Directors shall consist of at least two persons. The precise number of persons is determined by the Supervisory Board.

The Board of Directors is responsible for managing the Company in the Company's best interests. In doing so, it is responsible for the operational management and implementation of the Company's strategic direction, as well as compliance with corporate policy. The Board of Directors also prepares the annual financial statements of GRENKE AG as well as the quarterly reports and the Consolidated Group's half-yearly and annual financial statements and informs the Supervisory Board regularly and comprehensively about the Company as a whole through Board of Directors' reports and meeting documents.

The Board of Directors develops GRENKE AG's corporate strategy, which is implemented through an ongoing exchange between the Board of Directors and the Supervisory Board. Strategic issues and issues related to implementation, planning, business development, the risk situation, compliance, the financial and earnings position, and strategic and operational business risks and their management are a regular part of Supervisory Board meetings and individual discussions between the Board of Directors and the chair of the Supervisory Board, who reports directly to the Supervisory Board about these exchanges.

The Supervisory Board has issued Rules of Procedure for the Board of Directors, which include a requirement for approval with regard to the division into business areas and rules for cooperation both within the Board of Directors and between the Supervisory Board and the Board of Directors. The individual business areas are allocated to the members of the Board of Directors in accordance with their respective individual competence profiles. This does not affect the principle of overall responsibility of the Board of Directors members.

During the reporting period, the composition of the Board of Directors was as follows:

In the period from January 1, 2021 to February 8, 2021 – following Isabel Rösler's appointment as a new member of the Board of Directors effective January 1, 2021 – the Board of Directors comprised the following five members: Antje Leminsky, Gilles Christ, Dr Sebastian Hirsch, Mark Kindermann and Isabel Rösler.

With the appointment of Isabel Rösler as chief risk officer as of January 1, 2021, the schedule of responsibilities was amended as of January 1, 2021 as follows:

Antje Leminsky Chair of the Board of Directors	**Dr Sebastian Hirsch** Chief Financial Officer	**Gilles Christ** Chief Sales Officer	**Mark Kindermann** Member of the Board of Directors/Administration	**Isabel Rösler** Chief Risk Officer
Group Strategy	Controlling	Brand Management	Administration	Quality Assurance
IT	M+A	Sales	Personnel	Data Protection
Credit Centre Leasing and Factoring	Treasury/Corporate Finance	Franchise System	Accounting	Compliance
Internal Audit	Legal		Quality Management	Money Laundering Prevention
	Investor Relations		Internal Services	Risk Controlling
	Taxes		Disposals	Reporting
			Property and Facility Management	

On February 8, 2021, the Supervisory Board complied with Mark Kindermann's request to terminate his contract prematurely and to resign from the Board of Directors and all other Group mandates. Due to the resignation of Mr Kindermann, the Board of Directors consisted of the following four members in the period from February 8, 2021 to June 30, 2021: Antje Leminsky (CEO), Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

Due to Mark Kindermann's resignation on February 8, 2021, the areas of responsibility of the members of the Board of Directors were redefined by the Supervisory Board on February 10, 2021 as shown below.

Antje Leminsky Chair of the Board of Directors	**Dr Sebastian Hirsch** Chief Financial Officer	**Gilles Christ** Chief Sales Officer	**Isabel Rösler** Chief Risk Officer
Group Strategy	Controlling	Brand Management	Risk Management
Internal Audit	M+A	Sales	Compliance
IT	Treasury/Corporate Finance	Services	Corporate Credit
Process Management	Legal		Administration
Personnel	Accounting		Data Protection
	Taxes		
	Investor Relations		
	Property and Facility Management		

Due to the resignation of Antje Leminsky effective June 30, 2021, the Board of Directors consisted of the following three members in the period from July 1, 2021 to July 31, 2021: Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

During this period, the following representation arrangement was applied in the Board of Directors:

Dr Sebastian Hirsch Chief Financial Officer (CFO)	**Gilles Christ** Chief Sales Officer (CSO)	**Isabel Rösler** Chief Risk Officer (CRO)
Controlling	Brand	Compliance
M+A	Sales	Risk Management
Treasury/Corporate Finance	Sales Management	Corporate Credit
Legal	Services	Administration
Accounting/Taxes	Process Management*	Internal Audit*
Corporate Communications		
Data		
Property and Facility Management		
Strategy*		
IT*		
Personnel*		

* Standing in for the departed CEO Antje Leminsky

Effective August 1, 2021, Michael Bücker was appointed to the Board of Directors and designated as the new chairman of the Board of Directors. Since that date, the Board of Directors has consisted of the following four members: Michael Bücker (CEO), Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

The schedule of responsibilities was adjusted on August 5, 2021 as shown below. The allocation of responsibilities remained unchanged and the previous responsibilities of Antje Leminsky were assumed by Michael Bücker.

Michael Bücker Chief Executive Officer (CEO)	**Dr Sebastian Hirsch** Chief Financial Officer (CFO)	**Gilles Christ** Chief Sales Officer (CSO)	**Isabel Rösler** Chief Risk Officer (CRO)
Group Strategy	Controlling	Brand Management	Risk Management
Internal Audit	M+A	Sales	Compliance
IT	Treasury/Corporate Finance	Services	Corporate Credit
Process Management	Legal		Administration
Personal	Accounting/Taxes		Data Protection
	Investor Relations		
	Property and Facility Management		

Further information on the curricula vitae of the individual members of GRENKE AG's Board of Directors is provided on GRENKE AG's website at www.grenke.com/management/board-of-directors/.

Effective November 1, 2021, CFO Dr Sebastian Hirsch was additionally appointed as Deputy Chairman of the Board of Directors by the Supervisory Board.

The respective members of the Board of Directors are responsible for managing the business areas assigned to them. The actions and transactions of a business area that are of particular relevance and scope for the Company require the prior approval of the entire Board of Directors. The same applies to actions and transactions for which the chairman of the Board of Directors or another Board of Directors member requires the prior adoption of a resolution by the full Board of Directors.

Chief Executive Officer (CEO) Michael Bücker coordinates the work of the Board of Directors in addition to the areas of responsibility assigned to him.

On January 25, 2021, the Supervisory Board resolved an age limit for Board of Directors members which stipulates that Board of Directors' members may not be older than 60 at the time of their appointment.

Members of the Board of Directors are liable for damages in the event of a culpable breach of their duty of care towards the Company.

Information on the remuneration system for Board of Directors' members and the individual remuneration of Board of Directors members is provided in the Remuneration Report (www.grenke.com/investor-relations/reports-and-presentations/).

The applicable remuneration system pursuant to Section 87a (1) and (2) sentence 1 AktG, the Remuneration Report for financial year 2021, and the auditor's report pursuant to Section 162 AktG are publicly available on GRENKE AG's website at Report (www.grenke.com/investor-relations/reports-and-presentations/).

8.2.2 Supervisory Board

8.2.2.1. Composition and Working Practices of the Supervisory Board

Pursuant to Article 7 (1) of the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. All members of the Supervisory Board were elected by the Annual General Meeting.

As a result of Wolfgang Grenke suspending his Supervisory Board mandate from September 21, 2020 until the end of the Annual General Meeting on July 29, 2021, the Supervisory Board during this period temporarily operated with only five active members.

As supplementary elections to the Supervisory Board were necessary due to the resignations of Wolfgang Grenke, Claudia Krcmar, and Florian Schulte, the Annual General Meeting of GRENKE AG on July 29, 2021 elected Norbert Freisleben (as proposed by the Supervisory Board to replace Ms Krcmar) and Dr Konstantin Mettenheimer (as proposed by the Supervisory Board to replace Mr Schulte) as well as Nils Kröber (as proposed by Grenke Beteiligung GmbH & Co. KG, Baden-Baden, by means of a request to supplement the agenda to replace Wolfgang Grenke) as new members of the Supervisory Board. As of the end of the Annual General Meeting on July 29, 2021, the Supervisory Board again had six active members.

All members of the Supervisory Board, with the exception of Nils Kröber, are classified as independent by the Supervisory Board. The chairman of the Supervisory Board was informed by Mr Kröber of ongoing consulting activities for Wolfgang Grenke and that this could in part result in a conflict of interest. The chairman of the Supervisory Board, Prof Dr Ernst-Moritz Lipp, is considered independent by the Supervisory Board because, despite having been a member of the Supervisory Board of GRENKE AG since May 2003, he meets all other definition parameters irrespective of the term of his mandate and is also to be classified as independent due to his personal background and curriculum vitae as well as his financial independence. In the view of the Supervisory Board, an adequate number of independent shareholder representatives is provided by five independent shareholder representatives, namely Prof Dr Ernst-Moritz Lipp, Dr Ljiljana Mitic, Jens Rönnberg, Norbert Freisleben, and Dr Konstantin Mettenheimer.

Further information on the curricula vitae of the individual members of GRENKE AG's Supervisory Board is provided on GRENKE AG's website at www.grenke.com/management/supervisory-board/.

Information on the remuneration of the members of the Supervisory Board and the individual remuneration of the members of the Supervisory Board is provided in the Remuneration Report(www.grenke.com/investor-relations/reports-and-presentations/). The Remuneration Report for the last financial year, the auditor's report pursuant to Section 162 AktG, and the last remuneration resolution pursuant to Section 113 (3) AktG are publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations.

The central task of the Supervisory Board is to advise and monitor the Board of Directors in its management of the Company, particularly with regard to corporate strategy and fundamental corporate decisions. The Board of Directors involves the Supervisory Board in all decisions of fundamental importance to the Company. The Supervisory Board stipulates approval requirements for such transactions in the Rules of Procedure of the Board of Directors, unless these are already reflected in the Articles of Association. The Supervisory Board also votes on transactions with related parties regulated in Section 111 a et seq. AktG, insofar as these require approval. The Supervisory Board is also responsible for appointing and dismissing members of the Board of Directors and for reviewing the annual and consolidated financial statements, the combined management report of GRENKE AG and the GRENKE Group, and the proposal for the appropriation of unappropriated surplus. It also adopts the annual financial statements of GRENKE AG and approves the consolidated financial statements.

In the 2021 reporting year, the Supervisory Board was informed regularly, in detail, and comprehensively by the Board of Directors in ordinary and extraordinary meetings about the Consolidated Group's economic situation, strategic planning and relevant current events. In addition, the chairman of the Supervisory Board maintained a close exchange with the Board of Directors on day-to-day business and reported directly to the full Supervisory Board about this exchange. Key elements of the briefings by the Board of Directors included regular reports on new business, sales, digitalisation, cost development, refinancing, and the ongoing audit activities of the auditors KPMG (annual financial statements 2020) and BDO (annual financial statements 2021). Furthermore, the Board of Directors informed the Supervisory Board about the audit initiated by BaFin of the consolidated financial statements of GRENKE AG as of December 31, 2019 and the combined group management report and management report for the 2019 financial year. In addition, the Board of Directors provided regular information about the special audit conducted by BaFin in accordance with Section 44 of the German Banking Act. With regard to the ongoing Covid-19 pandemic, measures taken by the Board of Directors to address the associated challenges were a permanent mutually discussed topic of the Board of Directors and the Supervisory Board. The Board of Directors coordinated closely with the Supervisory Board on the strategic development of the Consolidated Group and, together with the Supervisory Board, addressed issues relating to risk management and compliance, risk provisioning, the internal control system and internal auditing.

The Supervisory Board of GRENKE AG convenes quarterly in ordinary meetings. Extraordinary meetings, as well as video and telephone conferences and resolutions are passed outside of meetings, are held as required. Independently of these meetings, the Supervisory Board receives routine reports from the Internal Audit, Compliance, and Risk Controlling departments.

The Supervisory Board is chaired by Prof Dr Ernst-Moritz Lipp; at no time during the reporting period was he the chairman of the Audit Committee. The chair of the Supervisory Board maintains contact on a regular basis and as necessary with the individual members of the Board of Directors. In his role as chairman of the Supervisory Board, Prof Dr Ernst-Moritz Lipp coordinates the work of the Supervisory Board and represents its interests in public. To this end, the chairman of the Supervisory Board also held discussions with major investors on issues relevant to the Supervisory Board.

A detailed description of the activities of the Supervisory Board, including an overview of the members of the Supervisory Board and a list of their individual attendance at meetings, can be found in the Report of the Supervisory Board.

A competence profile was developed by the Supervisory Board for the Supervisory Board as a whole. This profile sets out objectives with regard to the individual composition of the Supervisory Board. Diversity is also an integral part of the concept. Proposals for new members of the Supervisory Board to the Annual General Meeting are always evaluated and selected in accordance with the objectives and competence requirements set out in Section 3 below.

The Supervisory Board and Audit Committee regularly evaluate their own activities. This self-assessment is based on a comprehensive, company-specific questionnaire that was developed in cooperation with consulting firms and is adapted annually to the present circumstances. The questionnaire covers a variety of relevant topics relating to the Supervisory Board's activities, including the exchange of information, committee work, the quality of cooperation, work commitment and independence. The evaluations of the respective topics are submitted anonymously and in each case quantitatively, qualitatively and according to time spent. After aggregating the entries, the results are then discussed in detail in the plenum and suggestions for improvement are recorded. The suggestions for improvement are then incorporated into the Supervisory Board's committee work. The self-assessment in the reporting period was conducted at the Supervisory Board meeting on February 10, 2021 by the chairman of the Audit Committee at that time, Florian Schulte.

With its composition of proven experts in the fields of finance, accounting, corporate planning, corporate governance, controlling, accounting, risk management, auditing, compliance, IT, law, and human resources, the Supervisory Board of GRENKE AG fully complies with the underlying competence profile and has the necessary knowledge, skills, and professional experience to properly perform its duties.

It is agreed that the auditor shall inform the Supervisory Board immediately of all relevant material findings and events that the auditor becomes aware of in the course of the audit. The auditors must also inform the Supervisory Board and record this in the audit report if facts are discovered during the audit that indicate that the Declaration of Conformity on the German Corporate Governance Code issued by the Board of Directors and Supervisory Board is incorrect.

On January 25, 2021, the Supervisory Board adopted an age limit stating that Supervisory Board members may not be more than 70 years old at the time of their election.

Members of the Supervisory Board are liable to pay damages to the Company in the event of a culpable breach of their duty of care.

The current Rules of Procedure of the Supervisory Board, which contain important information on the Supervisory Board and the Supervisory Board committees, are available on GRENKE AG's website at www.grenke.com/investor-relations/corporate-governance/.

8.2.2.2 Supervisory Board Committees

In order to perform its duties efficiently, the Supervisory Board resolved on December 13, 2021, in accordance with the requirements of Section 25d (7) sentence 2 KWG, effective January 1, 2022, to dissolve the Personnel Committee and the Strategy Committee and to establish a Nomination Committee, a Risk Committee and a Remuneration Control Committee in addition to the Audit Committee.

Accordingly, the Supervisory Board operated with an Audit Committee, a Personnel Committee and a Strategy Committee in the 2021 financial year, with the latter being dormant for the entire financial year, and will operate with an Audit Committee, a Nomination Committee, a Risk Committee and a Compensation Control Committee as of January 1, 2022.

The tasks and powers assigned to these committees are or were listed in the Supervisory Board's Rules of Procedure. The committee chairpersons report on the work of the respective committees to the full Supervisory Board.

An overview of the committees, their members and chairpersons, as well as a list of the attendance at each committee meeting and details of the work of the committees formed in the 2021 financial year can be found in the Report of the Supervisory Board.

8.2.2.2.1 Audit Committee

The Audit Committee shall consist of three members. Pursuant to Section 7 (4) of the Supervisory Board's Rules of Procedure the tasks of the Audit Committee consist particularly of the following: monitoring accounting and the accounting process; monitoring the risk management system and, especially, the internal control system, the compliance management system and the internal audit function; monitoring the performance of the audit of the annual financial statements, particularly with regard to the independence of the auditor and the additional services provided by the auditor, as well as the quality of the auditor; making recommendations to the Supervisory Board regarding the key points of the audit to be performed by the auditor; receiving and evaluating the auditor's findings on the effectiveness of the internal control system and risk management system, the efficiency of internal auditing, and any other findings of the auditor; preparing the audits and reports required of the Supervisory Board under Sections 170 and 171 AktG; monitoring the correction of any deficiencies identified; and discussing the interim reports (quarterly and half-yearly) and notifications.

The committee, which currently consists of Jens Rönnberg as chairman and Dr Konstantin Mettenheimer and Norbert Freisleben as members, meets all the requirements of the Audit Committee set out in Section 107 (4) sentence 3 AktG and Section 100 (5) AktG, as well as those in Section 25d (9) KWG. The Audit Committee as a whole is familiar with GRENKE AG's business, and Mr Rönnberg, as the committee's chairman, has verifiable expertise in the areas of accounting and auditing from his longstanding career as an auditor and tax advisor for leading law firms and renowned international organisations. This experience is complemented by Norbert Freisleben's many years of experience in the fields of accounting and auditing at a renowned auditing firm. Dr Konstantin Mettenheimer has the necessary experience, knowledge and skills from his work as a tax advisor, business economist and lawyer, as well as from his membership in other audit committees. All members of the Audit Committee are independent of the GRENKE Group.

From the beginning of the 2021 financial year until the end of the Annual General Meeting on July 29, 2021, the Audit Committee consisted of Florian Schulte (chairman until July 29, 2021), Prof Dr Ernst-Moritz Lipp (interim member until July 29), and Jens Rönnberg. Florian Schulte was independent of the GRENKE Group.

8.2.2.2.2 Nomination Committee (as of January 1, 2022)

The Nomination Committee shall have three members. Pursuant to Section 8 (4) of the Rules of Procedure of the Supervisory Board, the duties of the Nomination Committee specifically concern the following: dealing with strategic aspects of personnel planning; reviewing personnel planning; concluding, amending and terminating employment contracts with the members of the Board of Directors and general representatives; identifying candidates for positions on the Board of Directors and preparing election proposals for the elections to the Supervisory Board; formulating targets to promote the representation of the underrepresented gender on the Supervisory Board and a strategy to achieve this; regularly assessing, at least once a year, the structure, size, composition and performance of the Board of Directors and Supervisory Board; regularly assessing, at least once a year, the knowledge, skills and experience of both the individual Board of Directors and Supervisory Board members and the respective body as a whole; reviewing the Board of Directors' principles for selecting and appointing senior management; the diversity concept; executive and talent management; and succession planning.

The committee currently consisting of Dr Ljiljana Mitic as the chair and Prof Dr Ernst-Moritz Lipp and Jens Rönnberg as members has sufficient knowledge, skills, and experience regarding the Company's and the Consolidated Group's business activities individually and in its entirety to be able to assess the composition of the Board of Directors and Supervisory Board, including the recommendation of candidates.

8.2.2.2.3 Risk Committee (as of January 1, 2022)

The Risk Committee shall consist of three members. In accordance with Section 9 (3) of the Supervisory Board's Rules of Procedure, the tasks of the Risk Committee specifically include the following: advising the Supervisory Board regarding the Company's current and future overall risk tolerance and overall risk strategy and supporting the Board of Directors in monitoring the senior management's implementation of this strategy; monitoring to ensure that the terms and conditions in the customer business are in line with the Company's business model and risk structure and, if this is not the case, requesting proposals from the Board of Directors as to how the customer business conditions can be structured in line with the business model and risk structure and monitor their implementation; and reviewing whether or not the incentives set by the remuneration system take into account the Company's risk, capital, and liquidity structure.

The Risk Committee, which currently consists of Norbert Freisleben as chair and Prof Dr Ernst-Moritz Lipp and Dr Konstantin Mettenheimer as members, has in its entirety sufficient knowledge, skills and experience with regard to risk management and control procedures. The chair of the committee is neither the chair of the full Supervisory Board nor of any other committee.

8.2.2.2.4 Remuneration Control Committee (as of January 1, 2022)

The Remuneration Control Committee shall consist of three members. Pursuant to Section 10 (3) of the Supervisory Board's Rules of Procedure, the tasks of the Remuneration Control Committee specifically include the following: monitoring the appropriate design of the remuneration systems for the members of the Board of Directors and employees and, above all, the appropriate design of the remuneration for the heads of the risk control function and the compliance function, as well as for such employees who have a significant influence on the Company's overall risk profile; supporting the Supervisory Board in monitoring that the remuneration systems for the Company's employees are designed appropriately; assessing the impact of the remuneration systems on risk, capital and liquidity management; preparing Supervisory Board resolutions on the remuneration of the members of the Board of Directors and, in doing so, paying particular attention to the impact of the resolutions on the risks and risk management of the Company; taking into account the long-term interests of shareholders, investors, other stakeholders and public interest; supporting the Supervisory Board in monitoring the proper involvement of internal control and all other relevant areas in the design of the remuneration systems, setting targets and determining target achievement for the variable remuneration of the Board of Directors members; advising on the design of the remuneration policy; and determining the appropriate remuneration for Board of Directors' members based on sustainable corporate development.

The committee, which currently consists of Nils Kröber as chair and Dr Ljiljana Mitic and Norbert Freisleben as members, has in its entirety sufficient expertise in risk management and risk controlling (particularly with regard to remuneration systems). The chair also has expertise and professional experience, and Dr Ljiljana Mitic has expertise in the field of risk management and risk controlling, particularly with regard to mechanisms for aligning remuneration systems with the Company's overall risk tolerance, risk strategy and capital adequacy.

8.2.2.2.5 Personnel Committee (until December 31, 2021)

In the reporting period, until its dissolution on December 31, 2021, the Personnel Committee consisted of three members: Dr Ljiljana Mitic, Prof Dr Ernst-Moritz Lipp and Jens Rönnberg. Dr Mitic has chaired the committee since July 29. In the reporting period until July 29, the Personnel Committee acted without a chairperson.

The Personnel Committee dealt with strategic personnel planning, the remuneration system and the conclusion, amendment and termination of employment contracts with the members of the Board of Directors and general representatives.

Together with the Board of Directors, the Personnel Committee dealt with long-term succession planning for the GRENKE AG Board of Directors and the search for suitable candidates for appointment. The committee submitted corresponding proposals to the Supervisory Board. Both internal and external candidates were considered. Long-term succession planning is based on the corporate strategy and the existing diversity concept, which is described in more detail in Section 3 of the Corporate Governance Statement. In addition, the Personnel Committee prepared the approval of the contracts with the Board of Directors members for the Supervisory Board, particularly with regard to their remuneration. The variable remuneration for executives in the GRENKE Group was also submitted to the committee for approval.

8.2.2.2.6 Strategy Committee (until December 31, 2021)

According to the version of the Rules of Procedure of the Supervisory Board of GRENKE AG valid until December 31, 2021, the Strategy Committee was assigned fundamental issues of corporate orientation and strategy, such as the development of proposals for the strategy and strategic management of the Consolidated Group as well as the critical appraisal of the recommendations of the Board of Directors on business, risk and IT strategy and the preparation of the strategy meetings of the Supervisory Board as well as Supervisory Board meetings with agenda items of strategic relevance.

In the 2020 financial year, the tasks of the Strategy Committee – which at that time consisted of Prof Dr Ernst-Moritz Lipp and Wolfgang Grenke – were transferred to the full Supervisory Board for a temporary period, as the Supervisory Board mandate of Wolfgang Grenke – one of the two members of the committee – was suspended. Wolfgang Grenke was not replaced and the activities of the committee were not resumed in the 2021 financial year before the committee was dissolved.

8.2.3 Annual General Meeting

The Annual General Meeting passes resolutions for cases specified by law and in the Articles of Association. These include the election of shareholder representatives to the Supervisory Board, the discharge of the members of the Board of Directors and Supervisory Board, amendments to the Articles of Association, decisions on the appropriation of profits, and capital measures. At the request of the Board of Directors, the Annual General Meeting may also decide on management issues.

8.3 Targets for the representation of women, diversity concept and competence profile

Equal opportunity and diversity are integral components of the selection process for executives and employees of GRENKE AG.

The target percentage of women executives for the two management levels below the Board of Directors was set by the Board of Directors at a minimum of 30 percent for the 2021 financial year. This target was achieved in the reporting period.

The Board of Directors has also decided to maintain a gender-specific target of 30 percent for each of the first two management levels below the Board of Directors for the 2022 financial year.

The gender ratio for GRENKE AG's workforce as a whole is largely balanced, with women accounting for around 50 percent.

Once each financial year, the Board of Directors reports to the Supervisory Board on the development of family-friendly measures (such as financial support, childcare support, flexible work models, and remote workplace models) and the consideration of gender diversity when filling executive positions.

For the 2021 financial year, the Supervisory Board has set a target for the proportion of women executives on the Board of Directors at 25 percent and on the Supervisory Board at a minimum of 33 percent. The corresponding targets represent a minimum limit. The target for the Supervisory Board was not met in 2021 but is expected to be met again in the future. The reason for it not being met was the decision to take candidates possessing a very specific skill profile.

When composing the Board of Directors, GRENKE AG takes into consideration the following diversity aspects:

The decisive factor for the Supervisory Board when filling a Board of Directors position is always the Company's interest, taking into account all circumstances of the individual case. In the view of the Supervisory Board, personal suitability and professional qualifications, in particular, are key criteria when selecting members for the Board of Directors.

The Supervisory Board pays particular attention to the following principles when considering which personalities would best complement the Board of Directors:

The composition of the Board of Directors should be sufficiently balanced in terms of age structure to ensure that the Board's ability to act is guaranteed at all times.

The composition of the Board of Directors should meet the requirements of the "Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors".

With regard to their educational and professional backgrounds, the members of the Board of Directors must be able to fulfill the duties of proper management in accordance with the law, the Articles of Association, and the Rules of Procedure of GRENKE AG. In addition, they should have primarily the following backgrounds:

- // Longstanding management experience in an international context
- // Extensive experience in IT management (digitalisation)
- // Comprehensive knowledge of the requirements and interrelationships of the capital market
- // Sound knowledge of financial management and risk management
- // Thorough knowledge of accounting according to IFRS and HGB

The objectives pursued herewith are as follows:
A balanced composition of the Board of Directors with regard to its age structure enables the appointed members of the Board of Directors to contribute as many years of professional and life experience as possible while ensuring a composition geared to diversity. This is in line with our understanding of consistency and sustainability as well as innovation and drive for the Company's continued successful development.

By taking gender diversity into account when selecting members for the Board of Directors, the Supervisory Board fulfills the legal requirements, and at the same, time pursues the associated aim of increasing the proportion of women in executive positions in an exemplary manner.

The Supervisory Board also fulfills all obligations under the law, the Articles of Association and the Rules of Procedure with regard to the consideration of different professional and educational backgrounds in order to ensure that the tasks and duties incumbent on this body can be properly fulfilled. In doing so, this also ensures that all changes in the business environment, which are fundamentally in an international context, as well as all effects of cultural, demographic and social change affecting the Company in its day-to-day business, are analysed and evaluated from a wide variety of perspectives.

A close, ongoing exchange between the Supervisory Board and Board of Directors regarding all important issues affecting the Company's fate and development ensures that the targets for the Board of Directors' composition are met. As part of this exchange, the Supervisory Board regularly reviews whether or not the competencies of the respective Board of Directors members meet the requirements of their areas of responsibility. It also regularly checks whether the number of Board of Directors' members and their responsibilities are sufficient for the Company's growth and complexity. The Supervisory Board is responsible for deciding on the composition of the Board of Directors and the schedule of responsibilities, in addition to ensuring that personnel succession planning takes place.

The Supervisory Board of GRENKE AG shall be composed in such a way that qualified advice to and supervision of the Board of Directors is ensured at all times. The following diversity aspects are taken into account in the composition of the Supervisory Board:

The composition of the Supervisory Board shall meet the requirements of the "Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors".

In terms of their educational and professional backgrounds, the members of the Supervisory Board should be in a position to fulfill the legal obligations associated with this task and, at the same time, be able to devote the time necessary to carry out this activity. In addition to the requirement for a high quality of character in sense of personal competence, the decisive factors, above all, are professional competence and business experience, as well as the Supervisory Board member's corresponding ability to exercise objective judgment. In addition to this, the competence profile of the members of the Supervisory Board of GRENKE AG is also based on the following backgrounds:

- // Longstanding management experience in an international context
- // Comprehensive knowledge of the requirements and interrelationships of the capital market
- // Sound knowledge of financial management (financing and controlling)
- // Thorough knowledge of accounting according to IRFS and HGB
- // Extensive experience in IT management (digitalisation and transformation)
- // Experience in strategy and sales management

The members of the Supervisory Board as a whole must be familiar with the sector in which the Company operates.

The objectives pursued with the diversity concept for the composition of the Supervisory Board are as follows:

In order to fulfill its role as a supervisory and control body, the Supervisory Board should be able to provide an accurate assessment of the current development and future direction of the Company. Accordingly, the aim is to fill the Supervisory Board in such a way as to ensure qualified control and advice at all times in accordance with the German Stock Corporation Act and the German Corporate Governance Code.

In the 2021 financial year, the Supervisory Board's composition as a whole fully represented the knowledge and experience necessary. This made it possible for the Supervisory Board to deal with and evaluate the issues relevant to decision-making in a qualified manner. The Supervisory Board's composition also placed it in a position to make its decisions for effective supervision and control from an objective point of view.

The competence profile and diversity concept for the Supervisory Board are generally implemented as part of the election proposals to the Annual General Meeting, while the diversity concept for the Board of Directors is implemented through the appointment of Board of Directors' members by the Supervisory Board. The target for the Supervisory Board was not met in 2021 but is expected to be met again in the future. The reason for it not being met was the decision to take candidates possessing a very specific skill profile.

Curricula vitae of all Supervisory Board and Board of Directors members have been published by the Company on its website and provide information on the relevant individual knowledge, skills and experience of the members. The curricula vitae are updated annually.

8.4 Remuneration of the Board of Directors and Supervisory Board

The respective remuneration and the underlying remuneration system for the Board of Directors and Supervisory Board are described in the "Remuneration Report" (www.grenke.com/investor-relations/reports-and-presentations).

The Remuneration Report for the last financial year, the auditor's report pursuant to Section 162 AktG, the applicable remuneration system pursuant to Section 87a (1) and (2) sentence 1 AktG, and the last remuneration resolution pursuant to Section 113 (3) AktG are all publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

8.5 Securities transactions subject to reporting (Directors' Dealings)

By law, persons who perform management duties at GRENKE AG and persons closely related to them are required to disclose any trading in GRENKE AG shares or related financial instruments if the value of the transaction reaches or exceeds the threshold of EUR 20,000 within one calendar year. In accordance with Article 19 (2) and (3) of the Market Abuse Regulation (MAR), GRENKE AG ensures the required notifications and disclosures are made and publishes them on the Company's website at: www.grenke.com/investor-relations/corporate-governance/directors-dealings/.

8.6 Shareholdings of the Board of Directors and Supervisory Board

As of December 31, 2021, the shareholdings of the members of the Board of Directors and the Supervisory Board of GRENKE AG amounted to 148,538 shares. This amount corresponds to 0.32 percent of the shares issued.

8.7 Transparency and shareholder information

Announcements of GRENKE AG that are relevant to the capital market are published in the German Federal Gazette (Bundesanzeiger). Additionally, the Company uses a variety of channels to comprehensively inform financial market participants and the public about business developments and relevant events. In accordance with Article 18 (MAR), GRENKE AG maintains insider lists. The persons on these lists have been informed of their legal obligations and sanctions in the event of possible violations. Measures taken by GRENKE AG to inform the capital market are described in detail in the "Share and Investor Relations" section of this Annual Report.

8.8 Responsible Corporate Governance

The responsible corporate governance chapter covers the areas of compliance, money laundering prevention, corporate governance, data protection and information security. Due to the high importance of these topics, both for the confidence of customers and the capital markets, which at the same time have far-reaching relevance for the success of the Company, a separate section in the Non-Financial Statement of the Annual Report is dedicated to this topic and can be found in chapter 4.

8.9 Controlling and risk management

The purpose of risk management at GRENKE AG is to enable the Board of Directors and all employees involved to consciously manage risks and take advantage of opportunities. As a financial services provider, GRENKE AG is subject to the minimum requirements for risk management (MaRisk) defined by the Deutsche Bundesbank and the German Federal Financial Supervisory Authority (BaFin), as well as the regulatory requirements for IT (BAIT). The topic of risk management and the respective responsibilities are dealt with in detail in the management report in the section 6 entitled "Report on Risks, Opportunities and Forecasts".

8.10 Accounting, auditing and financial reporting

In accordance with Sections 315 (5) and 298 (2) HGB, the management report of the GRENKE Group and the management report of GRENKE AG are combined in a single report. Any deviations are explained in detail in the management report of GRENKE AG.

The GRENKE Group's consolidated financial statements for the financial year of January 1 – December 31, 2021 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) as adopted by the European Union and, for the Company, in accordance with the German Commercial Code (HGB). GRENKE AG also observed and applied the provisions of Section 315a HGB.

After the review by the Supervisory Board, the adopted annual financial statements and the approved consolidated financial statements are generally published within four months of the end of the financial year. For the 2020 annual financial statements and 2020 consolidated financial statements, compliance with this publication deadline was not possible due to the extraordinary circumstances of the ongoing special audits and the resulting delays in the audit of the annual financial statements. For the 2021 financial year, the Annual General Meeting on July 29, 2021 elected BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditor and Group auditor. The auditor will also perform the audit review of interim financial reports to the extent this needs to be carried out.

Further information on the subject matter and scope of the audit of the annual financial statements in accordance with Section 317 HGB and on the duties of the Audit Committee can be found in the Annual Report in the Report of the Supervisory Board.

9. Management Report of GRENKE AG

In the following management report, the development of GRENKE AG (the "Company") in the 2021 financial year is discussed in addition to the information reported on the GRENKE Group. The Company's financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). The Company's annual financial statements for the 2021 financial year, as well as the consolidated financial statements, will be published in the German Federal Gazette. The annual financial statements for the 2021 financial year will also be made available as a PDF document on the Company's website at www.grenke.com/investor-relations/reports-and-presentations. With regard to the general economic conditions and sector development, there were no material deviating developments that would have only affected the Company.

9.1 Corporate law framework, group affiliation

GRENKE AG was created in 1997 under the former name GRENKELEASING AG. GRENKE Investitionen Verwaltungs Kommanditgesellschaft auf Aktien (the "KGaA") was also formed in the same year. Both companies represent a structural business separation, with GRENKE AG serving as the operating company and the KGaA as the holding company. Using a two-level model, the operating company rents leased assets from the holding company and then leases these assets to sub-lessees. GRENKE AG holds an indirect interest of 100 percent in the KGaA, and a control and profit transfer agreement is in effect. As the parent company of the GRENKE Group, GRENKE AG held direct investments in 36 subsidiaries and structured entities as of the end of 2021.

9.1.1 Branches

Apart from its function as the parent company of the Consolidated Group, GRENKE AG operates the leasing business in Germany. In addition to its head office in Baden-Baden, GRENKE AG maintains locations in the following cities in Germany:

Branches in Germany

Berlin*/**	Kieselbronn*/**
Bielefeld**	Cologne*/**
Bremen*/**	Leipzig**
Dortmund**	Magdeburg**
Dresden**	Mannheim*/**
Düsseldorf*/**	Mönchengladbach*/**
Erfurt**	Munich**
Frankfurt am Main*/**	Neu-Ulm**
Freiburg*/**	Nuremberg*/**
Hamburg**	Potsdam*/**
Hanover*/**	Regensburg**
Heilbronn**	Rostock*/**
Karlsruhe*	Saarbrücken**
Kassel**	Stuttgart*/**
Kiel**	

* Registered branches of GRENKE AG
** Registered branches of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG

9.1.2 Investments

In addition to the shares in the KGaA, GRENKE AG held 100 percent of the shares in GRENKE Service AG, Baden-Baden, GRENKEFACTORING GmbH, Baden-Baden, GRENKE BANK AG, Baden-Baden, and GRENKE digital GmbH, Karlsruhe, as of December 31, 2021. GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, founded in 2019, is the sales company of GRENKE AG. The general partner of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG is GRENKE Management Services GmbH, Baden-Baden, in which GRENKE AG also holds a 100 percent interest.

As of the end of the 2021 financial year, GRENKE AG held 100 percent of each of the following entities outside of Germany:

Investments outside of Germany

Entity	Registered office
GRENKELEASING GmbH	Vienna/Austria
GRENKELEASING AG	Zurich/Switzerland
GRENKEFACTORING AG	Basel/Switzerland
GRENKELEASING s.r.o.	Prague/Czechia
GRENKE ALQUILER S.L.	Barcelona/Spain
GRENKELEASING ApS	Herlev/Denmark
Grenkefinance N.V.	Vianen/Netherlands
GRENKE LIMITED	Dublin/Ireland
GRENKE FINANCE PLC	Dublin/Ireland
GRENKE LOCATION SAS	Schiltigheim/France
GRENKE Locazione S.r.l.	Milan/Italy
GRENKELEASING AB	Stockholm/Sweden
Grenke Leasing Ltd.	Guildford/UK
GRENKELEASING Sp. z o.o.	Poznan/Poland
GRENKELEASING Magyarország Kft.	Budapest/Hungary
GRENKE LEASE Sprl	Brussels/Belgium
Grenke Renting S.R.L.	Bucharest/Romania
GRENKE RENTING S.A.	Lisbon/Portugal
GRENKELEASING Oy	Vantaa/Finland
GRENKELEASING s.r.o.	Bratislava/Slovakia
GRENKELOCATION SARL	Munsbach/Luxembourg
GRENKELEASING d.o.o.	Ljubljana/Slovenia
GRENKE RENT S.L.	Madrid/Spain
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey
GRENKE Renting Ltd.	Sliema/Malta
GC Locação de Equipamentos LTDA	São Paulo/Brazil
GRENKE Locação de Equipamentos LTDA	São Paulo/Brazil
GC Leasing Middle East FZCO	Dubai/UAE
GRENKE Hrvatska d.o.o.	Zagreb/Croatia

9.2 Net assets, financial position and results of operations

The annual financial statements of GRENKE AG as of December 31, 2021, were prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Providers.

Selected key figures from the income statement and statement of financial position

EURK	2021	2020
Income from leases	625'596	615'959
Expenses from leases	372'185	363'432
PROFIT FROM LEASES	**253'411**	**252'527**
Net interest income	–9'849	–10'895
Other operating income	56'525	54'136
General and administrative expenses	110'885	102'651
Staff cost	29'748	25'131
Depreciation and impairment	188'707	202'005
NET PROFIT / NET LOSS	**117'764**	**–25'168**

EURK	2021	2020
Cash reserve	58'000	203'001
Investments in associated companies	488'555	483'858
Leased assets	443'425	592'733
Property, plant and equipment	18'259	20'827
Receivables from banks	144'403	73'418
Receivables	39'410	30'685
Equity	525'735	420'059
Subordinated liabilities	200'000	200'000
Bank liabilities	37'506	8'717
Payables	35'067	26'641
Accruals and deferrals	373'684	512'993
Total assets	1'278'517	1'463'247

9.2.1 Results of operations

GRENKE AG's income is dominated by two functional areas: the lease business in Germany and the holding function of the Consolidated Group.

In the reporting year, the profit from leases before depreciation and impairment was almost unchanged compared to the prior year at EUR 253.4 million (previous year: EUR 252.5 million). Net interest income amounted to EUR –9.8 million, compared to EUR –10.9 million in the prior year. In addition to the interest portions included in the lease-purchase contracts, which are forwarded to the KGaA under the two-level model, interest expenses also include expenses from interest on the cash pool account with the subsidiary GRENKE FINANCE PLC, Dublin, as well as accrued interest from outstanding AT1 bonds. Total interest expenses were primarily related to the financing of leased assets from which the leasing income is generated.

Current income from investments in associated companies increased to EUR 120.6 million in the reporting year compared to EUR 95.9 million in the previous year. Income from profit and loss transfer agreements increased to EUR 28.0 million compared to EUR 3.9 million in the previous year, largely as a result of the profit of GRENKE BANK AG that was not transferred in the previous year. This was offset by expenses of

EUR 2.8 million (previous year: EUR 3.5 million) from the transfer of losses from subsidiaries. Other operating income increased by EUR 2.4 million to EUR 56.5 million in the reporting year (previous year: EUR 54.1 million) through the reversal of the provision for onerous contracts for investments whose present value was less than the potential proceeds from liquidation as of the reporting date.

Commission income fell to EUR 5.9 million (previous year: EUR 6.7 million), while commission expenses remained almost unchanged at EUR 15.8 million (previous year: EUR 15.7 million).

General and administrative expenses in the reporting year rose by EUR 8.2 million to EUR 110.9 million, mainly from additional consulting and auditing costs following the event-driven special audit conducted in accordance with Section 44 (1) sentence 2 KWG. Total staff costs of EUR 29.7 million were above the previous year's figure of EUR 25.1 million, largely as a result of severance payments. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment fell from EUR 202.0 million in the prior year to EUR 188.7 million. This decline related mainly to the decline in leased assets. Write-downs and impairments on receivables and certain securities, as well as additions to loan loss provisions in the lending business, fell from EUR 6.3 million in the previous year to EUR 2.0 million in the reporting year primarily due to the reversal of impairments from the prior year.

In the reporting year, unscheduled write-downs and impairments totalling EUR 14.7 million (prior year: EUR 92.0 million) were made to the carrying amounts of investments in associated companies. These charges were partially offset by write-ups of EUR 15.3 million (previous year: EUR 0.0 million).

The result from ordinary business activities overall in the financial year amounted to EUR 119.8 million compared to EUR –22.3 million in the previous year. After a tax expense of EUR 2.1 million (previous year: EUR 2.9 million), the net profit for the year was EUR 117,764k (previous year: net loss of EUR 25,168k).

9.2.2 Report on financial position and net assets

The Company's total assets fell by 12.6 percent to EUR 1,278.5 million as of the December 31, 2021 reporting date (previous year: EUR 1,463.2 million). This decline resulted from several items: the decline in the cash reserve held as balances at central banks from EUR 203 million in the previous year to EUR 58 million. GRENKE AG uses this liquidity to ensure it meets the regulatory requirements for liquidity at the Consolidated Group level.

Leased assets declined by 25 percent to EUR 443.4 million compared to EUR 592.7 million in the previous year. This decline was caused by a lower level of new business due to the suspended collaborations with development banks resulting from a short-seller report and the ongoing special audit in 2021 under Section 44 KWG. The decline also resulted from the Company's lower level of repurchases of leased assets from the KGaA than in the previous year (EUR 12.0 million; previous year: EUR 73.9 million), which serve as collateral for sold lease receivables. While property, plant and equipment decreased year-on-year from EUR 20.8 million to EUR 18.3 million, receivables from customers increased to EUR 39.4 million (previous year: EUR 30.7 million). This increase resulted from the decline in lease-purchase receivables sold to GRENKE BANK AG from EUR 46.8 million to EUR 29.4 million, which are shown netted against receivables from customers. The investments in associated companies also increased slightly from EUR 483.9 million to EUR 488.6 million.

Receivables from banks increased from EUR 73.4 million in the previous year to EUR 144.4 million as of December 31, 2021. This increase largely resulted from the first-time use of liquid collateral of EUR 57.1 million for all loans granted by GRENKE BANK AG to the GRENKE Group, including to subsidiaries and franchise companies.

Accruals and deferrals decreased by 27 percent to EUR 373.7 million (previous year: EUR 513.0 million). The majority of this item is related to deferrals from forfaiting instalments of lease contracts, which fell from EUR 484.7 million to EUR 341.9 million in the reporting year. Liabilities to banks had a reporting date-related increase to EUR 37.5 million (previous year: EUR 8.7 million). Liabilities to customers rose by 32 percent to EUR 35.1 million after EUR 26.6 million at the end of the previous financial year. This resulted mainly from an increase in lease-purchase liabilities reported under the two-level model with the KGaA from EUR 21.8 million in the prior year to EUR 31.0 million in the reporting year.

The Company's other liabilities fell significantly in the reporting year to EUR 86.4 million (previous year: EUR 281.5 million). This line item consists primarily of liabilities to associated companies. The decrease resulted largely from the lower utilisation of the credit balance available from GRENKE FINANCE PLC for deposits at Deutsche Bundesbank. At EUR 200.0 million, subordinated liabilities were unchanged from the previous year and exclusively include the AT1 bonds issued by GRENKE AG, which are accounted for as equity for regulatory purposes and under IFRS. GRENKE AG did not make use of the option to repay the first issued AT1 bond in the amount of EUR 50 million as of March 31, 2021. Therefore, the AT1 bond has been extended for a further five years and matures on March 31, 2026; the new interest coupon is 7.33 percent.

The Company's equity rose to EUR 525.7 million (previous year: EUR 420.1 million). As a result, the equity ratio as of the December 31, 2021 reporting date was 41.1 percent (previous year: 28.7 percent).

9.2.3 Liquidity and refinancing

GRENKE AG's high level of cash and cash equivalents and broadly diversified refinancing structure enabled it to meet its payment obligations at all times in the past financial year. GRENKE AG's total liquidity as of the reporting date amounted to EUR 95.2 million and included balances at central banks (EUR 58.0 million) and receivables from banks due on demand (EUR 37.2 million). Thus, 7.4 percent (previous year: 15.5 percent) of the total assets are available as liquidity.

GRENKE BANK AG is the Company's direct refinancing partner. GRENKE AG regularly sells lease receivables to GRENKE BANK AG to finance its business. Additional financing was provided in the context of cash pooling through the Consolidated Group's internal clearing account. The net balance as per the reporting date was a receivable totalling EUR 20.2 million (previous year: liabilities of EUR 6.1 million).

Private placements can also be made either directly or indirectly via the wholly-owned subsidiary GRENKE FINANCE PLC, based in Dublin/Ireland. In the reporting year, an existing bond was increased by EUR 125.0 million. In return, bonds with a volume of EUR 315.0 million and SEK 250.0 million were redeemed. The Irish subsidiary also has access to a syndicated revolving credit facility with a volume of EUR 250 million as well as a revolving loan facility of EUR 30 million. Both of these facilities can also be utilised by other subsidiaries.

There are also 7 ABCP programmes Group-wide with a potential total volume of EUR 947.8 million and GBP 150.0 million. Under these programmes, GRENKE FINANCE PLC, the KGaA and GRENKE-LEASING Ltd. UK, have the right to sell receivables to the programmes for a specified period or use the programmes to obtain refinancing. GRENKE AG and GRENKE FINANCE PLC also have the ability to issue commercial paper up to a total of EUR 750.0 million with maturities between 1 and 364 days. As per the reporting date of December 31, 2021, the commercial paper programme had been utilised up to an amount of EUR 0 million (previous year: EUR 0 million).

9.3 General statement on the company's business performance and financial position

The 2021 financial year was another challenging year for the GRENKE Group. In addition to the negative effects of the Covid-19 pandemic, economic development in the third quarter was impacted by global supply bottlenecks. In the view of the Board of Directors, the GRENKE Group achieved a solid result in this environment.

Based on the very solid equity position at the end of 2021, the Board of Directors is confident that it will be able to refinance the planned growth in new leasing business in the 2022 financial years at attractive terms.

As part of the Group-wide refinancing programmes, the Company issued guarantees to associated companies in the amount of EUR 10,096.9 million (previous year: EUR 10,330.2 million).

9.4 Two-level model

The Company is refinanced primarily through the Consolidated Group companies GRENKE BANK AG, GRENKE FINANCE Plc. and the KGaA. The leased assets of the new business are partially leased from the KGaA as part of a two-level model. The KGaA's lease receivables are sold to financial institutions via structured entities under three ABCP programmes or locally to two savings banks (forfaited). The underlying contractual agreements secure the financing for new business, even as volumes increase. In addition to the aforementioned, the Company has also issued unsecured and subordinated hybrid bonds.

9.5 Dividends

The Board of Directors and the Supervisory Board propose a dividend of EUR 0.51 per share for the 2021 financial year at the Annual General Meeting to be held on May 25, 2022. In the previous year, the Company distributed a dividend of EUR 0.26 per share.

9.6 Employees

The average number of full-time employees (excluding the Board of Directors and including trainees) fell slightly in the reporting year to 328 (previous year: 342). The staff turnover rate rose to 9.2 percent (previous year: 7.3 percent).

9.7 Report on risks, opportunities and forecasts

9.7.1 Risks and opportunities

The risks and opportunities described for the Consolidated Group also largely apply to the Company. However, the German domestic market continues to play a special and more important role for the Company than for the Consolidated Group as a whole. The Company is not exposed to material currency risk in its operating business because it does not enter into cross-border transactions with countries outside the eurozone.

9.7.2 Report on forecasts and outlook

The macroeconomic environment at the beginning of 2022 remains difficult. Despite the success of the vaccination campaigns, the number of infections has reached new highs in many countries due to the rapid spread of the omicron variant. The impact of this development on economic activity in the further course of 2022 cannot be reliably estimated at the time of preparing these consolidated financial statements The second major factor adversely impacting overall economic development in the past year – bottlenecks in the global supply chains – have also not yet been resolved. This is particularly true in the manufacturing sector, where the shortages of raw materials and intermediate products are expected to continue to lead to production losses in the coming months. Due to the escalating geopolitical tensions and the Russian war against Ukraine, the overall economic conditions are characterised by added extraordinary uncertainties. This also relates to the forecast for the 2022 financial year. The Board of Directors of GRENKE AG therefore expects the volume of new leasing business to be significantly above the volume in the 2021 financial year. In the medium term, the Board of Directors assumes that the volume of new leasing business in 2019 can be achieved again. In addition, the Board of Directors aims to acquire the remaining franchise companies by the end of the 2022 financial year.

The Board of Directors expects to be able to report a net profit for GRENKE AG in the 2022 financial year, depending on the level of income from investments and profit transfers from the subsidiaries.

Further information on the Consolidated Group's development can be found in the "Report on Forecasts and Outlook" of the combined management report.

Baden-Baden, March 11, 2022

The Board of Directors

Consolidated Financial Statements

for the 2021 financial year

Consolidated income statement

EURk	Note	Jan. 1, 2021 to Dec. 31, 2021	Jan. 1, 2020 to Dec. 31, 2020
Interest and similar income from financing business[1]	4.1	424'814	470'520
Expenses from interest on refinancing and deposit business	4.1	58'029	63'418
NET INTEREST INCOME		**366'785**	**407'102**
Settlement of claims and risk provision	4.2	142'785	202'434
Of which, impairment losses		136'336	192'457
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION		**224'000**	**204'668**
Profit from service business	4.3	119'165	118'049
Profit from new business	4.4	36'585	43'053
Gains(+) / losses (–) from disposals	4.5	–5'719	–5'432
INCOME FROM OPERATING BUSINESS		**374'031**	**360'338**
Staff costs	4.6	127'530	119'780
Depreciation and impairment	4.7	31'484	28'871
Selling and administrative expenses (not including staff costs)	4.8	97'156	81'629
Other operating expenses	4.9	14'106	11'337
Other operating income	4.10	28'755	6'396
OPERATING RESULT		**132'510**	**125'117**
Result from investments accounted for using the equity method		–419	–400
Expenses / income from fair value measurement		1'777	–723
Other interest income		2'699	2'188
Other interest expenses		13'067	11'010
EARNINGS BEFORE TAXES		**123'500**	**115'172**
Income taxes	4.13	28'315	26'732
NET PROFIT		**95'185**	**88'440**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG		99'538	93'666
of which total comprehensive income attributable to non-controlling interests		–4'353	–5'226
Earnings per share (basic/diluted in EUR)	4.14	1.94	1.86
Average number of shares outstanding	4.14	46'495'573	46'398'814

[1] Interest and similar income calculated according to the effective interest method EUR 7,118k (previous year: EUR 6,775k).

Consolidated statement of comprehensive income

EURk	Note	Jan. 1, 2021 to Dec. 31, 2021	Jan. 1, 2020 to Dec. 31, 2020
NET PROFIT		**95'185**	**88'440**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS			
Appropriation to / reduction of hedging reserve	7.3	1'653	501
thereof: income tax effects		–236	–72
Change in currency translation differences		4'876	–3'151
thereof: income tax effects		0	0
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS			
Equity instruments (IFRS 9)		–5'339	–241
thereof: income tax effects		0	0
Appropriation to / reduction of reserve for actuarial gains and losses	5.15	1'011	–195
thereof: income tax effects		–201	36
OTHER COMPREHENSIVE INCOME		**2'201**	**–3'086**
TOTAL COMPREHENSIVE INCOME		**97'386**	**85'354**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG		102'780	89'609
of which total comprehensive income attributable to non-controlling interests		–5'394	–4'255

Consolidated statement of financial position

EURk	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5.1	853'071	944'733
Derivative financial instruments that are assets	7.3	5'331	5'074
Lease receivables	5.2	1'963'532	2'066'352
Other current financial assets	5.3	169'119	161'757
Trade receivables	5.4	6'050	6'384
Lease assets for sale		12'431	24'095
Tax assets		16'815	22'214
Other current assets	5.5	169'321	176'512
TOTAL CURRENT ASSETS		**3'195'670**	**3'407'121**
NON-CURRENT ASSETS			
Lease receivables	5.2	3'155'440	3'569'940
Derivative financial instruments that are assets	7.3	4'878	2'442
Other non-current financial assets	5.3	97'059	120'767
Investments accounted for using the equity method		162	4'523
Property, plant and equipment	5.6	82'082	86'646
Right-of-use assets	5.10	41'979	47'680
Goodwill	5.7	41'031	43'629
Other intangible assets	5.8	19'278	23'829
Deferred tax assets	5.9	20'032	23'110
Other non-current assets		3'329	2'094
TOTAL NON-CURRENT ASSETS		**3'465'270**	**3'924'660**
TOTAL ASSETS		**6'660'940**	**7'331'781**

Consolidated statement of financial position

EURk	Note	Dec. 31, 2021	Dec. 31, 2020
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities	5.11	2'073'493	1'868'140
Lease liabilities	5.10	11'405	11'647
Derivative liability financial instruments	7.3	11'123	4'534
Trade payables		43'725	38'638
Tax liabilities		4'678	6'660
Deferred liabilities	5.14	28'734	32'313
Other current liabilities	5.12	55'601	82'476
Deferred lease payments	5.13	58'861	28'800
TOTAL CURRENT LIABILITIES		**2'287'620**	**2'073'208**
NON-CURRENT LIABILITIES			
Financial liabilities	5.11	3'003'670	3'941'970
Lease liabilities	5.10	31'542	36'754
Derivative liability financial instruments	7.3	9'661	20'765
Deferred tax liabilities	5.9	54'582	60'219
Pensions	5.15	4'867	5'736
Other non-current liabilities		2	26
TOTAL NON-CURRENT LIABILITIES		**3'104'324**	**4'065'470**
EQUITY	5.16		
Share capital		46'496	46'496
Capital reserves		298'019	298'019
Retained earnings		753'245	675'200
Other components of equity		1'735	–1'507
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLD- ERS OF GRENKE AG		**1'099'495**	**1'018'208**
Additional equity components[1]		200'000	200'000
Non-controlling interests		–30'499	–25'105
TOTAL EQUITY		**1'268'996**	**1'193'103**
TOTAL EQUITY AND LIABILITIES		**6'660'940**	**7'331'781**

[1] Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

Consolidated statement of cash flows

EURk		Note	Jan. 1, 2021 to Dec 31, 2021	Jan. 1, 2020 to Dec. 31, 2020
	NET PROFIT		**95'185**	**88'440**
	NON-CASH ITEMS INCLUDED IN NET PROFIT AND RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES			
+	Depreciation, amortisation and impairment		31'484	28'871
- / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets		–23'459	–50
- / +	Other non-cash income / expenses		43'789	35'644
+ / -	Increase / decrease in deferred liabilities, provisions, and pensions		–4'448	2'341
=	**SUB-TOTAL**		**142'551**	**155'246**
	CHANGE IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES AFTER ADJUSTMENT FOR NON-CASH ITEMS			
+ / -	Lease receivables	5.2	517'320	139'357
+ / -	Loan receivables		–14'295	26'277
+ / -	Factoring receivables		13'490	–14'146
+ / -	Other assets		32'935	95'781
+ / -	Financial liabilities	5.11.5	–732'989	132'331
+ / -	Other liabilities		3'734	51'778
+	Interest received		2'699	2'188
-	Interest paid		–13'067	–11'010
-	Income taxes paid		–24'419	–10'615
=	**CASH FLOW FROM OPERATING ACTIVITIES**		**–72'041**	**567'187**
-	Payments for the acquisition of property, plant and equipment and intangible assets		–7'127	–17'280
- / +	Payments for / proceeds from the acquisition /sale of associated entities		27'657	0
-	Payments for the acquisition of financial assets		–75	0
+	Proceeds from the sale of property, plant and equipment and intangible assets		188	758
=	**CASH FLOW FROM INVESTING ACTIVITIES**		**20'643**	**–16'522**

EURk		Note	Jan. 1, 2021 to Dec 31, 2021	Jan. 1, 2020 to Dec. 31, 2020
+ / -	Assumption / repayment of bank liabilities		0	–2'193
-	Repayment of lease liabilities		–13'515	–12'192
-	Interest coupon payments on hybrid capital		–13'406	–10'664
-	Dividend payments to GRENKE shareholders		–12'089	–28'236
=	**CASH FLOW FROM FINANCING ACTIVITIES**		**–39'010**	**–53'285**
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5.1	**944'664**	**445'905**
+	Cash flow from operating activities		–72'041	567'187
+	Cash flow from investing activities		20'643	–16'522
+	Cash flow from financing activities		–39'010	–53'285
+ / -	Change due to currency translation		–1'296	1'379
=	**CASH AND CASH EQUIVALENTS AT END OF PERIOD**	5.1	**852'960**	**944'664**

Consolidated statement of changes in equity

EURk	Share capital	Capital reserves	Retained earnings/ Consolidated net profit	Hedging reserve	Reserve for actuarial gains/losses	Currency translation	Revaluation for equity instruments (IFRS 9)	Total equity attributable to share-holders of GRENKE AG	Additional equity components	Non-controlling interests	Total equity
EQUITY AS OF JAN. 1, 2021	**46'496**	**298'019**	**675'200**	**–1'692**	**–1'588**	**–341**	**2'114**	**1'018'208**	**200'000**	**–25'105**	**1'193'103**
Net profit			99'538					99'538		–4'353	95'185
Other comprehensive income				1'653	1'011	5'917	–5'339	3'242		–1'041	2'201
TOTAL COMPREHENSIVE INCOME			**99'538**	**1'653**	**1'011**	**5'917**	**–5'339**	**102'780**		**–5'394**	**97'386**
Dividend payment in 2021 for 2020			–12'089					–12'089			–12'089
Interest coupon payment for hybrid capital (net)									–9'404		–9'404
Interest coupon for hybrid capital (net)			–9'404					–9'404	9'404		
EQUITY AS OF DEC. 31, 2021	**46'496**	**298'019**	**753'245**	**–39**	**–577**	**5'576**	**–3'225**	**1'099'495**	**200'000**	**–30'499**	**1'268'996**
EQUITY AS OF JAN. 1, 2020	**46'354**	**289'314**	**626'098**	**–2'193**	**–1'393**	**3'781**	**2'355**	**964'316**	**200'000**	**–21'102**	**1'143'214**
Net profit			93'666					93'666		–5'226	88'440

EURk	Share capital	Capital reserves	Retained earnings/ Consolidated net profit	Hedging reserve	Reserve for actuarial gains/losses	Currency translation	Revaluation for equity instruments (IFRS 9)	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Non-controlling interests	Total equity
Other comprehensive income				501	–195	–4'122	–241	–4'057		971	–3'086
TOTAL COMPREHENSIVE INCOME			**93'666**	**501**	**–195**	**–4'122**	**–241**	**89'609**		**–4'255**	**85'354**
Dividend payment in 2020 for 2019			–37'083					–37'083			–37'083
Capital increase (shares issued from Scrip Dividend)	142	8'705						8'847			8'847
Interest coupon payment for hybrid capital (net)									–7'481		–7'481
Interest coupon for hybrid capital (net)			–7'481					–7'481	7'481		
Change in scope of consolidation										252	252
EQUITY AS OF DEC. 31, 2020	**46'496**	**298'019**	**675'200**	**–1'692**	**–1'588**	**–341**	**2'114**	**1'018'208**	**200'000**	**–25'105**	**1'193'103**

Notes to the consolidated financial statements

for the 2021 financial year

1. General Information

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201836. GRENKE AG is the parent company of the GRENKE AG Group ("the GRENKE Group"). GRENKE AG is also a listed parent company trading on an organised market as defined by Section 2 (11) of the German Securities Trading Act (WpHG).

The GRENKE Group conducts financing business and is a partner for mainly small and medium-sized enterprises. Its products and services range from leasing to factoring and include various payment transaction services as well as a deposit business for private customers.

The consolidated financial statements of GRENKE AG as of December 31, 2021 (the "consolidated financial statements") include the financial statements of GRENKE AG, its subsidiaries and consolidated structured entities. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) and the supplementary regulations applicable under German commercial law in accordance with Section 315e (1) HGB. The consolidated financial statements of GRENKE AG take into account all of the standards and interpretations applicable in the EU for the 2021 financial year.

The consolidated financial statements were prepared in euro (EUR). Unless stated otherwise, all figures are rounded and stated in thousands of euro (EURk). The accounting policies applied correspond with those of the previous year. Exceptions are listed in Note 2.1–2 and relate to changes resulting from the mandatory adoption of new or amended accounting standards.

Disclosures in accordance with IFRS 7 "Financial Instruments: Disclosures" on the nature and extent of risks arising from financial instruments are contained in the chapter "Report on Risks, Opportunities and Forecasts" in the management report and are an integral part of the consolidated financial statements.

The Covid-19 Pandemie

The global economy was significantly impacted by the Covid-19 pandemic in the 2021 financial year. These conditions also affected the GRENKE Group's consolidated financial statements. GRENKE responded by forming working groups that addressed the possible effects of the pandemic on the business segments and decided on appropriate measures. In this context, deferral agreements were concluded with customers, the majority of which had expired on December 31, 2020. For further information on the current effects of the pandemic, please refer to the disclosures in the combined management report and the supplementary disclosures under the chapter entitled "Lease receivables".

The consolidated financial statements were prepared by the Board of Directors on March 11, 2022, submitted to the Supervisory Board for review and approval, and released for publication.

2. Accounting changes

2.1 First-time adoption, revised and new accounting standards

The following amendments to standards whose adoption was mandatory as of the 2021 financial year had no or only an immaterial effect on GRENKE AG's consolidated financial statements:

// Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases – Interest Rate Benchmark Reform – Phase 2"

// Amendments to IFRS 16 “Leases” in connection with corona-related lease concessions

// Amendments to IFRS 4 “Insurance Contracts” – Extension of the Temporary Exemption from Applying IFRS 9

AMENDMENTS TO IFRS 9 “FINANCIAL INSTRUMENTS”, IAS 39 “FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT”, IFRS 7 “FINANCIAL INSTRUMENTS: DISCLOSURES”, IFRS 4 “INSURANCE CONTRACTS” AND IFRS 16 “LEASES” – Interest Rate Benchmark Reform – Phase 2

The amendments of the second phase of the Interest Rate Benchmark Reform project (amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement’ and IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”) complement the requirements of the first phase of the project and basically govern the replacement of a benchmark interest rate by another benchmark interest rate.

With regard to the presentation of financial instruments, the following aspects are specifically affected:

In the event of changes in contractual cash flows, it may not be necessary to adjust or derecognise the carrying amount of financial instruments on the basis of the adjustments. Rather, under certain conditions, the option is provided to adjust the effective interest rate to reflect the change in the alternative benchmark interest rate.

With regard to hedge accounting, based on the changes, it is not necessary under certain circumstances to terminate a hedging relationship designated for hedge accounting purposes due to adjustments triggered by the reform of the benchmark interest rates.

New risks arising from the reform and, in addition, how the transition to alternative benchmark interest rates is accounted for, are to be disclosed.

In addition to amendments to IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor amendments to IFRS 4 and IFRS 16.

These amendments do not have a significant effect on GRENKE AG’s consolidated financial statements.

AMENDMENT TO IFRS 16 “LEASES” IN CONNECTION WITH COVID-19-RELATED RENT CONCESSIONS

IFRS 16 contains regulations regarding the lessee’s accounting for changes in lease payments (including rent concessions). In principle, the lessee must assess for each lease whether the rent concessions granted represent changes to the lease and must carry out the resulting remeasurement of the lease liability.

The amendment to IFRS 16 grants a practical expedient, if used. This is subject to certain conditions and is limited in time. As a result of the expedient, the lessee does not need to account for lease concessions granted in connection with the coronavirus pandemic according to the rules for changes in the lease, but instead as if no changes to the lease took place.

The amendments do not have a material impact on GRENKE AG’s consolidated financial statements, particularly as GRENKE acts as a lessor, and the amendments do not apply to the accounting as a lessor.

AMENDMENT TO IFRS 4 "INSURANCE CONTRACTS" – EXTENSION OF THE TEMPORARY EXEMPTION FROM APPLYING IFRS 9

On June 25, 2020, the IASB issued an amendment to IFRS 4 effective for annual periods beginning on or after January 1, 2021, extending the existing option for delayed first-time adoption of IFRS 9 to the new effective date of IFRS 17. The amendments to IFRS 17 are to be applied for the first time from January 1, 2023. This amendment has no impact on GRENKE AG's consolidated financial statements.

2.2 Accounting standards and interpretations already published but not yet implemented

The IASB has published additional amended standards or interpretations, the adoption of which will only become mandatory at a later date. Several of these standards have already been endorsed by the EU. Voluntary early adoption is expressly permitted by these standards. GRENKE AG does not make use of this option. These standards will be implemented in the consolidated financial statements at the time of mandatory adoption. The effects on GRENKE AG's consolidated financial statements are being examined. These amendments are not expected to have a material impact on the reporting in GRENKE AG's consolidated financial statements.

	Title	Publication IASB	First-time adoption IASB	Adopted by EU
IFRS 16	Amendments to IFRS 16 “Leases” in connection with corona-related lease concessions – Extensions	March 31, 2021	Apr. 01, 2021	yes (Aug. 8, 2021)
IFRS 3, IAS 16, IAS 37	Amendments to IFRS 3 “Business Combinations”, IAS 16 “Property, Plant and Equipment”, IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and Annual Improvements to IFRSs 2018-2020	May 14, 2020	Jan. 01, 2022	yes (June 28, 2021)
IFRS 17	IFRS 17 “Insurance Contracts”	June 25, 2020	Jan. 01, 2023	yes (Nov. 19, 2021)
IFRS 10, IAS 28	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"		on Dec. 17, 2015, postponed indefinitely	no
IAS 1	Amendments to IAS 1 “Presentation of Financial Statements” on the classification of liabilities	Jan. 01, 2020, and July 15, 2020	Jan. 01, 2023	no
IAS 1	Amendments to IAS 1 “Presentation of Financial Statements” and the IFRS Practice Statement 2 “Making Materiality Judgements”	Feb. 12, 2021	Jan. 01, 2023	no
IAS 8	Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”	Feb. 12, 2021	Jan. 01, 2023	no
IAS 12	Amendments to IAS 12 “Income Taxes” on the recognition of deferred taxes arising from a single transaction	May 07, 2021	Jan. 01, 2023	no
IFRS 17	Amendments to IFRS 17 "Insurance contracts: First-time application of IFRS 17 and IFRS 9 – Comparative Information"	Dec. 09, 2021	Jan. 01, 2023	no

Amendments to IFRS 16 “Leases” – In Connection with COVID-19-RELATED Rent Concessions – Extension

IFRS 16 contains regulations regarding the lessee’s accounting for changes in lease payments (including rent concessions). In principle, the lessee must assess for each lease whether the rent concessions granted represent changes to the lease and must carry out the resulting remeasurement of the lease liability.

In response to the ongoing impact of the Covid-19 pandemic, IFRS 16 “Leases” was amended on March 31, 2021 to provide a one-year extension of the practical expedient to assist lessees in accounting for Covid-19-related rent concessions. The amendments extend the practical expedient to lease concessions that reduce lease payments originally due on or before June 30, 2022. Previously, only rent concessions that reduce lease payments that are or were due on or before June 30, 2021 were within the scope of the expedient.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted.

The Consolidated Group currently assumes that there will be no material effects on the consolidated financial statements. GRENKE acts above all as a lessor, and the amendments do not apply to the accounting as a lessor.

Amendments to IFRS 3 “Business Combinations”, IAS “16 Property, Plant and Equipment”, IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and “Annual Improvements to IFRSs” 2018-2020.

Several limited IFRS amendments, including the omnibus amendment standard of the annual improvement, 2018-2020 cycle, which makes adjustments to IFRS 1 “First-time Adoption of IFRS”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and an example of IFRS 16 “Leases”, were published by the IASB on May 14, 2020, with an effective date of January 1, 2022.

The amendments to IFRS 3 update the reference to the IFRS framework. Likewise, IFRS 3 is supplemented by the provision that an acquirer must apply these regulations instead of the framework concept when identifying assumed obligations within the scope of IAS 37 or IFRIC 21. The accounting rules for business combinations are not changed in terms of content.

Under the amendment to IAS 16, entities will no longer be permitted to deduct revenue from the sale of goods produced while an item of property, plant and equipment is being brought to the location and condition intended from the cost of that item of property, plant and equipment. Instead, these revenues are to be recognised in the income statement together with the production costs of the item of property, plant and equipment.

The amendment to IAS 37 specifies which costs an entity should consider when assessing whether a contract is onerous or loss-making and focuses on costs that are directly related to the contract (directly related cost approach). Costs related to the performance of contracts for the supply of goods or services include both the directly attributable (incremental) costs of fulfilling the contract and overhead costs that relate directly to contract performance activities. General administrative costs are not directly related to the contract and are therefore not included in the contract performance costs unless the contract explicitly provides for charging to the customer.

The annual improvements to the omnibus amendment standard (2018-2020 cycle) concern minor amendments to IFRS 1 “First-time Adoption of IFRS”, first-time adoption by a subsidiary, an accompanying example to IFRS 16 “Leases” and the significance of tax effects in determining fair value in IAS 41 “Agriculture”.

In addition, IFRS 9 “Financial Instruments” was also amended, according to which only costs and fees paid by the entity to the creditor and vice versa are to be taken into account in the ten percent present value test before derecognition of financial liabilities. Costs or fees paid to other third parties may not be included. EU endorsement took place on June 28, 2021.

IFRS 17 “Insurance Contracts”

IFRS 17 replaces IFRS 4 and thus, for the first time, provides uniform requirements for the recognition, measurement, presentation of and disclosures in the notes on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. According to the measurement model of IFRS 17, groups of insurance contracts are measured based on the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks as well as a contractual service margin, which leads to the recognition of profit according to the provision of services.

The changes from the liability to provide insurance cover in each period for which the insurance company receives a fee, as well as the part of the premiums that cover the acquisition costs, are reported as “insurance revenue” instead of premium income. Proceeds from and payments into savings components are not recognised as revenue or income or expense in the income statement. Insurance financial income and expenses result from discounting effects and financial risks. For each portfolio, they can be recognised either in the income statement or in other comprehensive income.

Changes in assumptions that do not relate to interest or financial risks are not recognised directly in the income statement, but are instead recognised against the contractual service margin and thus distributed over the duration of the services still to be provided. Only for those groups of insurance contracts for which losses are imminent, changes in estimates are recognised directly.

IFRS 17 provides for an approximation method for short-term contracts, which shows the liability for the provision of insurance cover as previously via unearned premiums. Under IFRS 17, liabilities from insurance claims that have occurred but not yet settled must be discounted using current interest rates. For large parts of the life insurance business with profit participation, IFRS 17 modifies the general measurement model by also recognising changes in the shareholder’s share of the development of the profit sources underlying the profit participation in the contractual service margin and distributing them over the remaining period of service provision.

To the extent that retrospective application is not possible, the contractual service margin at the transition date can be determined using a modified retrospective method or by comparing the expected value of the discounted cash flows and risk adjustment to the present value at the transition date.

The June 2020 amendments include a deferral of the first-time application of IFRS 17 from January 1, 2021 by two years to January 1, 2023. The exemption from the first-time application of IFRS 9 applicable to insurers is also deferred to January 1, 2023 so that both standards can continue to be applied for the first time at the same time.

In addition, the amendments essentially concern the following topics:

// Accounting for certain means of payment (e.g. credit cards) (exemption from scope or decomposition) and loans (option to apply either IFRS 17 or IFRS 9) to the extent that they involve insurance risks.

// Recognition of profits not only in accordance with the insurance cover provided, but also in accordance with investment management services provided.

// Allocation of acquisition costs, also to expected contract renewals outside the contract limits of the original contract.

// Risk management measures are taken into account not only in the case of risk mitigation via derivatives, but also in the case of risk mitigation via reinsurance or by means of classic financial instruments.

// Recognition of assets and liabilities from insurance contracts at portfolio level instead of at group level of insurance contracts.

// Reinsurance of loss-making contracts should be allowed to be recognised as profit to the extent that it covers the loss-making contracts.

// Accounting for assumed loss liabilities in the context of a company acquisition before the transition to IFRS 17.

The amendments are effective for reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

The Consolidated Group currently assumes that there will be no significant impact on the consolidated inancial statements.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and an Associate or Joint Venture

The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the case of the sale of assets to an associate or joint venture or the contribution of assets to an associate or joint venture.

According to IFRS 10, a parent company must recognise the full amount of the gain or loss from the disposal of a subsidiary in the income statement when control is lost. In contrast, the currently applicable IAS 28.28 requires that the gain or loss on disposal of a disposal transaction between an investor and an at-equity accounted investment – whether an associate or a joint venture – be recognised only to the extent of the other party's interest in the entity.

In future, the entire profit or loss from a transaction is only to be recognised if the assets sold or contributed constitute a business within the meaning of IFRS 3. This applies regardless of whether the transaction is structured as a share or asset deal. If, on the other hand, the assets do not constitute a business operation, only a pro rata recognition of profit or loss is permissible.

The IASB has postponed the date of the first-time application of the amendments indefinitely. The Consolidated Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities

In January 2020, IAS 1 "Classification of Liabilities as Current or Non-current" was published. The amendments to IAS 1 clarify that the classification of liabilities as current or non-current should be based on the entity's rights at the reporting date to defer settlement of the liability for at least twelve months after the end of the reporting period. If such rights exist, the liability is classified as non-current, otherwise it is classified as current. The classification is independent of management's expectations and possible events after the reporting date. The classification therefore does not depend on the expectations of whether an entity will exercise its right to defer settlement of an obligation. On July 15, 2020, the IASB deferred first-time adoption of the amendment by one year for financial years beginning on or after January 1, 2023. The amendments are therefore applicable – subject to adoption into EU law – to reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted but generally requires endorsement in the EU.

The Consolidated Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements"

The amendments to IAS 1 require entities to present only their "material" accounting policies in the notes (previously, it was "significant" accounting policies). To be material, the accounting policy must be related to significant transactions or other events and be event-driven (for example, a change in policy). The amendments are thus intended to help improve the disclosures on accounting policies. Accompanying this, the guidance of IFRS Practice Statement 2 was adjusted accordingly. Subject to adoption into EU law, the amendments are applicable to reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted but requires EU endorsement.

The Consolidated Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to IAS 8 clarify the distinction between changes in accounting policies and changes in accounting estimates. For this purpose, it is defined that an accounting estimate always relates to a measurement uncertainty of a financial figure on the financial statements. This distinction is important because changes in estimates are applied prospectively to transactions and other events from the date of the change in estimate, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. Subject to adoption into EU law, the amendments are applicable to reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted but requires an EU endorsement.

The Consolidated Group currently assumes that there will be no material impact on the consolidated financial statements.

Amendment to IAS 12 "Income Taxes" on the recognition of deferred taxes from a single transaction

The amendments address previously existing uncertainties in the accounting for deferred taxes in connection with leases and disposal or restoration obligations.

Until now, when assets and liabilities are recognised for the first time, the so-called "initial recognition exemption" (IAS 12.15) has been applied under certain conditions. In these cases, deferred taxes are exceptionally not to be recognised. In practice, there was uncertainty as to whether this exemption also applied to leases and disposal or restoration obligations. A narrowly defined amendment to IAS 12 has now been made to ensure uniform application of the standard.

Due to this amendment, the "initial recognition exemption" no longer applies to transactions in which both deductible and taxable temporary differences arise in the same amount upon initial recognition, even if the other previously applicable conditions are met. This is therefore a retroactive exception from the "initial recognition exemption" for narrowly defined cases.

The amendments mean that deferred taxes must be recognised, for example, on leases accounted for by the lessee and on disposal or restoration obligations.

Subject to adoption into EU law, the amendments are applicable to reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted but requires EU endorsement.

The Consolidated Group currently assumes that there will be no material impact on the consolidated financial statements.

Amendments to IFRS 17 "Insurance Contracts" – First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information

The amendment to IFRS 17 introduces the option to apply a so-called "classification overlay approach" if certain conditions are met. This makes the comparative information for financial instruments more meaningful in the year before the first-time application of IFRS 17, i.e. for the year 2022. The "classification overlay approach" can be applied if no "restatement" of a financial asset is made during the simultaneous first-time application of IFRS 17 and IFRS 9 with regard to the comparative information of IFRS 9 in 2022. When applying the "classification overlay approach", the current information status at the time of transition is used for the classification in the categories of IFRS 9, i.e. how the entity plans to classify its financial assets when first applying IFRS 9. The disclosure of comparative information is basically made as if the classification and measurement rules of IFRS 9 had already been applied in the comparative period, with the exception of the impairment rules, for which the "classification overlay approach" does not force disclosure in accordance with IFRS 9. Differences between the previous carrying amount of a financial asset and the amount resulting from the "classification overlay approach" must be recognised in equity.

The extent to which an entity uses the approach (e.g. whether it has been applied to all financial assets to be disposed of in 2022) and whether and to what extent it has been disclosed in accordance with the impairment rules of IFRS 9 must also be disclosed.

When IFRS 9 is applied for the first time as of January 1, 2023, the transitional provisions applicable under IFRS 9 must be applied, regardless of whether the "classification overlay approach" was applied or not.

Subject to adoption into EU law, the amendments are applicable to reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted but requires EU endorsement.

The Consolidated Group currently assumes that there will be no significant impact on the consolidated financial statements.

3. General Accounting Policies

3.1 Composition of the Consolidated Group

The Consolidated Group consists of GRENKE AG and 56 consolidated entities (previous year: 56), of which 6 (previous year: 6) are consolidated structured entities, and 13 are consolidated franchise companies without equity investments (previous year: 13). The Consolidated Group holds either directly or indirectly a 100 percent equity interest in 38 (previous year: 38) of the entities controlled by the Consolidated Group. Of the consolidated structured entities, 4 (previous year: 4) are held by third parties, and 3 concern parts of investees (silos). Furthermore, 1 associated entity (previous year: 3) not material for the GRENKE Group have been included in the consolidated financial statements using the equity method. The consolidated financial statements contain all assets and liabilities as well as all expenses and income of GRENKE AG and of the Consolidated Group companies it controls (the "GRENKE Group") after eliminating all material intra-group transactions. Uniform accounting principles are applied Group-wide to the consolidated financial statements. All intra-Group receivables and liabilities, as well as expenses and income resulting from transactions between companies included in the consolidated financial statements, are eliminated as part of the consolidation of liabilities, expenses and income. Gains or losses incurred in the Consolidated Group from intercompany transactions are also eliminated.

Affiliated entities are consolidated as of the date control is assumed by the GRENKE Group and are no longer consolidated as of the date that control ceases. For more information, please refer to the schedule of shareholdings in Note 10.

3.1.1 Subsidiaries

Subsidiaries are entities in which the Consolidated Group holds either a direct or indirect interest and over which GRENKE AG exerts control. Control exists when GRENKE AG's existing rights give it the ability to direct the relevant activities of the subsidiary (power of disposition) and, in doing so, is exposed to variable returns, and there is a link between this power of disposition and the amount of return. To determine whether an entity should be consolidated, a number of control factors need to be considered. These include an examination of

- // the purpose and design of the entity,
- // the relevant activities and how they are determined,
- // whether the Consolidated Group has rights giving it the ability to direct the relevant activities,
- // whether the Consolidated Group has risk exposure or rights to variable returns; and
- // whether the Consolidated Group has the ability to use its power in a manner that affects the amount of returns.

Structured entities are entities in which voting or similar rights are not the dominant factors in determining control, for example, when voting rights only relate to administrative tasks and the relevant activities are governed by contractual agreements.

For the consolidated franchise companies, voting rights and comparable rights are not the dominant factors in determining control. These companies are controlled specifically due to the ability to determine the relevant activities.

3.1.2 Associated Entities

Associated entities are entities whose financial and business decisions can be significantly influenced by the Consolidated Group, but the Consolidated Group cannot control or jointly control the entities' decision-making processes. Significant influence typically exists when there is an interest in the associated entities' voting rights of 20 percent to 50 percent.

Associated entities are accounted for in the consolidated financial statements using the equity method and initially recognised at acquisition cost.

The share of profit and loss of the associated entity following its acquisition or establishment is recognised in the consolidated income statement, and the share in any earnings-neutral changes in equity is directly recognised in the Consolidated Group's equity. Goodwill arising from the acquisition of an associated or jointly controlled entity is included in the carrying amount of the investment (less accumulated impairment losses). As a result, there is no separate goodwill impairment test carried out.

3.2 Foreign Currency Translation

The separate financial statements of the foreign Consolidated Group companies are translated into euros using the functional currency concept. The functional currency of all foreign business enterprises is the respective national currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate on the reporting date. The income and expenses of these subsidiaries are translated at the average rate for the financial year. The translation differences that result are recognised as a separate component of equity. When a foreign operation is sold, the cumulative amount recognised in equity for this foreign operation is released in profit and loss.

Transactions in a currency that differs from the functional currency of a subsidiary are first translated into the functional currency at the prevailing spot rate on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing rate on each reporting date. The translation differences that result are recognised through profit and loss. Non-monetary items denominated in a foreign currency are carried at historical exchange rates.

Currency translation was based on the following key exchange rates:

	Closing rate Dec. 31, 2021	Average rate 2021	Closing rate Dec. 31, 2020	Average rate 2020
GBP	0.8403	0.8596	0.8990	0.8897
HUF	369.19	358.52	363.89	351.25
CHF	1.0331	1.0811	1.0802	1.0705
SEK	10.2503	10.1465	10.0343	10.4848
TRY	15.2335	10.5124	9.1131	8.0547
DKK	7.4364	7.4370	7.4409	7.4542

3.3 Leases

3.3.1 The Consolidated Group as Lessor

Leases are defined as agreements in which the lessor transfers the right to the lessee to use an identifiable asset for an agreed time period in exchange for the payment of consideration for an agreed time period.

Whether an agreement can be considered as a lease or containing a lease depends on the economic substance of the agreement at the beginning of the agreement. For the lessor, leases are to be classified as either operating leases or finance leases.

3.3.1.1 Finance Leases

In the case of finance leases, all of the significant risks and rewards of legal ownership are transferred from the lessor to the lessee.

Finance leases are initially recognised in the statement of financial position as of the date they are available for use (upon the issue of the lease's letter of acceptance) as lease receivables at an amount equal to the net investment, which represents the sum of outstanding lease payments and non-guaranteed residual values of the existing lease agreements, discounted at the interest rate underlying the lease. Lease payments as of the date of the lease's availability for use are divided into interest payments and principal payments in such a manner that they reflect a periodic rate of return for the receivable. Initial direct costs incurred in connection with the conclusion of the contract, e.g. reseller commissions, are taken into consideration when calculating the net investment value. The capitalisation of initial direct costs is recorded in profit from new business. This item also includes portions of revenue from lease down payments, which is the fee paid by the lessee for the use of the lease object during the period from the transfer of the object until the issuance of the lease acceptance letter. Service fees for making the lease object available for use are also a component of the profit from new business.

3.3.1.2 Operating Leases

Operating leases are leases in which the GRENKE Group does not transfer all the significant risks and rewards of ownership of the asset to the lessee. Initial direct costs incurred in the negotiation and conclusion of an operating lease are added to the carrying amount of the lease asset. These amounts are depreciated together over the term of the lease agreement until the residual value is reached. When determining the term of a lease, extension periods are taken into account in addition to the non-cancellable basic term, provided that the exercise of the underlying extension options is considered sufficiently certain. At the GRENKE Group, the term of a lease is therefore generally determined by the non-cancellable basic term.

Contingent rents are recognised as income in the period in which they are generated. Operating lease assets are typically recorded in the statement of financial position as property, plant and equipment based on the type of asset (see Note 5.6). Revenue from lease instalments and significant portions of depreciation on lease assets are recognised on a straight-line basis in the profit from service business.

3.3.1.3 Deferral Agreements

GRENKE had entered into deferral agreements with its leasing customers to provide them with support during the current COVID-19 pandemic and its consequences. These agreements were also meant to minimise the Consolidated Group's default risk. Under the deferral agreements, individual payments for lease instalments were deferred for a fixed period of time without interest and not due until a later date but before the lease's termination. The deferred lease receivables were regularly reviewed by the appointed working group.

Deferral agreements have also been concluded with customers in the lending business. Here, the debtor was granted deferral of loan instalments for a certain period, but with interest.

Most of the deferral agreements expired on December 31, 2020. No new agreements were deferred in this connection in the 2021 financial year.

3.3.2 The Consolidated Group as Lessee

In the case of a lease contract in accordance with IFRS 16, the lessee is generally obliged to capitalise a right-of-use and to recognise a corresponding lease liability.

An agreement constitutes a lease within the meaning of IFRS 16 if it entitles the holder to use an underlying asset for a specified period of time in return for the payment of a fee. The existence of a lease therefore requires not only an identified asset but also the right of the customer to derive the economic benefit from its use and to decide on its use.

The only exceptions to the recognition are the so-called “short-term” and “low-value” leases, which the GRENKE Group does not recognise as a right-of-use and lease liability despite the existence of a leasing relationship. Instead, the lease payments for these agreements are recognised as an expense over the term of the lease. “Short-term” leases are leases with a maximum term of twelve months and that do not include purchase options. “Low-value” leases are leases where the underlying asset is of minor value. In the GRENKE Group, an initial value of no more than EUR 4,500 is taken as a basis for determining leases for low-value assets.

Where contracts contain both leasing and non-leasing components, only the leasing components are recognised as rights-of-use and lease liabilities in accordance with IFRS 16. The first-time measurement of lease liabilities recognised in accordance with IFRS 16 is at the present value of the lease payments not yet made.

When determining the lease payments, in addition to the non-terminable basic term, extension periods are also taken into account, provided that the exercise of the underlying extension option is deemed sufficiently certain. The GRENKE Group uses the lessee’s respective incremental borrowing rate to discount the cash flows. In subsequent measurement, the lease liabilities are carried at amortised cost using the effective interest method. The interest incurred in the financial year is recognised as an expense in the item other interest expenses. Lease liabilities are gradually reduced by the repayment portions included in the lease payments. A revaluation of the lease liability (and a corresponding adjustment of the related right-of-use) is to be carried out if the future lease payments resulting from the underlying agreement change. This may be due to contract adjustments or renegotiations of contracts as well as changes in estimates with regard to the expected exercise of termination or renewal options.

The initial recognition of the associated rights-of-use is based on the valuation of the lease liabilities. Based on the amount of the lease liability, the amount of the right-of-use is determined by additionally capitalising all lease payments made at or before the asset’s availability for use, as well as initial direct costs and estimated costs for deconstruction obligations. Lease incentives received are to be subtracted. In subsequent measurement, the right-of-use recognised is amortised over its useful life and, if necessary, impaired in accordance with IAS 36 “Impairment of Assets”. The amortisation of the rights-of-use is included in the item depreciation and impairment.

3.4 Measurement of Fair Values

The GRENKE Group measures derivative financial instruments at their fair value. Additionally, the fair values of financial instruments measured at cost are presented in Note 7.4.

The fair value is the amount that would be obtained from the sale of an asset in an arm's length transaction between market participants at the valuation date as part of an orderly business transaction under current market conditions or the amount to be paid for the transfer of a liability. Fair value measurement assumes that the transaction leading to the sale of the asset or the transfer of the liability takes place on the asset's principal market or the principal market for the transfer of the liability or, if such a principal market is not available, on the most favourable market for the asset or the transfer of the liability.

Fair value is determined for a certain point in time and by applying those assumptions that representative market participants would take into consideration in pricing. With respect to pricing, it is assumed that market participants act in their own best economic interest.

When measuring the fair value of non-financial assets, the respective market participant's ability to generate an economic benefit is taken into account through the greatest and best use of the asset or through the sale of the asset to another market participant who finds the greatest and best use of the asset.

The GRENKE Group uses observable market data, as far as possible, for determining the fair value of an asset or a liability. The fair values are assigned to different levels of the fair value hierarchy based on the input parameters used in the valuation methods:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Measurement procedures in which all input factors that have a significant effect on the recognition of fair value are directly or indirectly observable

Level 3: Measurement procedures that use input factors that have a significant effect on the fair value recognised and are not based on observable market data

If the input factors used to determine the fair value of an asset or a liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is assigned entirely to the level in the fair value hierarchy that corresponds to the lowest input factor material for the overall measurement.

The GRENKE Group recognises reclassifications between the different levels of the fair value hierarchy at the end of the reporting period in which the change has occurred. In the reporting year, there were no reclassifications among the three levels of the measurement hierarchy.

3.5 Financial Instruments

3.5.1 Categories of Financial Instruments

The GRENKE Group classifies financial assets and liabilities in the following categories pursuant to the provisions of IFRS 9:

Financial assets:
// Amortised Cost (AC)
// Fair Value OCI without Recycling (FVOCIoR)
// Fair Value P&L (FVPL)

Financial liabilities:
// Amortised Cost (AC)
// Fair Value P&L (FVPL)

Pursuant to the provisions of IFRS 7, the GRENKE Group divides the IFRS 9 items into the following categories:

Financial assets:
// Cash and cash equivalents
// Lease receivables
// Other financial assets (factoring receivables, receivables from the lending business, other financial assets)
// Trade receivables
// Other investments
// Derivative financial instruments without hedging relationship
// Derivative financial instruments with hedging relationship

Financial liabilities:
// Financial liabilities (liabilities from the deposit business, liabilities from the refinancing of lease receivables and bank liabilities)
// Trade payables
// Derivative financial instruments without hedging relationship
// Derivative financial instruments with hedging relationship
// Financial guarantees and irrevocable credit commitments

3.5.2 Financial Assets

IFRS 9 Categories

IFRS 9 differentiates financial assets into debt instruments, derivatives and equity instruments. The classification of financial assets into measurement categories is determined based on the business model and the contractual cash flow characteristics of the financial asset (so-called “SPPI”; Solely Payment of Principal and Interest).

The business model employed for the administration and management of the financial assets determines how the future cash flows from the financial assets should be realised and represents the strategic decisions of persons holding key positions in the Company. The assessment of the business model does not depend on the management's intended use of an individual asset; instead, the decision on the classification is made at a portfolio level. The method in which the cash flows within the respective business model are realised is crucial for the assessment of the business model in accordance with IFRS 9. Next to the strategic objectives of the management, the Consolidated Group observes several other factors when defining the business model, such as how the performance within the respective portfolio is measured and which persons holding key positions in the Company this should be reported to. In addition to taking into account the risks affecting the portfolio's performance and the portfolio's financial assets, special attention is paid to how the market and credit risks are managed, as well as how the executives in this department are remunerated. It follows that the description of the business model is not the decisive factor in making the assessment but, instead, the actual management. Consequently, the determination of the business model is not done arbitrarily but is based on observable facts and actual circumstances.

IFRS 9 provides for three business models:

// the achievement of cash flows by collecting the contractual cash flows (the "Hold" business model),
// the generation of cash flows through the receipt of contractual cash flows and the sale of financial assets (the "Hold and Sell" business model), and
// in the case of financial assets that do not qualify for either the "Hold" or "Hold and Sell" business models (the "Sell" business model).

In addition to the business model requirement, a review of the contractual cash flow characteristics ("SPPI") must also be carried out, which requires that the contractual terms of the relevant financial instrument result in payments consisting exclusively of interest and principal at predetermined dates in the context of a traditional credit relationship. In contrast to the business model assessment, the individual contract specification of each financial instrument should be considered individually. The business model is assigned on a portfolio basis, while the SPPI criterion must always be reviewed for each individual financial instrument assigned to the "Hold" or "Hold and Sell" business models.

IFRS 9 provides for the following four types of subsequent measurement of financial assets:

// Measurement at amortised cost (AC)
// Measurement at fair value through OCI with recycling (FVOCImR)
// Measurement at fair value through OCI without recycling (FVOCIoR))
// Measurement at fair value through P&L (FVPL)

Finance lease receivables are recognised in accordance with IFRS 16 (see Note 3.3.) Finance lease receivables, however, are subject to the provisions of IFRS 9 for derecognition and impairment.

Financial assets are allocated to the measurement categories upon initial recognition. Reclassifications are only permissible in the event of a change in the business model that results in a significant impact on the business processes. Where appropriate, reclassifications are made prospectively as of the first day of the first reporting period following the change in the business model. No reclassifications took place during the reporting and the previous year.

Financial Assets at Amortised Cost

Debt instruments are accounted for at amortised cost when the contractually agreed payment characteristics consist solely of principal and interest payments ("SPPI criterion") on the outstanding principal and are recognised within the scope of a business model whose objective is to hold financial assets in order to collect the contractual cash flows of the financial asset.

The initial measurement in the measurement category is at fair value plus any additional and individually allocable transaction costs which, in the case of financial assets, increase the fair value. This, however, excludes trade receivables with no significant financing components, which are measured at their transaction price. After their initial recognition, financial assets in the category "financial assets at amortised cost" are measured at amortised cost using the effective interest method less any impairment. Amortised cost includes all discounts and premiums paid upon acquisition and includes all fees that are an integral part of the effective interest rate, including transaction costs. Impairment is tested based on the expected credit loss model under IFRS 9.

The model stipulates the recognition of impairment through profit and loss based on expected future credit losses. Please refer to Note 3.5.5. Financial assets measured at amortised cost are recognised as of the settlement date.

At the GRENKE Group, financial assets in the category "at amortised cost" include the line items "cash and cash equivalents", "other financial assets" and "trade receivables". The item cash and cash equivalents in the consolidated statement of financial position comprises cash on hand and balances at banks and central banks with a maturity of less than three months. Current account liabilities are deducted from cash and cash equivalents in the statement of cash flows.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The fair value measurement through comprehensive income with recycling (FVOCImR) is applied to financial assets whose cash flows also comply with the SPPI criterion and have been assigned to the "Hold and Sell" business model. GRENKE does not hold any instruments that are assigned to the "Hold & Sell" business model and therefore does not make use of this classification.

Equity instruments that comply with the definition of equity under IAS 32 do not fulfil the cash flow condition due to a lack of contractual payment entitlements in terms of interest and credit repayments and are therefore to be measured at fair value through profit or loss. There is the option (OCI option) of designating equity instruments that are not intended to be traded as "at fair value through other comprehensive income". GRENKE applies this option and classifies its 13.71 percent investment in Finanzchef24 GmbH as FVOCI without recycling (FVOCIoR). As a result, all changes in fair value are presented in other comprehensive income, no impairment losses are recognised in profit or loss, and no gains or losses are reclassified to profit or loss upon disposal. This alternative presentation is chosen to ensure that volatility in a start-up company's fair value measurement is not recognised in the income statement. Financial assets at fair value through other comprehensive income are measured at fair value upon acquisition.

Financial Assets at Fair Value Through Profit and Loss (FVPL)

The measurement at fair value with changes recognised in profit or loss is compulsory if either the financial instrument has not been allocated to a portfolio of the other aforementioned business models (AC, FVOCImR, FVOCIoR) or if its cash flows do not meet the SPPI criterion.

The subsequent measurement at amortised cost is not possible for derivatives since they do not regularly meet the SPPI criterion. Derivatives are always to be measured at fair value through profit or loss provided they are not in a hedging relationship (hedge accounting). The GRENKE Group does not hold any financial assets at fair value through profit or loss as of the reporting date except for derivatives. Derivative financial instruments held by the GRENKE Group that are not in a hedging relationship are solely used to hedge interest rate and currency risk. Changes in the fair value of these derivatives are recorded under “expenses/income from fair value measurement” or, in the case of derivatives used to hedge currency risk, under “other operating expenses” and “other operating income”.

In order to avoid accounting mismatches resulting from the classification of a financial asset at amortised cost or at fair value through other comprehensive income, the financial asset may be irrevocably classified as measured at fair value through profit or loss. The utilisation of this option is limited under IFRS 9. GRENKE is not currently applying the fair value option.

Modification of Financial Assets

In the case of modifications that affect the contractual cash flows of financial assets, the Consolidated Group must examine whether this poses a substantial or non-substantial modification of the contractual cash flows. This assessment is done by taking an overall view of the qualitative and quantitative circumstances. An example of a qualitative indicator is a change of debtor. A quantitative criterion that leads to a substantial modification of the contract is if the discounted present value of the cash flows of the new contractual terms differs by at least 10 percent from the discounted present value of the remaining cash flows of the original debt instrument. A substantial modification results in the derecognition of the original agreement and the recognition of a new financial asset. The date of the initial recognition of the new financial asset is the date of the modification. In the case of a non-substantial modification, the asset is not derecognised, and the difference between the respective carrying amounts is recognised in profit or loss.

3.5.3 Financial Liabilities

Financial Liabilities at Amortised Cost

Financial liabilities are initially recognised at fair value, net of transaction costs. In subsequent periods, they are recognised at amortised cost. The deducted transaction costs and any debt discounts are amortised over the lease term in profit and loss using the effective interest method.

Refinancing liabilities, which result from the sale of the lease receivables to the respective refinancing party, are recognised at the present value of the payments yet to be made to the refinancing party. The originally agreed interest rate is used as the discount rate for fixed interest loans. Upon repayment, regular payments are split into an interest portion and a principal component. The interest portion is recognised as an expense from interest on refinancing.

A financial guarantee is a contract that contains an obligation for the guarantor to make payments that compensate the guarantee holder for a loss that arises because a given debtor fails to meet his or her payment obligations on time and according to the terms of the debt instrument. Liabilities from financial guarantees are initially recognised at fair value. The fair value typically corresponds to the net present value of the consideration received in return for the provision of the financial guarantee. In the case of marketable contracts, the fair value of a financial guarantee at the time of conclusion of the contract is usually the value of the obligation and, therefore, zero (net method). Subsequently, the measurement is made at the higher of amortised cost or the amount of the provision that must be recognised in the event of an imminent claim.

Financial liabilities are measured at amortised cost using the effective interest method under IFRS 9, except when they are financial liabilities measured at fair value.

Financial Liabilities at Fair Value

The GRENKE Group did not hold any financial assets at fair value through profit or loss as of the reporting date except for derivatives. Derivative Financial Instruments held by the GRENKE Group are solely used to hedge interest rate and currency risk. Changes in the fair value of derivatives are recorded under “expenses/income from fair value measurement” or, in the case of derivatives used to hedge currency risk, under “other operating expenses” and “other operating income”.

In order to avoid accounting mismatches resulting from the classification of a financial asset or a financial liability that would otherwise result from the measurement of assets or liabilities or the recognition of gains or losses on a different basis, the financial asset or financial liability may be irrevocably classified upon initial recognition as measured at fair value through profit or loss. GRENKE is not currently applying the fair value option.

Embedded Derivatives

Embedded derivatives are derivatives that are embedded in primary financial instruments. In accordance with IFRS 9, only derivatives that are embedded in financial liabilities and non-financial basic contracts are separated. According to IFRS 9, financial assets are assessed as a whole, with the result that there is no longer any separate accounting between the basic instrument and the embedded derivative. Instead, financial assets are classified in accordance with the business model and contract terms.

Presentation as a separate line item is only required when the following three conditions are met:

- // The economic characteristics and risks of the embedded derivative are not closely related to those of the basic contract
- // A standalone derivative with the same conditions as the embedded derivative meets the definition of a derivative
- // The original financial liability is not measured at fair value through profit or loss

In this case, the embedded derivative to be separated is recognised at fair value. Measurement changes are recognised in profit or loss under financial assets and liabilities measured at fair value through profit or loss. By contrast, the accounting and measurement of the basic contract follow the rules of the assigned category of the financial instrument.

3.5.4 Derivative Financial Instruments with Hedging Relationship

The GRENKE Group uses derivative financial instruments to hedge and manage interest rate and foreign currency risks. These are interest rate swaps, cross-currency swaps and foreign currency forward contracts. IFRS 9 differentiates between three types of hedging relationships: fair value hedges, cash flow hedges and hedging the net investment in a foreign business operation. The GRENKE Group employs cash flow hedges only. These serve to avoid one-sided earnings effects for derivatives used to hedge the risk of changes in future cash flows. The GRENKE Group accounts for interest rate derivatives to hedge variable cash flows in addition to derivative financial instruments to hedge currency risk under hedge relationships (hedge accounting). The interest rate swap contracts are offset against the variable cash flows of the underlying bond and private placement transactions, as well as against the variable cash flows of the underlying ABCP and ABS refinancing transactions. The currency swaps (cross-currency swaps) are offset against variable cash flows of the underlying bond and private placement transactions in foreign currencies. The forward currency contracts are offset against the variable cash flows from the granting of foreign currency loans and the purchase of receivables in foreign currencies. The Consolidated Group recognises changes in the fair value of interest rate and currency swaps and forward currency transactions relating to the effective portion of the hedging relationship in other comprehensive income (hedging reserve) while taking deferred taxes into consideration. The ineffectiveness is recognised in profit and loss. For more information, please refer to Note 7.3.

Derivative financial instruments are recognised at fair value at the time of acquisition. Subsequent measurement is also at fair value. The fair value is derived from the discounted future cash flows, which are adjusted for the counterparty risk. Future variable-rate cash flows are estimated on the basis of future interest rates (based on observable yield curves at the end of the reporting date). Fixed and variable-rate cash flows are discounted at future interest rates and translated using the exchange rates at the end of the reporting period. Forward currency contracts are used to hedge spot rate risk. The forward price elements of these contracts are immaterial and are recognised in the income statement.

Hedge accounting requires documentation at the beginning of the hedging relationship that should identify the hedge and the hedged underlying transaction, the nature of the risk being hedged and the way in which the Company assesses whether the hedging relationship meets the requirements for hedge effectiveness. In addition, the risk management objectives and strategies must be explained. The GRENKE Group assesses hedge effectiveness both at the inception of the hedging relationship and on an ongoing basis. As soon as the conditions for hedge accounting are no longer met, the derivative is measured at fair value with changes in value recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative net gain or loss previously recognised in the consolidated statement of comprehensive income is reported in the consolidated statement of income.

3.5.5 Impairment of Financial Assets and Provisions for Off-balance Sheet Liabilities

At each reporting date, the GRENKE Group determines the impairment on financial assets or a group of financial assets based on a model of expected credit losses in accordance with the requirements of IFRS 9. The grouping and determination of non-performing lease receivables and for overdue receivables are based on processing categories (see Notes 3.18.2 and 3.18.3).

The impairment provisions under IFRS 9 are applied to debt securities measured at amortised cost or fair value through other comprehensive income (FVOCI), lease receivables under IFRS 16 “Leases” and off-balance-sheet obligations such as loan commitments and financial guarantees. Equity instruments are not subject to the impairment requirements of IFRS 9.

Level Assignment

The standard provides for a determination of expected credit losses based on a three-step approach. Under the general approach, the loss from expected loss events during the next year (12M ECL) is already recognised as a risk provision upon acquisition (Level 1). If there has been a significant deterioration in the credit risk since the first-time recognition but no credit impairment, the risk provision is recognised at the level of the expected credit losses over the entire remaining contractual life (Lifetime Expected Loss – LT ECL) (Level 2). If there is credit impairment, the risk provisioning must also be set in the amount of the losses expected over the remainder of the entire contract period on the basis of the estimated, expected future cash flows of the asset (LT ECL) (Level 3). The financial assets remain at Level 2 or 3 as long as the conditions for these levels are met; otherwise they will be reassigned to an appropriate lower level.

Financial assets are generally recognised in Level 1 upon initial recognition. An exception to this is financial instruments whose credit is already considered impaired at the time of the acquisition of the transaction (“Purchased or Originated Credit-Impaired Financial Assets – POCI”). These are not assigned to any of the three levels but instead treated and reported separately. The GRENKE Group does not hold any financial instruments classified as POCI as of the reporting date. In addition, Level 1 includes all transactions that have a low credit default risk. Low credit default risk exists in cases where the external credit rating is in the range of investment grade. The GRENKE Group applies this low credit risk exemption to the ABCP loans reported under other financial assets.

For financial instruments classified as POCI, no impairment or provision is recognised at the time of acquisition. The measurement is at fair value. In the subsequent measurement, the risk provisioning corresponds to the accumulated change in the LT ECL since the time of acquisition. A financial instrument classified as a POCI remains in this approach until it is derecognised, i.e. there is no transfer to another level. The GRENKE Group does not hold any financial instruments classified as a POCI.

In addition to the general approach (three-stage model), IFRS 9 provides for a simplified procedure for trade receivables and contract assets as well as for lease receivables falling within the scope of IFRS 16. Under the simplified procedure, it is not necessary to track the change in credit risk. Instead, expected losses are to be recognised as a risk provision in the amount of the expected losses over the entire term (LT ECL) – both upon initial recognition and at each subsequent reporting date. The assets are transferred to Level 3 once credit is impaired. An option exists to apply this simplified procedure to those trade receivables and contract assets that contain a material financing component, as well as for lease receivables. The GRENKE Group uses the simplified procedure for factoring receivables and trade receivables. The exercise of the option was waived for determining risk provisions for lease receivables. Therefore, the general approach and classification of lease receivables in three stages applies. The financial assets remain at Level 3 as long as the conditions for this level are met, otherwise they will be reassigned to an appropriate lower level.

For Level 1 and Level 2 financial assets, the GRENKE Group calculates interest income using the effective interest method on the gross carrying amount (i.e. without deduction of expected credit losses). The interest income on Level 3 financial assets is determined using the effective interest method at amortised cost (i.e. the gross carrying amount less risk provisioning).

Significant Increase in Credit Risk and Credit Impairment

Determining a significant increase in credit risk is necessary to establish the timing of the transition between Level 1 and Level 2 as defined above. Defining credit impairment is relevant to the timing of the transition to Level 3. The GRENKE Group assesses a significant increase in credit risk since initial recognition and defines credit impairment on the basis of appropriate and comprehensible information. The information used is adapted to the circumstances of the respective portfolio and is explained below:

// Lease receivables: The GRENKE Group expects a significant deterioration in the credit quality of lease receivables when contractually agreed payments are more than 30 days past due or when the estimated probability of loss has deteriorated in a comparable manner as was observed in past 30-day-overdue cases. This is the case when the estimated probability of loss for the remaining term has almost doubled by a factor of 1.98 compared to the estimated probability of loss for the same period based on the information available at the conclusion of the contract Creditworthiness is impaired if contractually agreed payments are more than 90 days overdue, the contract has been terminated by the GRENKE Group, or at least one of the two conditions was not met as of the measurement date but was met within the three preceding months. The GRENKE Group usually terminates a lease contract as soon as the second lease instalment lapses. For terminated receivables, the expected value of the claim for damages is recognised.

// Factoring receivables: The GRENKE Group applies the simplified procedure for factoring receivables. Therefore, outstanding receivables are included in Level 2 as long as they are not classified as credit-impaired. Credit is impaired when the impaired receivables are overdue for more than 90 days and are not in an internal loss class. An internal loss class is assigned to factoring receivables of processing classes 2 to 7 (see Note 3.18.3). Otherwise, they will be considered credit-impaired and will be considered in Level 3.

// Loan receivables: The GRENKE Group expects a significant deterioration in the credit quality of loan receivables when payments are delayed for more than 30 days, the receivable is transferred internally to a special watch list, or a current deferral agreement is in place. The criteria for the special watch list are, for example, performance disruptions, negative notifications of the credit agency, significant deterioration in economic conditions and abnormalities in bookkeeping. Receivables that, among others, are delayed for more than 90 days, are in reorganisation or settlement or have a VR rating signalling default are considered to be credit-impaired (Level 3).

// Trade receivables: The GRENKE Group applies this simplified impairment model to these receivables. As a result, outstanding receivables are included in Level 2 as long as they are classified as credit-impaired. Credit is impaired when receivables are not more than 90 days past due, or there is an objective indication of credit impairment. An objective indication, for example, could be the default or delinquency of a debtor, indications of bankruptcy and other features that indicate a reduction in the expected payments of the debtor.

// Cash and cash equivalents and ABCP loans: The assessment of whether credit risk has significantly deteriorated and the determination of credit impairment for these receivables is based on credit ratings, which are determined by observing published external credit ratings.

3.5.6 Derecognition of Financial Assets and Liabilities

Derecognition of Financial Assets

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised along with the related impairment when the requirements have been met. The GRENKE Group derecognises financial assets when its contractual rights to cash flows have expired or the risks and rewards associated with the contractual rights are transferred to a buyer. When the GRENKE Group transfers its contractual rights to receive the cash flows of an asset to the buyer, but the opportunities and risks are not transferred, then the receivable is not derecognised, but instead a financial liability is recognised in the same amount.

An impairment also represents a derecognition. This is usually the case at the GRENKE Group when, after reasonable assessment, it can no longer be assumed that the contractual cash flows of a financial asset can be realised in whole or in part. This is the case, for example, if legal proceedings are terminated or, in the case of lease transactions, the asset is disposed.

Derecognition of Financial Liabilities

Financial liabilities are derecognised if the contractual obligation underlying the liability is discharged or definitively expires. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different terms, or if the terms of an existing liability are changed substantially, then such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability. A criterion that leads to a material change in the contract is when the discounted present value of the cash flows of the new contract conditions deviates by at least 10 percent from the discounted present value of the remaining cash flows of the original debt instrument. The difference between the corresponding carrying amounts is recognised in profit and loss.

3.6 Lease Assets for Sale

Lease assets for sale are recognised at their recoverable amount on the basis of historical figures. Appropriate measurement is ensured through the use of maturity bands reflecting the age of the lease assets. The sale proceeds calculated using this approach are netted against the expenses that are still incurred until the sale in order to correspond to the net realisable value.

3.7 Property, Plant and Equipment

Property, plant and equipment are recognised at acquisition costs net of accumulated depreciation and impairment. Financing costs are capitalised when the necessary requirements are met. Property, plant and equipment are depreciated on a straight-line basis over their expected economic life. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are derecognised, and any gains or losses resulting from their disposal are recognised in the income statement as other operating income or expenses.

Depreciation rates are based on the following estimated economic lives of assets:

Office buildings	25 – 33 years
OPERATING AND OFFICE EQUIPMENT:	
IT hardware	3 years
Leasehold improvements	10 years
Other (office equipment)	3 – 20 years

The useful life and depreciation method for the respective property, plant and equipment are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant, and equipment.

3.8 Goodwill

Goodwill resulting from acquisitions is initially measured at cost, which is the excess of the purchase price over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity as of the date of acquisition.

Goodwill is not subject to scheduled amortisation. Following initial recognition, goodwill is tested for impairment at least once a year (a so-called "impairment test") to prove it is not impaired (the "impairment-only approach"). If there are indications that goodwill might be impaired, further tests must be conducted in addition to the mandatory annual impairment test. In subsequent periods, goodwill is recognised at cost less accumulated impairment.

The impairment test for goodwill is carried out on the basis of cash-generating units. In the Leasing and Factoring segments, these units are equivalent to the business activities in the respective regions (countries) and typically correspond to the legal entities. This cash-generating unit represents the lowest level at which goodwill is monitored internally.

The recoverable amount is the higher of the fair value less selling costs and the value-in-use of the cash-generating unit. If one of these amounts exceeds the carrying amount, then it is not always necessary to determine both amounts. The recoverable amount of each of the cash-generating units is determined based on a value-in-use calculation using cash flow projections. The cash flows of the five-year detailed planning phase are based in principle on financial plans approved by management for a period of three years and supplemented by two additional years. In the case of valuations in the Leasing segment, the five-year detailed planning phase is supplemented by a four-year ramp-up phase using the sustainable growth rate in order to achieve a steady state. For further explanations on the impairment testing of goodwill in the 2020 financial year, please refer to Note 5.7.

3.9 Other Intangible Assets

3.9.1 Licences, Software

Purchased licences and software are capitalised at amortised cost. The acquisition costs include the purchase price plus directly attributable costs necessary to prepare the asset for its intended use. The acquisition costs are reduced by scheduled amortisation on a straight-line basis over their expected economic life that, according to a standalone assessment, is usually either 3 or 5 years.

3.9.2 Internally Generated Intangible Assets (Development Costs)

An intangible asset developed as part of a single project is only recognised if the GRENKE Group is able to prove the technical feasibility of completing the intangible asset for internal use or sale and also prove the intention to complete the intangible asset and use or sell it. In addition, the asset's generation of future economic benefits, the availability of resources to complete the asset and the ability to measure the expenditure attributable to the intangible asset during its development must exist.

Internally generated intangible assets are measured at cost. The cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended. The capitalised amounts are amortised on a straight-line basis over the period during which the project is expected to generate revenue or during which the software can probably be amortised. Based on the technical developments expected in the future, the economic life is assumed to be 5 to 6 years, depending on the development project.

3.9.3 Customer Relations /Dealer Networks

Customer relations/dealer networks acquired in a business combination are measured at fair value upon initial recognition. The fair value of customer relations/dealer networks is based on a net present value method by applying the residual value method. Customer relations and dealer networks are amortised on a straight-line basis over their economic life of 7 years.

3.10 Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognised in profit and loss as soon as the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value-in-use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Internally generated intangible assets are tested once annually for impairment during the period in which they have not yet been used.

Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The recoverable amount is estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

The carrying amounts of goodwill are tested in order to assess the probability of continuing future benefits in accordance with the rules described in Note 3.8. Impairment is recognised in profit and loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit. If the reason for an impairment recorded in a prior period ceases to apply, an impairment loss must be reversed. Exceptions to this rule exist only for impairment of goodwill, the reversal of which is expressly prohibited.

3.11 Equity

According to IAS 32, the hybrid bonds issued by GRENKE AG are to be fully classified as equity and reported under additional equity components. The bonds are recognised at their nominal amount and are to be allocated to core capital according to CRR/CRD 4. The share in net profit attributable to hybrid bondholders is only attributed to them once there is a legally enforceable right to distribution. Discounts and the cost of issuance of hybrid bonds reduce equity, whereas premiums increase equity, each net of deferred taxes and recorded under retained earnings.

3.12 Provisions

Provisions are carried at their probable settlement amount if a present obligation (legal or constructive) exists for the GRENKE Group due to an event occurring before the end of the reporting period, and it is probable that the settlement of the obligation will lead to an outflow of resources embodying economic benefits, and if a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In addition, any provisions for off-balance-sheet obligations such as loan commitments and financial guarantees must be recognised in accordance with the impairment requirements of IFRS 9 (see Note 3.5).

3.13 Pensions and Other Post-Employment Benefits

Defined benefit plans relate to benefits following the end of employment and are based on direct benefit commitments for which the amount of the benefit is determined and dependent on factors such as age, remuneration, and time employed. The provision recognised for defined benefit plans in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets. Current and past service costs for benefits following the end of employment are recorded under staff costs. Interest expenses resulting from defined benefit obligations and interest income on plan assets are recorded as net interest expenses under other interest income. Past service costs resulting from plan adjustments are directly recognised in profit and loss.

The present value of the defined benefit obligation is calculated annually by an independent actuarial expert using the projected unit credit method of discounting the forecasted future cash outflows using the interest rate of industrial bonds of excellent credit standing. The industrial bonds are denominated in the currency of the payment amounts, and their terms match those of the pension obligations. The calculation takes the current market interest rate into particular account as well as forecasts of future salary and pension increases in addition to biometric assumptions.

In accordance with Swiss law, the Consolidated Group has set up a defined benefit pension plan in Switzerland, which requires that contributions be made to separately administered funds. The obligation under the defined benefit plans is calculated using the projected unit credit method. In addition, there is a defined benefit pension plan for employees of GRENKE BANK AG, which were acquired in the acquisition of Newman & Co. AG. These benefits are not financed by funds.

The underlying pension plans relate to both final salary and flat salary pension plans. Actuarial gains and losses, for example, due to adjustment of the discount rate, are recognised as other comprehensive income in equity.

The amount to be recognised as an asset or a liability under a defined benefit plan is the total of the present value of the defined benefit obligation less the fair value of the plan assets out of which the obligations are to be settled directly.

Contributions to defined contribution plans are recognised as an expense when the employees have rendered services. These expenses include contributions to statutory pension schemes and, specifically, direct insurance premiums. The GRENKE Group primarily uses defined contribution plans.

3.14 Taxes

3.14.1 Actual Tax Assets and Tax Liabilities

Actual tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as of the end of the reporting period.

3.14.2 Deferred Tax Liabilities and Deferred Tax Assets

Deferred tax liabilities are calculated using the liability method. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability for financial reporting purposes and its tax base.

Deferred tax assets for previously non-utilised tax-loss carryforwards are recognised to the extent that it is probable that taxable profit will be available in the future to utilise these carryforwards. Deferred tax assets and liabilities are recognised on the basis of tax rates anticipated for the period in which the temporary differences will reverse. For this purpose, tax rates are used which are applicable as of the end of the reporting period or will be applicable in the near future.

Deferred taxes relating to items that are recognised directly in equity are recognised in shareholders' equity and not in the income statement. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity at the end of the reporting period expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets or liabilities in the consolidated statement of financial position.

3.14.3 Value-Added Tax

Revenue, expenses, and assets are recognised net of VAT, with the following exceptions:

- // the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the acquisition costs of the asset or as part of the expense item
- // the stated receivables and liabilities include VAT

The net VAT recoverable from or payable to the tax authorities is stated under other receivables or liabilities in the consolidated statement of financial position.

3.14.4 Trade Tax

In calculating the trade income for the German Consolidated Group companies GRENKE AG, Grenke Investitionen Verwaltungs KGaA, and GRENKEFACTORING GmbH, Section 19 GewStDV was applied since the 2008 assessment period and charges and similar amounts relating directly to financial services as defined by Section 1 (1a) sentence 2 of the KWG were not added. For GRENKE BANK AG, Section 19 GewStDV is applied in a relevant manner for banks.

3.15 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of GRENKE AG by the weighted-average number of shares outstanding during the financial year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based compensation plans have been converted or exercised.

3.16 Revenue from Contracts with Customers

The GRENKE Group acts as a principal and recognises income when it fulfils a performance obligation by transferring a promised good or service to a customer. The transfer is deemed to have occurred when the customer has obtained control over this asset.

The prerequisite for this is that the following criteria are met in identifying the contract with the customers: the contracting parties agreed to the contract; the corresponding rights to the goods or services to be transferred can be determined; the payment terms can be identified; the contract has an economic substance, and the receipt of the consideration is probable.

The GRENKE Group is required to identify the performance obligations for each contract. When identifying the contractual performance obligations, any commitment to supply a good or to provide a service under a contract with a customer must first be identified. If goods and services from a contract have been identified, there is then an assessment as to whether these goods and services should be considered separate service obligations or whether certain services should be deferred from the overall package of services.

In determining the transaction price, the GRENKE Group estimates the fee based on the identified customer contract that can be claimed in exchange for the goods or services supplied. The variable purchase price components, fees to customers, non-cash consideration as well as material financing components are taken into account when determining the transaction price.

The transaction price is to be allocated to the individual performance obligations of the contract identified. The GRENKE Group allocates the transaction price generally on the basis of the individual selling prices. Individual selling prices are the prices at which a good or service would be sold separately at the time the contract begins or at the time the contract is concluded. Contracts that contain multiple performance obligations are referred to as multi-component contracts. When the actual individual selling prices are not immediately apparent, they are then estimated by the GRENKE Group. The individual selling price estimate takes into account all available information and uses as many observable parameters as possible. Estimates are calculated based on the market price as part of the adjusted market assessment approach.

The GRENKE Group takes into account all separately recognised benefit obligations of the relevant customer contract that were previously identified within the framework of the allocated transaction prices. Revenue is recognised either at a single point in time or over the period of time that the performance obligation is fulfilled.

A contract liability is recognised when the customer renders a payment or the payment becomes due (whichever event occurs first) before the Consolidated Group has transferred the respective goods or services to the customer and the Consolidated Group has an unconditional right to a certain consideration before transferring a good or a service to the customer. Contract liabilities are recognised as revenue once the Consolidated Group has met its contractual obligations or has transferred control over the respective goods or services to the customer.

3.16.1 Revenues from Service and Protection Business

Revenue from service and protection business are reported under the profit from service business. The lease assets must be included under the group insurance policy of the GRENKE Group unless the lessees themselves insure the lease asset. For this service, the lessee will be charged fees on an annual basis that are recognised as revenue. The lessee's payments are made in advance at the beginning of the respective calendar year or, in the case of newly concluded contracts, at the beginning of the lease term during the year. Deferred income from contracts with customers in the service and protection business is presented as contractual liabilities under the item deferred lease payments. When recognising the revenue from service and protection business, the performance obligation over a certain period of time can be said to be fulfilled, meaning the income must also be realised over this period. Income is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.2 Sale of Leased Assets

The sale of lease assets relates to lease assets from contracts that have exhausted their basic lease term, defective lease contracts or mutually agreed early termination. Revenue from the sale of lease assets is recognised when GRENKE fulfils a performance obligation by transferring the promised good to a customer. The transfer occurs when the customer obtains control over this asset. The Consolidated Group recognises the revenue at a certain point in time.

Revenue from sales after the end of the basic lease term or due to the mutually agreed early termination of the contract is recognised in gains/losses from disposals, sale proceeds from defective lease contracts are recognised in the line item "settlement of claims and risk provision".

3.16.3 Service Fees for Making Lease Assets Available for Use

Service fees for making the lease asset available for use are recognised at the point in time when the performance obligation has been fulfilled.

3.16.4 Commission Income from the Banking Business

Commission income from banking business consists primarily of account fees and is usually charged or invoiced on a quarterly basis. These performance obligations are fulfilled over a period of time. Income is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.5 Revenue from Reminder Fees

Revenue from reminder fees is realised when due payment obligations are paid. The GRENKE Group fulfils its performance obligation at the payment date. Income is, therefore, recognised at a certain point in time.

3.16.6 Other Revenue to Lessees

Other revenue to lessees, such as those for an additional printout of the invoice, are realised at the time the invoice is issued or the performance obligation is fulfilled.

3.16.7 Interest Income

Interest and similar income from financing business are recognised using the effective interest method. An exception is interest-like fees such as factoring fees, which are realised at the time of invoice.

3.17 Accounting Judgements

In applying the accounting policies, the senior management has made the following judgements that substantially influence the recognition and amounts in the financial statements. This does not include those decisions involving estimates.

3.17.1 Principles of Consolidation

When deciding whether to consolidate an entity, the following control factors, among others, are evaluated: the purpose and design of the entity; the relevant activities and how they are determined; whether the Consolidated Group's rights give the ability to direct the relevant activities; whether the Consolidated Group has risk exposure or rights to variable returns; whether the Consolidated Group can use its power to influence its returns.

When voting rights are decisive, the Consolidated Group is said to have control over an entity where it holds, directly or indirectly, more than half of the voting rights. This is the case unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

In determining control, potential voting rights are also considered if they are deemed as substantial.

The Consolidated Group gives a similar assessment on the existence of control where it does not control the majority of the voting rights but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of the voting rights of the shareholders give the Consolidated Group the power to direct the activities of the investee.

Moreover, when assessing whether to consolidate an entity, the possibility to control parts of the investee as a fictitious separate entity, a so-called "silo", is also considered.

If any facts or circumstances indicate changes in one or more of the control factors listed in IFRS 10, the Consolidated Group reviews the adequacy of previous decisions. The Consolidated Group reassesses the consolidation status on an annual basis. This includes changes in decision-making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure, as well as changes triggered by an event that was anticipated in the original contractual agreements.

3.17.2 Consolidation of Structured Entities

For refinancing, the Consolidated Group uses various structured entities in the form of asset-backed commercial paper programmes ("ABCP programmes").

Control over the investee as a fictitious separate entity (so-called "silo" structure) was determined for the structured entities, ABCP programmes of CORAL Purchasing (Ireland) 2 DAC, Kebnekaise Funding Limited, and Opusalpha Purchaser II Limited. Although this concerns so-called multi-sellers in which banks create securitisation vehicles to give customers access to specific portfolios of assets and provide market liquidity through the securitisation of the financial assets, this financing structure opens up a further form of refinancing for the Consolidated Group and thus provides it with the corresponding benefits. The GRENKE Group does not have the power to exercise influence over the trust or the management of structured entities.

A significant activity over the term of these programmes is the selection of the receivables to be transferred. Furthermore, the initial selection of the receivables for each silo is defined according to specific selection criteria. In the event of a default of receivables, the settlement is managed by the GRENKE Group. The opportunities and risks of the receivables of the silos remain in the GRENKE Group. In the case of revolving receivables purchases or sales, the variable returns may be affected in such a manner that the part of the investee is controlled as a fictitious separate entity.

At FCT GK 2 and FCT GK 4, shares of the funds are held by two subsidiaries and are included in consolidation. The shares that are directly and indirectly held by the Consolidated Group are an indication for the inclusion in the scope of consolidation, but not the decisive criteria since all assumptions contained in IFRS 10 must be met for consolidation. FCT GK 2 is included in the scope of consolidation since all control factors are met, and the Consolidated Group controls the entity by having the power to direct the relevant activities, having the right of variable returns, as well as having the power to affect the amount of the returns. In contrast to FCT GK 2 and FCT GK 4, there are no participating interests in the case of FCT GK 3 (all other parameters are identical). As with FCT GK 2 and FCT GK 4, consolidation is based on control criteria and not ownership because voting rights or similar rights are not the decisive criteria for determining control. For FCT GK 2, FCT GK 3 and FCT GK 4, control is to be confirmed, which results in a consolidation requirement.

As of December 31, 2021 and December 31, 2020 and during both years, the GRENKE Group did not hold any interests where it did not have the controlling influence. Therefore, there were no significant restrictions due to protection rights in favour of these shareholders.

3.17.3 Consolidation of Franchise Companies

The GRENKE Group has used a franchise model to facilitate its expansion strategy in the Leasing and Factoring segments in new markets. To this end, franchise companies were founded in the local markets by financial investors, with the respective managing director also holding shares in the franchise company. The GRENKE Group could acquire the company after approximately four to six years based on a pre-emptive right. Due to this strategy, an increasing number of former GRENKE employees have been recruited as managing directors and shareholders in recent years. Through the franchise agreements concluded, GRENKE grants rights that are intended to protect the franchise brand. In a typical franchise agreement, the franchisor is granted certain decision-making rights with regard to the franchisee’s business activities. Generally, the franchisor’s rights do not restrict the ability of third parties to make decisions that have a significant impact on the franchisee’s return on investment. Similarly, the franchisor’s rights under franchise agreements do not necessarily give the franchisor the ability to direct activities that have a material impact on the franchisee’s return. A distinction has to be made between the present ability to make decisions that materially affect the franchisee’s return and the ability to make decisions that protect the franchise brand. The franchisor does not have control over the franchisee if third parties have existing rights that give them the present ability to direct the franchisee’s relevant activities. By entering into the franchise agreement, the franchisee has made a unilateral decision to conduct its business in accordance with the terms of the franchise agreement but on its own account. Fundamental decisions, such as the choice of legal form and financial structure of the franchisee, may be dominated by parties other than the franchisor and may significantly affect the franchisee’s return. The lower the level of financial support provided by the franchisor and the lower the franchisor’s risk exposure to the franchisee’s return fluctuations, the greater the likelihood that the franchisor will only have protective rights. A certain degree of management’s judgement is required in assessing whether or not franchise agreements and the accompanying objective control of the relevant activities of the franchise companies preclude a relationship requiring consolidation.

3.17.4 Leasing – The Group as Lessor

In its capacity as lessor, the Consolidated Group has determined from its analysis of the contractual terms and conditions of nearly all leases during the basic lease term that all significant risks and rewards incidental to ownership of the leased assets concerned are transferred to the lessee. In the case of individual Consolidated Group companies, the leases are set for the basic lease term in such a way that the significant risks and rewards incidental to ownership of the leased assets are not transferred to the lessee. These contracts are therefore accounted for as operating leases.

The determination of the term of a lease is subject to discretion. The term of a lease includes the non-cancellable basic term during which a lessee has the right to use an underlying asset. It also includes extension periods if the exercise of the underlying extension option by the lessee can be considered reasonably certain. Periods resulting from an option to terminate the lease are also only taken into account if there is sufficient certainty.

The GRENKE Group's contracts are structured so that there are no early termination options for the lessee that the lessee can unilaterally exercise without GRENKE's consent until the agreed basic term ends. Early termination can only be effected by mutual agreement with a corresponding release from damages of GRENKE. At the specified end of the basic term, both the lessee and GRENKE have a right of termination.

It is however possible for the lessee to obtain an extension of the period of use of the leased asset after the end of the fixed basic term by not terminating at the end of the basic term if GRENKE does not itself give notice of termination at the end of the basic term, e.g. in the event of an advantagous disposal opportunity. However, at the inception of the lease, experience does not indicate with sufficient certainty that leases will continue beyond the basic term. The term of the lease therefore generally corresponds to the basic term of the contract. When assessing whether there is sufficient certainty, the GRENKE Group takes into account all facts and circumstances that give the lessee an economic incentive to exercise or not exercise the extension option.

3.17.5 Leasing – The Group as Lessee

The GRENKE Group, in its role as lessee, makes assessments affecting the amount of lease liabilities and rights-of-use recognised in the statement of financial position under IFRS 16. Such assessments concern, for example, the determination of appropriate incremental borrowing rates for discounting the expected cash flows and the determination of the lease term.

The determination of the lease's term is subject to discretion, as the property agreements concluded regularly include extension and termination options for flexibility purposes that are to be included in the determination of the lease's term when there is sufficient certainty that these options will be exercised. In assessing the existence of sufficient certainty, the GRENKE Group takes into account all of the facts and circumstances that give it an economic incentive in its role as lessee to exercise or not exercise the extension or termination option.

3.17.6 Impairment of Financial Assets

For information on discretionary decisions with regard to Level transfers, credit impairment and other discretionary decisions made in determining the impairment of financial assets, please refer to the explanations in Note 3.5.5.

3.18 Use of Assumptions and Estimates

In preparing the consolidated financial statements, assumptions and estimates have been made that have affected the recognition and carrying amounts of assets, liabilities, income, expenses, and contingent liabilities.

Assumptions and estimates generally relate to the Consolidated Group-wide uniform determination of the useful lives of assets; the measurement of provisions; the impairment of receivables; the recognition of realisable residual values of lease assets; the determination of parameters for assessing the recoverability of intangible assets and other non-financial assets, the determination of the fair value of financial instruments as well as the probability of future tax benefits. In individual cases, the actual amounts may differ from the assumptions and estimates. Any changes will be recognised in profit and loss as and when better information becomes available.

The key uncertainties in relation to estimates and the associated disclosure requirements are described in the sections that follow.

3.18.1 Assumptions Made in Impairment Tests for Measuring Existing Goodwill

The cash flows used to measure goodwill under the discounted cash flow method are based on current business plans and internal plans. This involved making assumptions as to the future development of income and expenses. Assumptions as to the future growth rates of the respective cash-generating unit were made on the basis of historical figures and past income and expense patterns that were projected into the future. These estimates and the underlying methodology may have a significant impact on the values determined. If significant assumptions differ from actual figures, impairments may have to be made in the future in profit and loss. For further information on the assumptions made, please refer to Note 5.7.

3.18.2. Determination of Impairment for Lease Receivables

Current lease receivables (so-called "performing lease receivables") are generally to be measured in accordance with the provisions of IFRS 16. Additionally, appropriate risk provisions as defined by IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions. The ECL is calculated as a multiplication of the three parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EaD).

This standard formula for determining the expected loss takes into account the probability of failure (PD), the maximum possible loss on failure (EaD), and ultimately the actual loss (LGD). Depending on whether the twelve-month period or the total residual term is considered, different models are used to estimate the parameters taking into account the period under consideration.

The individual parameters are described in the following:

// PD: The default probability model is determined using a recognised mathematical statistical method. The model weighs input variables and, based on this weighting, calculates an estimated probability of default. Variables from three areas are included in our PD models. These are customer-specific variables, contract-specific variables and variables that reflect the observed payment behaviour of the lessee. Macroeconomic variables are included in our models in the form of country-specific parameters that are based on the respective country risk. Countries for which there is insufficient data to calculate a separate PD are summarised. In addition, various scenarios for the development of macroeconomic variables are considered. The aim here is to obtain forward-looking information on gross domestic product and the unemployment rate in individual countries. The probabilities of the possible developments of macroeconomic variables are taken from a survey of professional forecasters published by the ECB. The final impact on the PD, and thus the risk provisioning within the individual scenarios, is determined using internal data. The final weighting of the PD derived from the internal data within the individual macroeconomic scenarios with their probability of occurrence according to the ECB expert survey results in the final PD that is decisive for risk provisioning.

// EaD: We calculate the EaD for lease receivables as the sum of the outstanding instalments and the IFRS residual value at the date of the loss. Since the time at which the loss event occurs is unknown at the reporting date, an estimate is made about the distribution of loss events during the observation period based on past experience and considered in our EaD model. Discounting takes place at the internal interest rate of the lease contract concerned.

// LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be as a quota of estimated EaD. For countries with insufficient data for the determination of LGDs, average values of the GRENKE Group are used.

The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

Terminated lease contracts or contracts in arrears (so-called "non-performing lease receivables) are also to be measured in accordance with the provisions of IFRS 16, taking the appropriate impairment pursuant to IFRS 9 into consideration. The amount of impairment is determined using percentages and processing categories. Percentages are calculated using statistical methods, which include both payments as well as expected payments. They are reviewed once a year for validity using backtesting. Processing statuses are grouped together in processing categories that are set up with respect to risk.

The following table lists the processing categories in the leasing business:

Category	Description
0	Current contract not in arrears
1	Current contract in arrears
2	Terminated contract with service installment agreement
3	Terminated contract (recently terminated or court order for payment applied for)
4	Legal action (pending or after objection to court payment order)
5	Order of attachment issued / Debt-collecting agency commissioned
6	Statement in lieu of oath (applied for or issued) and insolvency proceedings instituted but not completed
7	Derecognised
8	Being settled (not terminated)
9	Discharged (completely paid)

The processing categories 2 to 7 are allocated to Level 3 because the contracts have been terminated due to defaults in payment and are thus credit-impaired. The impairment rates range between 30 percent and 100 percent. The processing categories 0 and 1 are impaired in the context of current lease receivables.

Risk provision on deferred leases

In the 2020 financial year, an additional risk provision was determined for deferred receivables using a two-step procedure with country-specific factors. No contracts were deferred in the 2021 financial year, so no additional risk provision was determined using this method.

In order to reflect the increased risk of contracts that were deferred in the past, a higher risk provision was recognised for these contracts that corresponds to the risk provision to be recognised upon transfer to the next higher IFRS 9 level. Specifically, for contracts that were deferred in the past and which are allocated to IFRS 9 Level 1, a risk provision was recognised corresponding to the amount for IFRS 9 Level 2. For IFRS 9 Level 2 contracts, a risk provision was recognised in accordance with the amount for IFRS 9 Level 3. Formerly deferred contracts for which an instalment agreement exists and which are in category 2 are corrected with a higher impairment rate in order to represent the increased risk.

3.18.3 Determination of Impairment for Factoring Receivables

Current factoring receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the "expected credit loss" (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

In the following, we describe the individual parameters:

// PD: The default probability model is determined using a recognised mathematical statistical method. The model weighs input variables and, based on this weighting, calculates an estimated probability of default. Our PD models include variables that provide information on the customer, the debtor and the receivable, as well as the current overdue status.

// EaD: The EaD is defined for factoring receivables as the outstanding amount as of the date of default. Since factoring receivables have a fixed due date, there are virtually no or only very limited estimation uncertainties about the amount and the time of outstanding receivables subject to potential default.

// LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be in the future as a quota of estimated EaD. LGDs are determined at the country level. For countries where there is no sufficient underlying data for determining the LGDs, the LGD determined for Germany is used.

The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

Factoring receivables in arrears are recognised at amortised cost less appropriate bad debt allowances. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. Processing statuses are grouped together in processing categories.

The following table illustrates the processing categories in the factoring business:

Category	Description
0	Receivables waiting to be processed
1	Receivables due and not due before debt collection measures
2	Receivables due in own debt collection
3	Receivables due being processed by third-party debt collection and / or with payment being serviced in installments
4	Receivables due directly before or after applying for a default notice
5	Receivables due directly before or after action is filed
6	Receivables due from insolvent debtor
7	Derecognised receivables
8	Fully paid receivables

Impairment is assumed for categories 2 to 7 due to defaults in payment, whereby recoverability consistent with the processing category is assumed. The allowance rates range between 2 percent and 100 percent. The processing categories 0 and 1 undergo impairment as part of the current factoring receivables. The allowance rates are determined on the basis of past experience and statistical methods and projected into the future.

3.18.4 Determination of Impairment from the Lending Business (Risk Provision)

Receivables from the lending business are carried at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables. The following sub-portfolios are to be distinguished for the lending business: start-up loans, microcredits and other loans. The microcredit receivables are fully guaranteed by the German microcredit fund (Mikrokreditfonds Deutschland) to ensure the recognition of an LGD of zero and no loan loss provisions for this portfolio.

For the remaining two portfolios, the individual parameters of the ECL model are defined as follows:

// PD: The default probability model is determined based on the past experience of losses. In addition, early warning information is included by means of the use of a monthly updated VR-rating process, which in addition to customer information analyses the payment behaviour. Furthermore, various scenarios for the development of macroeconomic variables are taken into account. The aim here is to obtain forward-looking information on gross domestic product and the unemployment rate in individual countries. The probabilities of the possible developments of macroeconomic variables are taken from a survey of professional forecasters published by the ECB. The final impact on the PD, and thus the risk provisioning within the individual scenarios, is determined using internal data. The final weighting of the PD derived from the internal data within the individual macroeconomic scenarios with their probability of occurrence according to the ECB expert survey results in the final PD that is decisive for risk provisioning.

// EaD: We calculate the EaD for receivables from the lending business as the balance of outstanding receivables. Since the time at which the loss event occurs is unknown at the reporting date, an estimate is made about the future distribution of loss events during the observation period based on past experience and considered in our EaD model.

// LGD: The LGD models reflect the past loss experience and determine how why high the level of losses in the future will be as a quota of estimated EaD. LGDs are determined separately for each portfolio.

The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

3.18.5 Determination of Impairment for Trade Receivables

Trade receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the “expected credit loss” (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

The individual parameters are described below:

// PD: The probability of default model is determined using expert estimates based on internal information.

// EaD: The EaD is defined for trade receivables as the outstanding amount as of the date of default. Since trade receivables have a fixed due date, there are virtually no or only very limited estimation uncertainties about the amount and the time of the outstanding receivables subject to a possible default.

// LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be in the future as a quota of estimated EaD. For trade receivables, the LGD was based on an expert estimate that also includes regulatory requirements.

Trade receivables that are credit-impaired are assigned to Level 3 of the IFRS 9 Impairment Model. The amount of the impairment loss is based on the processing categories in the leasing business and is determined on a case-by-case basis. Based on past experience, a 100 percent impairment loss is already recognised in some countries for all receivables that are more than six months past due.

The ECL model is validated on an ad hoc basis and at least once a year and updated if necessary.

3.18.6 Consideration of Estimated Residual Values at the End of the Lease Term to Determine the Present Value of Lease Receivables

Non-guaranteed (estimated) residual values are taken into account when determining the present value of the lease receivables in accordance with the definition in IFRS 16. The residual values estimated at the end of the contract period are determined according to the expiration groups of the respective lease contract and include the expected subsequent business and the expected proceeds from disposals at the end of the term, based on historical experience. For additions as of January 1, 2021, residual values amounted to between 1.0 percent and 25.5 percent of the acquisition cost (previous year: as of January 1, 2020, between 5.5 percent and 15.5 percent).

The estimated residual values are best determined on the basis of statistical analyses. If the post-transaction recoverable amount is lower than expected (from the sale and so-called subsequent lease), the existing lease receivables are impaired. However, an increase in the recoverable amount remains unrecognised.

3.18.7 Recognition of Lease Assets for Sale at Estimated Residual Values

The measurement of lease assets for sale is based on the average sales proceeds per age group realised in the past financial year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. As of the end of the reporting period, the residual values used amounted to between 2.2 percent and 15.3 percent of the historical cost (previous year: between 2.5 percent and 16.1 percent). If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

3.18.8 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities, not derived from information on active markets, are determined using a valuation model. The input parameters of these models are based on observable market data, if possible. If this is not possible, determining fair values requires a certain degree of judgement. This judgement relates to input parameters such as liquidity risk, credit risk, and volatility. Changes regarding the assumptions of these input parameters may have an effect on the recognised fair value of financial instruments. If observable prices and parameters are available, they are to determine the fair value that in turn avoids the large-scale use of estimates.

3.18.9 Recognition and Measurement of Deferred Taxes on Tax-Loss Carryforwards

Deferred tax assets are recognised for all unused tax-loss carryforwards to the extent to which it is likely that taxable income will be available. This means that the tax-loss carryforwards may, in fact, be used. Determining the amount of the deferred tax assets requires considerable use of judgement on the part of the management with regard to the expected occurrence and level of the future taxable income, as well as to the future tax planning strategies.

3.18.10 Recognition and Measurement of Actual Tax Assets and Tax Liabilities

Due to the complexity of tax legislation, taxpayers and local tax authorities may have varying constructions and interpretations of the tax laws. This can lead to subsequent tax payments for prior financial years. Tax provisions are recognised in the event that the amounts stated in the tax declarations are not likely to be realised (uncertain tax items). The amount is determined from the best estimate of the anticipated tax payment. Tax receivables from uncertain tax items are recognised when probable and adequately ensured they can be realised. The assumptions are based on the management's assessment of the amount of uncertain tax items.

3.19 Categorisation as current and non-current

The Consolidated Group classifies assets and liabilities on the statement of financial position into current and non-current assets and liabilities. The residual term or the date of expected realisation or settlement is defined as current if there is less than one year between the reporting date and the due date. Financial instruments without contractual maturities, cash on hand, demand deposits, and actual income taxes are generally categorised as "current". Deferred tax assets and liabilities are classified as non-current assets or liabilities.

4. Selected Notes to the Income Statement

4.1 Net Interest Income

4.1.1 Interest and Similar Income from Financing Business

Interest and similar income from the financing business break down as follows:

EURk	2021	2020
Interest income from leasing business	410'932	457'101
Interest and similar income fromfactoring business	8'373	8'215
Interest income from bank's lending business	5'509	5'204
TOTAL	424'814	470'520

4.1.2 Interest Expenses from Refinancing (Including Deposit Business)

Interest expenses from refinancing, including the deposit business, break down as follows:

EURk	2021	2020
Interest expenses from refinancing (excl. deposit business)	47'461	54'309
Interest expenses from deposit business	10'568	9'109
TOTAL	58'029	63'418

4.2 Settlement of Claims and Risk Provision

Expenses for the settlement of claims and risk provision break down as follows:

EURk	2021	2020
SETTLEMENT OF CLAIMS AND RISK PROVISION IN LEASING BUSINESS	**136'882**	**189'225**
Impairment leasing business	131'893	181'305
modification loss that did not result in derecognition (interest)	0	3'828
Settlement of claims and other risk provision in leasing business	4'511	3'654
Depreciation of terminated operating leases	309	373
Expenses from disposal of residual carrying amounts under operating leases	169	65
SETTLEMENT OF CLAIMS AND RISK PROVISION IN THE BANK'S LENDING BUSINESS	**5'176**	**11'183**
Impairment in bank's lending business	4'357	9'358
Other settlement of claims and risk provision in lending business	819	1'825
SETTLEMENT OF CLAIMS AND RISK PROVISION IN FACTORING BUSINESS	**292**	**1'002**
Impairment factoring business	–349	770
Other settlement of claims and risk provision in factoring business	641	232
SETTLEMENT OF CLAIMS AND RISK PROVISION TRADE RECEIVABLES	**435**	**1'024**
Impairment trade receivables	435	1'024
TOTAL	**142'785**	**202'434**
thereof impairment	136'336	192'457

4.3 Profit from Service Business

This item contains income and expenses from the service and protection business, the processing of property insurance policies within the scope of the leasing business, as well as income and expenses from operating leases. The income and expenses from the service business break down as follows:

EURk	2021	2020
Revenue from service and protection business	128'424	126'571
Expenses from service and protection business	9'054	8'600
PROFIT FROM SERVICE AND PROTECTION BUSINESS	**119'370**	**117'971**
Revenue from operating leases	20'956	19'759
Depreciation of lease assets from operating leases	21'161	19'681
PROFIT FROM OPERATING LEASES	**–205**	**78**
TOTAL	**119'165**	**118'049**

The slight decrease in profit from operating leases in the current financial year resulted from a reduction in the ratio of revenue to depreciation and amortisation, particularly in Turkey.

4.4 Profit from New Business

The profit from new business is comprised as follows:

EURk	2021	2020
Capitalised initial direct costs	24'333	26'714
Revenue from lease down payments	7'674	10'974
Service fees for making lease assets available for use	4'104	5'037
Net commission income from the lending and factoring business	455	324
Other	19	4
PROFIT FROM NEW BUSINESS	**36'585**	**43'053**

Based on the calculations specific to the lease agreement, mainly the initial direct costs, revenue from lease down payments and service fees for making lease assets available for use are recorded in the profit from new business. Initial direct costs include primarily commissions paid to resellers, bonus payments, variable remuneration components and other initial direct costs incurred in connection with the conclusion of the lease. The presentation of capitalised initial direct costs is on a gross basis, which means the costs incurred are still included within the corresponding items of the income statement.

4.5 Gains (+) / Losses (-) from Disposals

EURk	2021	2020
Capital losses from disposal after end of the basic lease term	–5'408	–8'003
Capital gains/losses from the mutually agreed early dissolution of contracts	–311	2'571
PROFIT	**–5'719**	**–5'432**

The losses from disposals consist of losses from the termination of lease contracts after the agreed basic lease term and gains/losses from the premature mutual termination of contracts. The income components of the subsequent business are reported as interest and similar income from the financing business within the framework of finance leases.

4.6 Staff Costs

In the reporting year, GRENKE Group's headcount (excluding the Board of Directors) averaged 1,865 employees (previous year: 1,891). Additionally, the Consolidated Group employed 62 trainees (previous year: 75).

Number of employees	2021	2020
NUMBER OF EMPLOYEES		
Europe	1'762	1'784
of which in Germany	760	727
of which in France	164	187
of which in Italy	204	206
Other countries	103	107
GRENKE CONSOLIDATED GROUP	**1'865**	**1'891**

The average number of employees (excluding the Board of Directors) in full-time equivalents was 1,794 (previous year: 1,823). Since 2021, employees on parental leave have no longer been included in the headcount.

Staff costs consisted of the following:

EURk	2021	2020
Salaries	105'454	98'622
Social security and pension expenses	22'076	21'158
TOTAL	**127'530**	**119'780**

Salaries include severance payments of EUR 3,314k (previous year: EUR 447k), which were mainly paid to former members of the Board of Directors of the GRENKE Group

Government grants due to the Covid-19 pandemic in the amount of EUR 348 (previous year: EUR 979k) were netted in staff costs. The grants are due to the utilisation of short-time allowance, reduction of social security contributions and other grants in various countries.

For the existing defined benefit pension plans, a net pension expense totalling EUR 602k (previous year: EUR 733k) was recognised under staff costs for the 2021 financial year. Staff costs also included EUR 1,323k (previous year: EUR 1,346k) for the employee participation programme of the French subsidiary.

Expenses by category were as follows:

EURk	2021	2020
Staff costs	127'530	119'780
Own work capitalised	1'757	2'506
TOTAL STAFF COSTS	**129'287**	**122'286**

4.7 Depreciation, Amortisation and Impairment

EURk	2021	2020
Other intangible assets	9'139	7'577
Operating and office equipment	5'523	5'861
Goodwill	2'698	2'169
Office buildings	1'061	836
Rights-of-use	13'063	12'428
TOTAL	**31'484**	**28'871**

With regard to expenses from impairment of property, plant and equipment, goodwill and other intangible assets, please refer to Notes 5.6 through 5.8. With regard to the amortisation of rights-of-use capitalised as lessee in accordance with IFRS 16, please see Note 5.10.

Expenses by category were as follows:

EURk	2021	2020
Depreciation, amortisation and impairment	31'484	28'871
Depreciation and amortisation of operating leases recorded in the profit from service business	21'161	19'681
Depreciation and amortisation of operating leases recorded in the risk provisions of the leasing business	309	373
TOTAL DEPRECIATION/ AMORTISATION	**52'954**	**48'925**

4.8 Selling and Administrative Expenses (Not Including Staff Costs)

Selling and administrative expenses are divided into the following categories:

EURk	2021	2020
Operating expenses	20'439	19'578
Consulting and audit fees	38'297	27'151
Distribution costs (excl. commissions and bonuses)	11'730	13'207
Administrative expenses	16'971	14'758
Other taxes	3'115	3'397
IT project costs	6'170	3'223
Remuneration of the Supervisory committees	434	315
TOTAL	**97'156**	**81'629**

The increase in consulting and auditing costs is mainly due to additional legal and consulting costs incurred as a result of the event-driven special audit in accordance with Section 44 (1) sentence 2 KWG.

IT project costs that are not capitalised as development costs occur as a result of the involvement of external expertise, particularly for process optimisation projects of the central and standardised IT processes.

Expenses by category were as follows:

EURk	2021	2020
Selling and administrative expenses	97'156	81'629
Expenses from the service and protection business	9'054	8'600
Commissions and bonuses paid to dealers and recorded in profit from new business	37'095	43'837
TOTAL SELLING AND ADMINISTRATIVE EXPENSES	**143'305**	**134'066**

4.9 Other Operating Expenses

Other operating expenses break down as follows:

EURk	2021	2020
Currency translation differences	3'491	6'966
Revenue deductions	3'389	2'193
Capital losses from the disposal of operating and office equipment	2	4
Expenses from prior periods	3'334	0
Other items	3'890	2'174
TOTAL	**14'106**	**11'337**

Expenses related to prior periods result from adjustments to contracts in the leasing business in the previous year.

4.10 Other Operating Income

Other operating income breaks down as follows:

EURk	2021	2020
Revenue from overdue payment fees	920	1'605
Maintenance revenues	45	0
Other revenue from lessees	1'046	949
Revenue from the disposal of merchandise	76	76
Change in inventory	–71	–107
Prior-period income	173	843
Insurance compensation	0	5
Rental income	118	104
Capital gains from the disposal of non-current assets	23'720	54
Reversal of other provisions	235	132
Income from providing bank accounts	0	401
Other items	2'493	2'334
TOTAL	**28'755**	**6'396**

Capital gains include the proceeds from the sale of the investment in viafintech GmbH in the amount of EUR 23,715k.

4.11 Revenue from Contracts with Customers

The following table shows revenue from contracts with customers (IFRS 15):

EURk	Segment	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)			
Gross revenue from service and protection business (service business)	Leasing	128'424	126'571
Service fee for making lease assets available for use	Leasing	4'104	5'037
Revenue from reminder fees	Leasing	904	1'587
Revenue from reminder fees	Factoring	16	18
Other revenue from lessees	Leasing	1'046	949
Disposal of lease assets	Leasing	170'460	156'791
Commission income from banking business	Bank	455	324
TOTAL		305'409	291'277

4.12 Revenues and Other Revenue

The following table shows revenue from contracts with customers (IFRS 15) and other revenue (IFRS 9, IFRS 16):

TEUR	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)	**305'409**	**291'277**
OTHER REVENUE (IFRS 9, IFRS 16)		
Interest and similar income from financing business	424'814	470'520
Revenue from operating leases	20'956	19'759
Portions of revenue from lease down payments	7'674	10'974
TOTAL	**758'853**	**792'530**

4.13 Income Taxes

EURk	2021	2020
Current taxes	27'836	19'427
Corporate and trade taxes (Germany)	121	420
Foreign income taxes	27'715	19'007
Deferred taxes	479	7'305
Germany	5'326	3'054
International	–4'847	4'251
TOTAL	28'315	26'732

Current taxes include tax expenses of EUR 704k from prior years (previous year: tax expenses of EUR 523k).

4.13.1 Reconciliation of the Average Effective Tax Rate to the Expected Tax Rate

The reconciliation of the expected applicable tax rate of GRENKE AG to the effective tax rate based on earnings before taxes (100 percent) is as follows:

Applicable tax rate	2021	2020
Trade tax	14.02%	14.02%
Corporate income tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporate income tax)	0.83%	0.83%
EXPECTED AVERAGE TAX RATE GRENKE AG	**29.85%**	**29.85%**
Non-deductible expenses	5.03%	3.59%
Changes due to foreign taxes	–14.89%	–6.02%
Effective changes in tax rates	–1.08%	–0.89%
tax-free income	3.60%	1.14%
Effect of non-tax deductible goodwill impairment	0.65%	0.56%
Utilisation of non-capitalised loss carryforwards	–2.39%	–1.54%
Back payments and tax refunds from previous years	0.57%	0.45%
Tax credits	0.00%	–3.20%
Other	1.59%	–0.73%
EFFECTIVE AVERAGE TAX RATE FOR THE CONSOLIDATED GROUP	**22.93%**	**23.21%**

4.14 Earnings Per Share

The profit attributable to the shareholders of GRENKE AG in the amount of EUR 90,134k (previous year: EUR 86,185k) is the basis for the calculation of both diluted and basic earnings per share. There was no dilutive effect in the 2021 financial year or in the previous year. Earnings per share for the reporting year amounted to EUR 1.94 (previous year: EUR 1.86).

Shares	2021	2020
Shares outstanding at beginning of period	46'495'573	46'353'918
Average number of shares outstanding at end of period	46'495'573	46'398'814
Shares outstanding at end of period	46'495'573	46'495'573

EURk	2021	2020
Net profit attributable to GRENKE AG ordinary shareholders	90'134	86'185
Net profit attributable to GRENKE AG hybrid capital holders	9'404	7'481
Profit/loss attributable to non-controlling interests	–4'353	–5'226
NET PROFIT	**95'185**	**88'440**

5. Selected Notes to the Statement of Financial Position

5.1 Cash and Cash Equivalents

EURk	Dec. 31, 2021	Dec. 31, 2020
Bank balances	213'805	233'467
Balances at central banks	639'252	711'248
Cash in hand	14	18
TOTAL	**853'071**	**944'733**

For the purposes of the statement of cash flows, cash and cash equivalents break down as follows:

EURk	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents as per the statement of financial position	853'071	944'733
Less current account liabilities	111	69
CASH AND CASH EQUIVALENTS AS PER THE STATEMENT OF CASH FLOWS	**852'960**	**944'664**

5.2 Lease Receivables

The following table shows the maturity of non-discounted lease payments from leases that were classified as finance leases upon their inception.

EURk	Dec. 31, 2021	Dec. 31, 2020
Lease payments outstanding under finance leases as of reporting date		
Up to 1 year	2'013'249	2'122'920
1 to 2 years	1'442'795	1'600'895
2 to 3 years	909'100	1'065'734
3 to 4 years	449'537	576'385
4 to 5 years	175'006	197'380
More than 5 years	31'255	36'468
TOTAL	**5'020'942**	**5'599'782**
+ non-guaranteed residual values	702'047	741'047
GROSS INVESTMENT	**5'722'989**	**6'340'829**
– unrealised (outstanding) finance income	629'104	726'320
NET INVESTMENT	**5'093'885**	**5'614'509**

The reconciliation of gross investment contains only current contracts as of the end of the reporting period. The following adjustments must be made in order to reconcile the net investment with the carrying amount of lease receivables reported in the statement of financial position:

EURk	Dec. 31, 2021	Dec. 31, 2020
CHANGES IN LEASE RECEIVABLES FROM CURRENT CONTRACTS		
RECEIVABLES AT BEGINNING OF PERIOD	**5'614'509**	**5'725'472**
+ Change during the period	–520'624	–110'963
LEASE RECEIVABLES (CURRENT + NON-CURRENT) FROM CURRENT CONTRACTS AT END OF PERIOD	**5'093'885**	**5'614'509**
CHANGES IN LEASE RECEIVABLES FROM TERMINATED CONTRACTS/ CONTRACTS IN ARREARS		
GROSS RECEIVABLES AT BEGINNING OF PERIOD	**525'869**	**434'939**
+ Additions to gross receivables during the period	118'108	148'498
– Disposals of gross receivables during the period	80'214	57'568
GROSS RECEIVABLES AT END OF PERIOD	**563'763**	**525'869**
TOTAL GROSS RECEIVABLES (CURRENT AND TERMINATED)	**5'657'648**	**6'140'378**
IMPAIRMENT AT BEGINNING OF PERIOD	**504'086**	**384'762**
+ Additions of accumulated impairment during the period	34'590	119'324
IMPAIRMENT AT END OF PERIOD	**538'676**	**504'086**
Lease receivables (carrying amount, current and non-current) at beginning of period	5'636'292	5'775'649
LEASE RECEIVABLES (CARRYING AMOUNT, CURRENT AND NON-CURRENT) AT END OF PERIOD	**5'118'972**	**5'636'292**

Receivables from terminated contracts and contracts in arrears are included in current lease receivables. The maximum credit risk (without taking collateral into account), credit risk minimisation and other tools are limited to the carrying amount of the receivables.

As a result of risk management and a highly diversified contract and lessee portfolio, the lease receivables have a diversified risk structure with regard to credit risk. In the majority of cases (98 percent), the GRENKE Group remains the legal owner of the lease a ssets, which are used as collateral for the lease receivables. There is also a low amount of bank guarantees (EUR 5.6 million) as well as guarantees and warranties from third parties for 2 percent of the lease receivables based on the carrying amount. The risk concentration of the lease receivables results from the underlying receivables. The risk concentration of lease receivables is determined on the basis of the main geographical areas in which revenues are generated with external customers. The three countries Germany, France and Italy account for a total of 62 percent (previous year: 64 percent) of the gross volume of lease receivables. The total amount of the risk position per risk concentration country is shown in the following overview. The following overview also shows the gross receivables broken down into the default risk rating categories for lease receivables as defined in the GRENKE Group and the level of impairment for lease receivables for each IFRS 9 impairment level. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

EURk	Level 1	Level 2	Level 3	Total
GERMANY				
Categories 0, 8: Low risk	1'118'183	36'683	0	1'154'866
Categories 1, 8: Higher risk	0	4'614	7'269	11'883
Categories 2-7: Doubtful receivables	0	0	35'684	35'684
TOTAL GROSS RECEIVABLES GERMANY	**1'118'183**	**41'297**	**42'953**	**1'202'433**
FRANCE				
Categories 0, 8: Low risk	1'018'104	73'655	0	1'091'759
Categories 1, 8: Higher risk	0	10'402	23'551	33'953
Categories 2-7: Doubtful receivables	0	0	92'862	92'862
TOTAL GROSS RECEIVABLES FRANCE	**1'018'104**	**84'057**	**116'413**	**1'218'574**
ITALY				
Categories 0, 8: Low risk	778'875	112'015	0	890'890
Categories 1, 8: Higher risk	0	3'400	23'651	27'051
Categories 2-7: Doubtful receivables	0	0	177'463	177'463
TOTAL GROSS RECEIVABLES ITALY	**778'875**	**115'415**	**201'114**	**1'095'404**
OTHER COUNTRIES				
Categories 0, 8: Low risk	1'743'636	115'523	0	1'859'159
Categories 1, 8: Higher risk	0	23'172	48'860	72'032
Categories 2-7: Doubtful receivables	0	0	210'046	210'046
TOTAL GROSS RECEIVABLES OTHER COUNTRIES	**1'743'636**	**138'695**	**258'906**	**2'141'237**
TOTAL CONSOLIDATED GROUP				
Categories 0, 8: Low risk	4'658'798	337'876	0	4'996'674
Categories 1, 8: Higher risk	0	41'588	103'331	144'919
Categories 2-7: Doubtful receivables	0	0	516'055	516'055
TOTAL GROSS RECEIVABLES CONSOLIDATED GROUP	**4'658'798**	**379'464**	**619'386**	**5'657'648**
Impairment	45'416	51'070	442'190	538'676
CARRYING AMOUNT	**4'613'382**	**328'394**	**177'196**	**5'118'972**

Gross lease receivables declined in the 2021 financial year by EUR 482,730k, or 8 percent. This decrease in gross lease receivables is evident in all three IFRS 9 levels as follows: Gross lease receivables in Level 1 decreased by EUR 338,998k (7 percent), in Level 2 by EUR 91,790k (20 percent) and in Level 3 by EUR 51,942k (8 percent). The development is mainly due to the ongoing corona pandemic and the related decline in global economic output. In 2021, as in 2020, this had an impact on the GRENKE Group's new business and on customers' payment behaviour. In response to the corona pandemic, GRENKE launched a global deferral programme for the first time in March 2020. The aim was to offer customers a liquidity bridge. The deferral periods for these contracts were largely completed by the end of the 2020 financial year. In the 2021 financial year, this led to the receivables being terminated and possibly derecognised if the outstanding amounts were not settled, an instalment agreement was reached with the customer or the customer paid on time. A look at the individual countries shows that a significant part of the decline in gross lease receivables can be attributed to Italy, which was hit hard by the pandemic. Here, gross lease receivables fell by EUR 248,888k (19 percent) compared to the previous year. Gross lease receivables also declined in the GRENKE Group's other core markets of Germany and France in the 2021 financial year.

EURk	Level 1	Level 2	Level 3	Total
GERMANY				
Categories 0, 8: Low risk	1'173'324	36'646	0	1'209'970
Categories 1, 8: Higher risk	0	4'624	8'300	12'924
Categories 2-7: Doubtful receivables	0	0	40'966	40'966
TOTAL GROSS RECEIVABLES GERMANY	**1'173'324**	**41'270**	**49'266**	**1'263'860**
FRANCE				
Categories 0, 8: Low risk	1'071'814	92'838	0	1'164'652
Categories 1, 8: Higher risk	0	10'332	40'768	51'100
Categories 2-7: Doubtful receivables	0	0	94'312	94'312
TOTAL GROSS RECEIVABLES FRANCE	**1'071'814**	**103'170**	**135'080**	**1'310'064**
ITALY				
Categories 0, 8: Low risk	967'007	144'194	0	1'111'201
Categories 1, 8: Higher risk	0	12'991	89'145	102'136
Categories 2-7: Doubtful receivables	0	0	130'955	130'955
TOTAL GROSS RECEIVABLES ITALY	**967'007**	**157'185**	**220'100**	**1'344'292**
OTHER COUNTRIES				
Categories 0, 8: Low risk	1'785'651	137'850	0	1'923'501
Categories 1, 8: Higher risk	0	31'779	76'670	108'449
Categories 2-7: Doubtful receivables	0	0	190'212	190'212
TOTAL GROSS RECEIVABLES OTHER COUNTRIES	**1'785'651**	**169'629**	**266'882**	**2'222'162**
TOTAL CONSOLIDATED GROUP				
Categories 0, 8: Low risk	4'997'796	411'528	0	5'409'324
Categories 1, 8: Higher risk	0	59'726	214'883	274'609
Categories 2-7: Doubtful receivables	0	0	456'445	456'445
TOTAL GROSS RECEIVABLES CONSOLIDATED GROUP	**4'997'796**	**471'254**	**671'328**	**6'140'378**
Impairment	65'728	53'835	384'523	504'086
CARRYING AMOUNT	**4'932'068**	**417'419**	**286'805**	**5'636'292**

The following table shows an overview of changes in impairment for current and non-current receivables for financial years 2021 and 2020:

EURk	Level 1	Level 2	Level 3	Total
IMPAIRMENT AS OF JAN. 1, 2021	**65'728**	**53'835**	**384'523**	**504'086**
Newly extended or acquired financial assets*	16'203	5'291	10'285	31'779
Reclassifications				
to Level 1	6'284	–3'677	–2'607	0
to Level 2	–2'340	18'136	–15'796	0
to Level 3	–2'226	–10'128	12'354	0
Change in risk provision due to change in level	–5'336	–7'893	53'590	40'361
Mutual contract dissolution or payment for financial assets (without derecognition)	–23'020	–16'385	–28'776	–68'181
Change in contractual cash flows due to modification (no derecognition)	–19'303	–12'533	–9'670	–41'506
Change in category in processing losses	0	0	43'552	43'552
Change in models/risk parameters used in ECL calculation	5'297	21'098	57'094	83'489
Derecognition of financial assets	–37	–235	–67'821	–68'093
Currency translation and other differences	338	196	1'121	1'655
Accrued interest	3'828	3'365	4'341	11'534
IMPAIRMENT AS OF DEC. 31, 2021	**45'416**	**51'070**	**442'190**	**538'676**
thereof impairment on non-performing lease receivables	0	0	421'704	421'704
thereof impairment on performing lease receivables	45'416	51'070	20'486	116'972

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

The risk provision for lease receivables increased by EUR 34,590k, or 7 percent, in the 2021 financial year. The increase resulted from IFRS 9 Level 3. The risk provision for lease receivables of IFRS 9 Levels 1 and 2 decreased in the financial year. The decline in Level 1 and Level 2 is primarily due to the GRENKE Group's weakened new business as a result of the corona pandemic. The increase in risk provisions in IFRS 9 Level 3 despite the decrease in gross lease r eceivables in this level is mainly due to the adjustment of recovery effects as a result of the corona pandemic that is currently taken into account for the determination of risk provisions in accordance with IFRS 9 and was also taken into account in 2020. After the publication of economic reports and statistical surveys, it became apparent that these recovery effects were planned too optimistically, so that an adjustment was made as of December 31, 2021.

In order to support customers during the corona pandemic, the GRENKE Group concluded deferral agreements in financial year 2020. In order to account for the higher risk of default on these agreements, an additional risk provision of EUR 41,506k was recognised on these agreements in financial year 2020. The disclosure was made in the impairment statement under „Change in contractual cash flows due to modification (without derecognition)". In the 2021 financial year, no additional contracts were deferred, so this additional risk provision was reversed. The additional risk provision on contracts that were deferred in the past (see 3.18) is shown together with other effects in the line „Change in models/risk parameters for ECL calculation“.

EURk	Level 1	Level 2	Level 3	Total
IMPAIRMENT AS OF JAN. 1, 2020	**47'437**	**44'576**	**292'749**	**384'762**
Newly extended or acquired financial assets*	19'090	10'274	19'947	49'311
Reclassifications				
to Level 1	5'444	–4'404	–1'040	0
to Level 2	–4'596	10'490	–5'894	0
to Level 3	–3'927	–17'140	21'067	0
Change in risk provision due to change in level	–4'201	8'964	81'331	86'094
Mutual contract dissolution or payment for financial assets (without derecognition)	–19'444	–13'428	–24'176	–57'048
Change in contractual cash flows due to modification (no derecognition)	19'303	12'533	9'670	41'506
Change in category in processing losses			17'936	17'936
Change in models/risk parameters used in ECL calculation	3'122	–920	15'537	17'739
Derecognition of financial assets	–43	–478	–40'210	–40'731
Currency translation and other differences	–502	–430	–4'673	–5'605
Accrued interest	4'045	3'798	2'279	10'122
IMPAIRMENT AS OF DEC. 31, 2020	**65'728**	**53'835**	**384'523**	**504'086**
thereof impairment on non-performing lease receivables	0	0	323'043	323'043
thereof impairment on performing lease receivables	65'728	53'835	61'480	181'043

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

Sensitivity Analysis

EURk	Change	Change in risk provision
Change in discount rate	Increase of 1%-point	943
Change in discount rate	Decrease of 1%-point	–956
Change in proportion of overdue customers	Increase of 50% in cases overdue 30 to 90 days	1'496
Change in proportion of overdue customers	Decrease of 50% in cases overdue 30 to 90 days	–2'152
Change in proportion of overdue customers	Increase of 20% in cases overdue >=90 days	3'240
Change in proportion of overdue customers	Decrease of 20% in cases overdue >=90 days	–121

A one-percentage-point interest rate increase in the discount rate of the value retention rates for lease receivables would increase the impairment losses by EUR 943k. A one-percentage-point decrease in the interest rate, would result in a decline in impairment losses of EUR 956k.

If our customers' expected payment behaviour deteriorated to the extent that as of the reporting date, we would observe 50 percent more cases with 30 to 90 days overdue, we would be required to increase our risk provisions by around EUR 1,496k based on our total receivables as of December 31, 2021. In contrast, risk provisions would be reduced by EUR 2,152k based on the level of receivables as of the reporting date if our customers' expected payment behaviour improved to such an extent that we would observe 50 percent fewer cases with 30 to 90 days overdue per the reporting date.

Alternatively, if the payment behaviour of lessees deteriorated to the extent that we would observe 20 percent more non-terminated cases with 90 or more days overdue, we would have to increase risk provisions by around EUR 3,240k based on our total receivables as of December 31, 2021. Risk provisions would be reduced by EUR 121k based on the level of receivables as of the reporting date if we would observe 20 percent fewer cases of non-terminated lease receivables with 90 or more days overdue.

If the country risk in the three major markets – Germany, France and Italy – were to increase, resulting in an increase in the average probability of default in these countries of 10 percent, this would lead to an increase in risk provisions of EUR 4,222k, based on the lease receivables portfolio as of December 31, 2021. A reduction in the country risks in the three markets and an associated 10 percent lower probability of default on average would lead to a reduction in the risk provisions of EUR 3,839k, taking into account the lease receivable portfolio as of December 31, 2021.

A renewed decline in GDP in Italy would lead to an increase in risk provisions of EUR 7,274k, taking into account the lease receivable portfolio as of December 31, 2021. A global recovery in GDP and associated GDP growth of more than 1 percent in all countries would lead to a reduction in risk provisions of EUR 13,832k, taking into account the level of lease receivables as of December 31, 2021.

For the purposes of the statement of cash flows, lease receivables are composed as follows:

EURk	2021	2020
Payments by lessees	2'329'150	2'318'717
Interest and similar income from the leasing business	–410'932	–457'101
Additions of lease receivables / net investments	–1'705'340	–2'082'344
SUB-TOTAL	**212'878**	**–220'728**
Disposals / reclassifications of lease receivables at esidual carrying amounts	340'243	296'888
Decrease / increase in other receivables from lessees	–3'303	28'393
Currency translation differences	–32'498	34'804
CHANGE IN LEASE RECEIVABLES	**517'320**	**139'357**

5.3 Other Financial Assets

EURk	Dec. 31, 2021	Dec. 31, 2020
OTHER CURRENT FINANCIAL ASSETS		
Instalments collected before end of month	300	796
ABCP-related loans	7'668	13'957
Receivables from factoring business	67'072	53'582
Receivables from refinancers	48'954	43'781
Loans (bank)	45'125	48'849
Other	0	792
TOTAL OTHER CURRENT FINANCIAL ASSETS	**169'119**	**161'757**
OTHER NON-CURRENT FINANCIAL ASSETS		
ABCP-related loans	4'661	12'594
Loans (bank)	92'338	102'909
Receivables from refinancers	0	0
Other investments	0	5'264
Other	60	0
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**97'059**	**120'767**
TOTAL FINANCIAL ASSETS	**266'178**	**282'524**

The ABCP-related loans include predominantly liquidity reserves that are required to be granted to the sponsor of the programme as collateral for the refinancing volumes under the respective agreements. These loans are based on the refinancing volume and the origin of the receivables refinanced through the structured entities.

Factoring receivables contain traditional factoring services focused on small-ticket factoring. Deductibles amounting to EUR 689k (previous year: EUR 739k) serve as collateral that is agreed upon with individual factoring clients at the beginning of each year. Collateral as of December 31, 2021 was utilised in the amount of EUR 40k (previous year: EUR 41k).

As of the reporting date, the receivables from the lending business of GRENKE BANK AG include receivables from granting business start-up loans in the amount of EUR 24,146k (previous year: EUR 33,894k). Total receivables from the lending business of EUR 137,463k (previous year: EUR 151,758k) also include receivables from granting microcredits in the amount of EUR 76,109k (previous year: EUR 63,952k), promotion loans of EUR 17,746k (previous year: EUR 26,693k) and other commercial loans of EUR 15,147k (previous year: EUR 23,777k). Interest income is recognised as such under net interest income.

The other investments under non-current financial assets contain the interest in Finanzchef24 GmbH at fair value of EUR 0k (previous year: EUR 5,264k). Finanzchef24 GmbH did not pay a dividend in the 2021 financial year.

The maximum credit risk without taking into account collateral, credit deterioration systems and other tools are limited to the carrying amount of the other financial assets.

The following overview shows the gross receivables broken down into the credit risk rating categories of other financial assets as defined in the GRENKE Group and the impairment for other financial assets for each IFRS 9 impairment level. The other investment amounting to EUR 0k is not reported in the following tables. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

December 31, 2021

EURk	Level 1	Level 2	Level 3	Simplified method	Total
Low risk	174'831	13'877	0	64'338	253'046
Doubtful receivables	0	0	31'170	0	31'170
TOTAL GROSS RECEIVABLES	**174'831**	**13'877**	**31'170**	**64'338**	**284'216**
Impairment	575	3'586	13'662	215	18'038
CARRYING AMOUNT	**174'256**	**10'291**	**17'508**	**64'123**	**266'178**

December 31, 2020

EURk	Level 1	Level 2	Level 3	Simplified method	Total
Low risk	216'105	5'577	0	49'763	271'445
Doubtful receivables	0	0	21'684	0	21'684
TOTAL GROSS RECEIVABLES	**216'105**	**5'577**	**21'684**	**49'763**	**293'129**
Impairment	4'421	973	10'216	259	15'869
CARRYING AMOUNT	**211'684**	**4'604**	**11'468**	**49'504**	**277'260**

The following overview shows changes in impairment for other financial assets:

EURk	Level 1	Level 2	Level 3	Simplified method	Total
IMPAIRMENT AS OF JAN. 1, 2021	**4'421**	**973**	**10'216**	**259**	**15'869**
Newly extended or acquired financial assets*	3	104	769	60	936
Reclassifications					
to Level 1	112	–102	–10	0	0
to Level 2	–979	989	–10	0	0
to Level 3	–103	–303	406	0	0
Change in risk provision due to change in level	15	2'327	1'826	0	4'168
Payments for financial assets (without derecognition)	–358	–138	–1'656	–122	–2'274
Change due to changed status in legal proceedings	0	0	202	0	202
Change in models/risk parameters used in ECL calculation	–2'536	–264	2'357	17	–426
Derecognition of financial assets	0	0	–406	0	–406
Currency translation and other differences	0	0	–32	1	–31
IMPAIRMENT AS OF DEC. 31, 2021	**575**	**3'586**	**13'662**	**215**	**18'038**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

The risk provision for other financial assets increased by EUR 2,169k (14 percent) in the 2021 financial year. The increase results from a year-on-year increase in risk provisioning for receivables from the lending business of EUR 2,098k (18 percent). The risk provision for receivables from the factoring business increased by EUR 71k (2 percent).

At the same time, the risk provision for receivables from the lending business in IFRS 9 Level 1 fell by EUR 3,846k (87 percent). Level 2 risk provisions increased by EUR 2,613k (268 percent) and in Level 3 by EUR 3,331k (51 percent). The reduction in risk provisioning in Level 1 corresponds to lower receivables in this level. This is due to lower new business. The increase in Level 2 and Level 3 results from a higher receivables portfolio in these levels, as well as from changed risk parameters. The risk provision recognised for the first time in 2020 for contracts that are not in default but are conspicuous in terms of their rating or for other reasons was also recognised this year. In the previous year, this additional allowance affected all IFRS 9 levels. This year, all contracts for which this allowance was recognised are allocated to IFRS 9 Level 2.

The increase in risk provisions for receivables from the factoring business resulted from IFRS 9 Level 3. The risk provisions from the simplified procedure decreased by EUR 44k (17 percent). The decrease is due to lower factoring receivables in this level. The risk provision in Level 3 increased by EUR 115k. This development also corresponds to the increased factoring receivables in this level. In addition, there was an adjustment of recovery effects as a result of the corona pandemic that are currently being taken into account for the determination of risk provisioning according to IFRS 9 and were also taken into account in 2020. After the publication of economic reports and statistical surveys, it became apparent that these recovery effects were planned too optimistically, so that an adjustment was made as of December 31, 2021. This had an increasing effect on IFRS 9 Level 3 as well as on the risk provisioning determined according to the simplified method.

EURk	Level 1	Level 2	Level 3	Simplified method	Total
IMPAIRMENT AS OF JAN. 1, 2020	**1'388**	**409**	**6'605**	**159**	**8'561**
Newly extended or acquired financial assets*	244	23	2'154	259	2'680
Reclassifications					
to Level 1	268	–175	–93	0	0
to Level 2	–75	249	–174	0	0
to Level 3	–59	–160	223	–4	0
Change in risk provision due to change in level	–152	193	2'257	0	2'298
Payments for financial assets (without derecognition)	–363	–70	–835	–153	–1'421
Change due to changed status in legal proceedings	0	0	171	0	171
Change in models/risk parameters used in ECL calculation	3'170	504	794	0	4'468
Derecognition of financial assets	0	0	–832	–1	–833
Currency translation and other differences	0	0	–54	–1	–55
IMPAIRMENT AS OF DEC. 31, 2020	**4'421**	**973**	**10'216**	**259**	**15'869**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

5.4 Trade Receivables

Trade receivables of EUR 6,050k (previous year: EUR 6,384k) mainly relate to receivables from resellers and third parties resulting from the disposal of lease assets, of which EUR 633k (previous year: EUR 4,723k) was more than three months past due. Of total trade receivables, an amount of EUR 3,698k (previous year: EUR 4,359k) is impaired.

The maximum credit risk without taking into account collateral, credit assessment systems and other tools are limited to the carrying amount of the trade receivables.

The following overview shows the gross receivables broken down into the default risk rating categories for trade receivables and risk provisions for trade receivables as defined in the GRENKE Group. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

Dec. 31, 2021

EURk	Simplified method	Level 3	Total
Low risk	5'528	--	5'528
Doubtful receivables	--	4'220	4'220
TOTAL GROSS RECEIVABLES	**5'528**	**4'220**	**9'748**
Impairment	111	3'587	3'698
CARRYING AMOUNT	**5'417**	**633**	**6'050**

Dec. 31, 2020

EURk	Simplified method	Level 3	Total
Low risk	1'779	--	1'779
Doubtful receivables	--	8'964	8'964
TOTAL GROSS RECEIVABLES	**1'779**	**8'964**	**10'743**
Impairment	118	4'241	4'359
CARRYING AMOUNT	**1'661**	**4'723**	**6'384**

5.5 Other Current Assets

EURk	Dec. 31, 2021	Dec. 31, 2020
VAT receivables	138'615	144'577
Orders in progress	2'506	4'790
Prepaid expenses	6'439	7'033
Prepayments	1'892	3'106
PAYMENT CLEARING ACCOUNTS	5'263	3'098
Amounts in transit	1'032	589
Insurance claims	763	804
Creditors with debit balances	778	727
Merchandise	441	379
Current advances	0	6
Other items	11'592	11'403
TOTAL	**169'321**	**176'512**

Other items mainly include advance purchase price payments made to franchise shareholders in the amount of EUR 10,534k (previous year: EUR 10,534k).

5.6 Property, Plant and Equipment

5.6.1 Overview for the 2021 Financial Year

EURk	Land and buildings	Assets under construction	Operating and office equipment	Leased assets from operating leases	Total
ACQUISITION COSTS JAN. 1, 2021	**30'560**	**5'649**	**53'643**	**77'645**	**167'497**
Currency translation differences	0	0	274	–8'461	–8'187
Additions	185	317	2'040	27'254	29'796
Disposals	0	0	439	16'210	16'649
Reclassifications	5'966	–5'966	0	0	0
ACQUISITION COSTS DEC. 31, 2021	**36'711**	**0**	**55'518**	**80'228**	**172'457**
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2021	**10'194**	**0**	**35'990**	**34'667**	**80'851**
Currency translation differences	0	0	163	–3'631	–3'468
Additions to depreciation	1'061	0	5'523	21'470	28'054
Disposals of depreciation	0	0	255	15'473	15'728
Reclassifications	0	0	0	666	666
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2021	**11'255**	**0**	**41'421**	**37'699**	**90'375**
NET CARRYING AMOUNTS DEC. 31, 2021	**25'456**	**0**	**14'097**	**42'529**	**82'082**

5.6.2 Overview for the 2020 Financial Year

EURk	Land and buildings	Assets under construction	Operating and office equipment	Leased assets from operating leases	Total
ACQUISITION COSTS JAN. 1, 2020	**24'365**	**5'689**	**50'022**	**71'212**	**151'288**
Currency translation differences	0	0	–480	–5'717	–6'197
Additions	266	5'889	4'493	22'353	33'001
Disposals	0	0	392	10'203	10'595
Reclassifications	5'929	–5'929	0	0	0
ACQUISITION COSTS DEC. 31, 2020	**30'560**	**5'649**	**53'643**	**77'645**	**167'497**
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2020	**9'301**	**0**	**30'789**	**25'667**	**65'757**
Currency translation differences	0	0	–221	–2'398	–2'619
Additions to depreciation	836	0	5'861	20'054	26'751
Disposals of depreciation	–57	0	439	9'594	9'976
Reclassifications	0	0	0	938	938
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2020	**10'194**	**0**	**35'990**	**34'667**	**80'851**
NET CARRYING AMOUNTS DEC. 31, 2020	**20'366**	**5'649**	**17'653**	**42'978**	**86'646**

Pursuant to the GRENKE Group's business model, lease assets from operating leases consisted mainly of operating and office equipment.

Depreciation on lease assets is recorded in the line items profit from service business (see Note 4.3) and settlement of claims and risk provision (see Note 4.2).

The following table shows the maturities of the non-discounted lease payments from leases that were classified as operating leases:

EURk	Dec. 31, 2021	Dec. 31, 2020
LEASE PAYMENTS OUTSTANDING UNDER OPERATING LEASES AS OF THE REPORTING DATE		
Up to 1 year	23'194	21'733
1 to 2 years	16'287	14'972
2 to 3 years	7'670	9'187
3 to 4 years	3'323	4'013
4 to 5 years	1'190	1'044
More than 5 years	143	90
TOTAL	**51'807**	**51'039**

5.7 Goodwill

5.7.1 Overview and Development

EURk	2021	2020
ACQUISITION COST		
As of Jan. 1	51'114	51'324
Foreign currency translation effects	100	–210
Acquisitions and adjustments to first-time consolidation	0	0
As of Dec. 31	51'214	51'114
ACCUMULATED AMORTISATION FROM IMPAIRMENT		
As of Jan. 1	7'485	5'316
Impairment loss of the fiscal year	2'698	2'169
As of Dec. 31	10'183	7'485
CARRYING AMOUNTS		
As of Jan. 1	43'629	46'008
AS OF DEC. 31	**41'031**	**43'629**

In the 2021 financial year, there were no additions to goodwill due to acquisitions. The carrying amounts of goodwill as of December 31, 2021 are allocated to the following cash-generating units:

EURk	Dec. 31, 2021	Dec. 31, 2020
Portugal	26'472	26'472
Spain	5'015	5'015
Finland	3'410	3'410
Factoring Germany	2'017	1'885
United Kingdom (UK)	1'229	1'229
Romania	1'220	1'240
Medical technology	785	797
Hungary	504	504
Italy	379	379
GRENKE Service	0	2'698

5.7.2 Recoverability

GRENKE tests goodwill for impairment annually. The key parameters for determining the recoverable amount based on the value-in-use are the future expectations with regard to the development of new business and profitability. The scheduled impairment test was carried out as of October 1, 2021.

The basic assumptions in the Leasing segment used to determine the recoverable cash flows in the respective units in the five-year detailed planning phase were based on growth rates in new business in the individual cash-generating units of between -6.9 percent and 112.6 percent (previous year: between -38.6 percent and 47.5 percent). The forecast parameters available on the market are not of suitable quality for forecasting due to the special business orientation in the Consolidated Group, as these focus only on the entire leasing market, which is massively influenced by real estate, capital goods and vehicle leasing. Therefore, the forecasts for new business development in the detailed planning phase are based on the past experience of the Consolidated Group. For cash flows after the detailed planning phase, the German base interest rate plus the country-specific inflation differential was used as the growth rate, but at least 50 percent of the country-specific inflation expectation. For cash-generating units in the euro area, a growth rate of at least 1.0 percent (previous year: 1.0 percent) was used.

The discount rates of the cash-generating units were between 9.0 percent and 12.3 percent (previous year: between 8.5 percent and 12.5 percent). The discount rate shown reflects the cost of equity after taxes. The calculation of the discount factors is based on the CAPM (Capital Asset Pricing Model), taking into account a risk-free interest rate of 0.2 percent (previous year: 0.0 percent and -0.1 percent), a market risk premium of 7.0 percent (previous year: 7.5 percent) and a beta factor of 1.25 (previous year: 1.24) for the cash-generating units in the Leasing segment. In the factoring segment, a beta factor of 1.36 (previous year: 1.14) was used.

In the context of the impairment test as of October 1, 2021, the GRENKE Group identified an impairment of EUR 2,698k, which was determined on the basis of the value-in-use and resulted in a full impairment of the goodwill of the cash-generating unit Factoring Germany. The cash-generating unit Factoring Germany represents the German factoring business. The recoverable amount of EUR -2,638k was determined using a discount rate of 9.7 percent (previous year: 8.5 percent). The reason for the impairment was diminishing growth expectations with regard to the planned purchase volumes of factoring receivables and the associated negative effects on the return prospects of the cash-generating unit. The impairment loss was allocated to the Factoring segment. There were no further impairments in the 2021 financial year.

5.7.3 Significant Goodwill

The goodwill of the cash-generating units Portugal (EUR 26,472k) and Spain (EUR 5,015k) is significant compared to the total carrying amount of goodwill. The recoverable amount of the two cash-generating units, to each of which no intangible assets with indefinite useful lives are allocated, was determined on the basis of the value-in-use. The main assumptions of the parameters used and their calculation approach correspond to the procedure explained in Note 5.7.2, which is valid for all cash-generating units operating in the Leasing segment. Cash flows are planned in accordance with the procedure described in Note 3.8.

The measurement of the cash-generating unit Portugal as of October 1, 2021 was based on a discount rate of 10.8 percent (previous year: 10.3 percent), new business growth rates in the five-year detailed planning phase of between 10.0 percent and 46.7 percent (previous year: between -21.3 percent and 26.2 percent) and a growth rate in the ramp-up phase and perpetuity of 1.0 percent (previous year: 1.0 percent).

The measurement of the cash-generating unit Spain as of October 1, 2021 was based on a discount rate of 10.3 percent (previous year: 10.4 percent), new business growth rates in the five-year detailed planning phase of between -6.9 percent and 112.6 percent (previous year: between -11.0 percent and 15.0 percent) and a growth rate in the ramp-up phase and perpetuity of 1.0 percent (previous year: 2.4 percent).

5.7.4 Sensitivity of Assumptions

The recoverable amount of a cash-generating unit, where the major value drivers are cash flows and the discount rate, is sensitive to changes in the discount rate. The discount rate is largely determined by the risk-free interest rate, a market risk premium, and a beta factor for systematic risk. Specific features with regard to countries, financial structure, and currencies were taken into consideration. These parameters are based on external sources of information. Therefore, fluctuations in the components stated above may affect the discount rate.

As part of the validation of the recoverable amounts determined for the cash-generating units, the significant value drivers of each unit are reviewed annually. In this context, the relevant determinants used for the discounted cash flow modelling – discount rate, new business growth and default risk – were subjected to a sensitivity test. The changes in the parameters between the impairment tests had an impact on the recoverability of individual cash-generating units (see Note 5.7.2).

The management is of the opinion that realistic changes in the key assumptions for the implementation of the impairment tests in the Consolidated Group do not in principle lead to a further significant impairment, although the overall economic environment and thus the estimates regarding the further new business and return developments of the cash-generating units are associated with additional uncertainties due to the Covid-19 pandemic and the related effects.

5.8 Other Intangible Assets

5.8.1 Overview for the 2021 Financial Year

EURk	Development costs	Software licences	Customer relations/ non-competitive clauses	Total
ACQUISITION COSTS AS OF JAN. 1, 2021	**30'575**	**14'348**	**23'544**	**68'467**
Currency translation differences	0	–10	0	–10
Additions	3'720	865	0	4'585
Disposals	0	0	0	0
Reclassifications	0	0	0	0
ACQUISITION COSTS AS OF DEC. 31, 2021	**34'295**	**15'203**	**23'544**	**73'042**
ACCUMULATED AMORTISATION AS OF JAN. 1, 2021	**14'091**	**11'511**	**19'036**	**44'638**
Currency translation differences	0	–13	0	–13
Additions	6'276	1'360	1'503	9'139
Disposals	0	0	0	0
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS OF DEC. 31, 2021	**20'367**	**12'858**	**20'539**	**53'764**
NET CARRYING AMOUNTS AS OF DEC. 31, 2021	**13'928**	**2'345**	**3'005**	**19'278**

5.8.2 Overview for the 2020 Financial Year

EURk	Development costs	Software licences	Customer relations/ non-competitive clauses	Total
ACQUISITION COSTS AS PER JAN. 1, 2020	**25'749**	**12'636**	**23'544**	**61'929**
Currency translation differences	0	–50	0	–50
Additions	4'826	1'807	0	6'633
Disposals	0	45	0	45
Reclassifications	0	0	0	0
ACQUISITION COSTS AS PER DEC. 31, 2020	**30'575**	**14'348**	**23'544**	**68'467**
ACCUMULATED AMORTISATION AS PER JAN. 1, 2020	**9'745**	**10'027**	**17'301**	**37'073**
Currency translation differences	0	–54	0	–54
Additions	4'346	1'496	1'735	7'577
Disposals	0	–42	0	–42
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS PER DEC. 31, 2020	**14'091**	**11'511**	**19'036**	**44'638**
NET CARRYING AMOUNTS DEC. 31, 2020	**16'484**	**2'837**	**4'508**	**23'829**

Additions in the area of "Customer relations/Non-competitive clauses" are entirely due to the acquisitions completed in the financial year and in previous years.

The amortisation of capitalised development costs in the amount of EUR 6,276k (previous year: EUR 4,346k) includes an impairment of EUR 1,488k in the reporting year. The impairment results from the realignment of the technology for a contract management software solution in the Leasing segment. The recoverable amount of EUR 0k determined on the basis of the value-in-use was determined using a discount rate of 9.0 percent.

5.9 Deferred Tax Assets and Deferred Tax Liabilities

The deferred tax assets and liabilities are distributed over the following items:

	Statement of financial position		Income statement	
EURk	Dec. 31, 2021	Dec. 31, 2020	2021	2020
DEFERRED TAX ASSETS				
Tax-loss carryforwards	14'768	17'075	2'110	3'593
Lease receivables	7'208	6'843	233	–3'817
Liabilities	27'278	19'393	–7'885	–3'993
Pensions	782	976	–7	–11
Others	25'316	23'034	1'073	5'191
TOTAL	**75'352**	**67'321**	**–4'476**	**963**
DEFERRED TAX LIABILITIES				
Lease receivables	48'613	49'745	5'722	–9'002
Intangible assets	5'057	6'267	–1'210	–459
Liabilities	15'418	5'732	4'875	10'799
Others	40'814	42'686	–4'432	5'004
TOTAL	**109'902**	**104'430**	**4'955**	**6'342**
DEFERRED TAX EXPENSE/(INCOME)			**479**	**7'305**
DEFERRED TAX LIABILITIES, NET	**34'550**	**37'109**		
REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS AFTER OFFSETTING:				
DEFERRED TAX ASSETS	**20'032**	**23'110**		
DEFERRED TAX LIABILITIES	**54'582**	**60'219**		

In the 2021 financial year, EUR 437k in deferred tax liabilities were released directly in equity (previous year: release of deferred tax liabilities of EUR 35k). These are a result of the recognition of the cash flow hedge reserve and the recognition of actuarial losses or gains. In addition, there was a reduction of EUR 0k (previous year: EUR 101k) of deferred tax liabilities directly in equity as part of the capital increase.

The tax rate decreased from 23.21 percent to 22.93 percent, mainly due to tax rate differences on foreign income.

No deferred tax assets were recognised for tax-loss carryforwards of EUR 91,694k (previous year: EUR 52,811k). Of the unrecognised tax-loss carryforwards, EUR 15,243k will expire until 2041. Expenses decreased by EUR 0k (previous year: EUR 0k) due to the recognition of previously unrecognised tax losses, EUR 1,331k (previous year: EUR 1,026k) were due to changes in the tax rate and EUR 0k (previous year: EUR 0k) to the derecognition of previously recognised temporary differences and capitalised tax-loss carryforwards. The Company did not recognise any deferred tax liabilities in the 2020 or 2019 financial years for the accumulated results of its subsidiaries. The distribution of dividends by the Consolidated Group to the shareholders did not have any income tax consequences in 2021 or 2020.

5.10 Leases – the Group as Lessee

In its role as lessee, the GRENKE Group accounts for numerous lease contracts.

5.10.1 Rights-Of-Use

In the consolidated statement of financial position, the GRENKE Group capitalised the rights-of-use granted to it under the underlying leases. The following overview shows the categorisation and development of the rights-of-use.

Overview for the 2021 Financial Year

EURk	Properties	Vehicles	Other	Total
Acquisition costs as of Dec. 31, 2021	79'321	9'994	758	90'073
thereof additions in 2021	432	2'007	0	2'439
Accumulated depreciation as of Dec. 31, 2021	41'730	5'840	524	48'094
thereof additions in 2021	9'652	3'314	97	13'063
NET CARRYING AMOUNTS AS OF DEC. 31, 2021	**37'591**	**4'154**	**234**	**41'979**

Overview for the 2020 Financial Year

EURk	Properties	Vehicles	Other	Total
Acquisition costs as of Dec. 31, 2020	80'922	9'226	714	90'862
thereof additions in 2020	4'195	2'787	24	7'006
Accumulated depreciation as of Dec. 31, 2020	38'049	4'703	430	43'182
thereof additions in 2020	9'515	2'814	99	12'428
NET CARRYING AMOUNTS AS OF DEC. 31, 2019	**42'873**	**4'523**	**284**	**47'680**

The lease contracts in the "Properties" category consist of office and parking space rental contracts from the sales and administrative branches. The "Vehicles" category includes vehicle lease contracts for employees of the GRENKE Group. The rights-of-use in the "Other" segment concern advertising space contracts, an IT computer centre and franking machines.

Most of the vehicle leases have a term of 3 years (previous year: 3 years), while the office leases have contractually fixed terms of between 3 and 12 years (previous year: between 2 and 12 years). There are also extension options for the office rental agreements of between 1 and 6 years (previous year: between 1 and 6 years). Please refer to Note 3.17.5 for information on the GRENKE Group's discretionary power to include these extension options when determining the lease term in accordance with IFRS 16. The structure and terms of office lease contracts are based on the individually negotiated contractual agreements. Generally, there are no special restrictions or commitments outside of the extension and termination options mentioned.

5.10.2 Lease Liabilities

As of December 31, 2021, lease liabilities amounted to EUR 42,947k (previous year: EUR 48,401k).

Interest expenses for the recognised lease liabilities for the GRENKE Group as lessee amounted to EUR 595k in the 2020 financial year (previous year: EUR 624k). The repayment volume of lease liabilities in the 2021 financial year totalled EUR 13,515k (previous year: 12,192k). For a maturity analysis of the expected cash outflows from lease liabilities carried as liabilities, please refer to Note 7.2 "Maturity of Financial Obligations".

5.10.3 Additional Information and Effects

The additional effects of IFRS 16 on the GRENKE Group as the lessee are summarised in the following table:

EURk	2021	2020
Expenses for short-term leases	34	2
Expenses for of low-value leases	1	0
Expenses for variable lease payments not included in the measurement of lease liabilities	0	0
Income from the subleasing of rights-of-use	118	115
Gains or losses from sale and leaseback transactions	0	0

The total cash outflow for leases in the current financial year amounted to EUR 14,110k (previous year: EUR 12,816k).

Leases that the GRENKE Group had already entered into as a lessee but have not yet commenced could lead to future cash outflows of EUR 3,039k (previous year: EUR 235k). From extension and termination options not included in the measurement of the lease liabilities, future cash outflows could increase by EUR 5,419k (previous year: decrease by EUR 3,755k) compared to the current assumptions used in the calculation of lease liabilities.

5.11 Current and Non-Current Financial Liabilities

5.11.1 Overview

The GRENKE Group's financial liabilities consist of current and non-current financial liabilities.

EURk	Dec. 31, 2021	Dec. 31, 2020
CURRENT FINANCIAL LIABILITIES		
Asset-backed	355'795	377'174
Senior unsecured	764'470	565'099
Committed development loans	74'753	106'442
Liabilities from deposit business	878'364	819'356
thereof current account liabilities	0	4'200
Other bank liabilities	111	69
thereof current account liabilities	111	69
TOTAL CURRENT FINANCIAL LIABILITIES	**2'073'493**	**1'868'140**
NON-CURRENT FINANCIAL LIABILITIES		
Asset-backed	353'664	429'334
Senior unsecured	2'044'017	2'648'647
Committed development loans	72'384	142'036
Liabilities from deposit business	533'605	721'953
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**3'003'670**	**3'941'970**
TOTAL FINANCIAL LIABILITIES	**5'077'163**	**5'810'110**

The GRENKE Group structures the split of its financial liabilities in the same manner as reported to bond and capital market participants to ensure a uniform presentation. Asset-backed financial liabilities include liabilities in connection with ABCP programmes and sales of receivables to external credit institutions. Senior unsecured financial liabilities include primary unsecured debt instruments.

Liabilities from the deposit business comprise deposits of customers of GRENKE BANK AG. The total current liabilities totalling EUR 878,364k (previous year: EUR 819,356k) include an amount of EUR 342,915k (previous year: EUR 158,494k) of deposits payable on demand. For the other deposits consisting of restricted and fixed term deposits, corresponding terms have been arranged.

Bank liabilities are the liabilities arising from the use of operating credit lines (overdraft borrowings). As of the reporting date, these credit lines were utilised in the amount of EUR 111k (previous year: EUR 69k).

Current and non-current lease receivables totalling EUR 846,750k (previous year: EUR 1,045,211k) have been assigned to the refinancing institutions to secure the liabilities stemming from the refinancing of the leasing business. Each item of collateral is assigned until the outstanding receivable on the lease has been settled. The collateral is then reassigned. The items of collateral for assigned receivables are marked so that they may be clearly distinguished from non-assigned receivables.

The volume of non-current financial liabilities with remaining maturities of 1 to 5 years or more as of December 31, 2021 is as follows:

EURk	Year	Total amount	1 to 5 years	More than 5 years	Secured amount
TYPE OF LIABILITY					
ASSET-BACKED	2021	353'664	351'943	1'721	353'664
	Vorjahr	429'334	428'501	833	429'334
SENIOR UNSECURED	2021	2'044'017	1'845'264	198'753	0
	Vorjahr	2'648'647	2'254'728	393'919	0
COMMITTED DEVELOPMENT LOANS	2021	72'384	71'352	1'032	72'384
	Vorjahr	142'036	140'795	1'241	142'036
LIABILITIES FROM DEPOSIT BUSINESS	2021	533'605	526'572	7'033	0
	Vorjahr	721'953	714'744	7'209	0

The refinancing sources and thus the main categories of financial liabilities are explained in more detail below.

5.11.2 Asset-Backed Financial Liabilities

5.11.2.1 Structured Entities

The following consolidated structured entities were in place as of the reporting date: Opusalpha Purchaser II Limited (HeLaBa), Kebnekaise Funding Limited (SEB AB), CORAL Purchasing (Ireland) 2 DAC (DZ Bank), FCT “GK”-COMPARTMENT “G 2” (UniCredit), FCT “GK”-COMPARTMENT “G 3” (HSBC), FCT “GK”-COMPARTMENT “G 4” (HeLaBa). In the following, the consolidated structured entities initiated as asset-backed commercial paper (ABCP) programmes are further explained.

5.11.2.2 ABCP Programmes

The GRENKE Group had several asset-backed commercial paper programmes (ABCPs) with a total volume of EUR 947,802k (previous year: EUR 947,802k) and GBP 150,000k (previous year: GBP 150,000k) as of the end of the reporting period.

EURk	Dec. 31, 2021	Dec. 31, 2020
Programme volume in local currency		
EURk	947'802	947'802
GBPk	150'000	150'000
Programme volume in EURk	1'126'314	1'114'648
Utilisation in EURk	692'243	804'519
Carrying amount in EURk	602'451	709'626
thereof current	296'539	321'680
thereof non-current	305'912	387'946

The ABCP programmes grant GRENKE Finance Plc., Grenke Investitionen Verwaltungs KGaA and GRENKE Leasing Ltd. UK the right to refinance or to sell receivables to the respective programmes for a certain period of time. The cap on the purchase volume is determined by the volume of the programme, which is normally backed by the organising bank in the form of a liquidity commitment in the corresponding amount.

The carrying amount is calculated using the effective interest method, whereby incurred transaction costs are amortised over the term of the underlying refinancing package.

The structured entities are refinanced by issuing commercial papers, usually with a term of one month, on a revolving basis. The interest on the commercial papers is based on one-month Euribor. This is a floating interest rate. The structured entities manage the interest rate risk (fixed-rate lease receivables versus floating-rate refinancing) with interest rate hedges (interest rate swaps).

There is no currency risk in ABCP refinancing as only euro transactions and euro-based leases – and for Great Britain, GBP transactions and GBP-based leases – are involved.

The maturities of the individual ABCP programmes can be found in the following table:

ABCP programmes	sponsor	Term until
Opusalpha Purchaser II Limited	HeLaBa	April 2022
Kebnekaise Funding Limited (GER)	SEB AB	October 2023
Kebnekaise Funding Limited (UK)	SEB AB	June 2022
CORAL Purchasing (Ireland) 2 DAC	DZ-Bank	December 2023
FCT „GK“-COMPARTMENT „G 2”	UniCredit	April 2023
FCT „GK“-COMPARTMENT „G 3”	HSBC	March 2025
FCT „GK“-COMPARTMENT „G 4”	HeLaBa	December 2024

5.11.2.3 Sale of Receivables Agreements

Sale of receivables agreements are currently in place with Stadtsparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, the Commerzbank subsidiary mBank S.A., Deutsche Bank Brazil, as well as with Norddeutsche Landesbank for receivables in the UK.

All such agreements represent refinancing of lease contracts with matching maturities. For this purpose, individual lease contracts with similar maturities are grouped together, and lease receivables for the same maturities are sold.

Derecognition of receivables does not take place because the sale of the receivables is not without recourse. The present value of the related liabilities as of the end of the reporting period was EUR 106,955k (previous year: EUR 96,295k) and generally coincided with the value of the receivables sold.

EURk	Dec. 31, 2021	Dec. 31, 2020
Programme volume in local currency		
EURk	16'500	20'000
GBPk	90'000	100'000
BRLk	210'000	185'000
Programme volume in EURk	156'887	160'257
Utilisation in EURk	106'955	96'295
Carrying amount in EURk	106'955	96'295
thereof current	59'222	54'963
thereof non-current	47'733	41'332

5.11.2.4 Residual Loans

Since the acquisition of Europa Leasing GmbH, the Consolidated Group has residual loans. The residual loans serve in part to finance the residual amounts of lease contracts for which the payment instalments were sold in the context of the sale of receivables.

EURk	Dec. 31, 2021	Dec. 31, 2020
Carrying amount	53	587
thereof current	34	531
thereof non-current	19	56

5.11.3 Senior Unsecured Financial Liabilities

The following table provides an overview of the carrying amounts of the individual refinancing instruments:

EURk	Dec. 31, 2021	Dec. 31, 2020
Bonds	2'459'008	2'662'498
thereof current	527'645	338'819
thereof non-current	1'931'363	2'323'679
Promissory notes	131'944	394'844
thereof current	32'738	119'046
thereof non-current	99'206	275'798
Revolving credit facility	175'110	101'235
thereof current	161'662	52'065
thereof non-current	13'448	49'170
Money market trading	0	16'063
Overdrafts	20'205	13'438
Accrued interest	22'220	25'668

The following table shows the refinancing framework of the individual instruments:

EURk	Dec. 31, 2021	Dec. 31, 2020
Bonds EURk	5'000'000	5'000'000
Commercial paper EURk	750'000	750'000
Syndicated revolving credit facility EURk	250'000	0
Revolving credit facility EURk	30'000	300'000
Revolving credit facility PLNk	150'000	100'000
Revolving credit facility CHFk	0	20'000
Revolving Credit Facility CLPk	20'250'000	20'250'000
Revolving credit facility HRKk	125'000	125'000
Money market trading EURk	0	35'000

5.11.3.1 Bonds

Unless stated otherwise, three-month Euribor is the reference interest rate for floating-rate bonds, debentures, and private placements. The discounts and the initial expenses directly corresponding to the transaction concerned are reversed over the term of the debt securities using the effective interest method.

In principle, all debentures are bullet debt securities and are subject to the condition of a stable rating. In the event of a rating downgrade by Standard & Poor's, the agreed interest rate would be contractually adjusted (increased). As a downgrade is not expected, no hedge has been concluded to date.

5.11.3.2 Debt Issuance Programme

The relevant terms and conditions for bonds issued through the debt issuance programme are as follows:

	Term		Interest coupon	Carrying amount Dec. 31, 2021	Carrying amount Dec. 31, 2020	Nominal amount Dec. 31, 2021	Nominal amount Dec. 31, 2020
Description	From	To	Percent p.a.	EURk	EURk	EURk	EURk
Euro bond	Jan. 21, 2016	Jan. 21, 2026	2.616	25'948	25'935	26'000	26'000
Euro bond	Mar. 09, 2016	Apr. 09, 2021	1.5	0	174'967	0	175'000
Euro bond	Jun. 15, 2016	Jun. 15, 2021	0.875	0	20'000	0	20'000
Euro bond	Nov. 29, 2016	Feb. 02, 2022	1.125	280'000	280'000	280'000	280'000
Euro bond	Mar. 03, 2017	Mar. 03, 2022	1.041	19'999	19'991	20'000	20'000
Euro bond	Jul. 06, 2017	Jul. 06, 2021	0.738	0	24'992	0	25'000
Euro bond	Jul. 06, 2017	Jul. 06, 2021	0.695	0	34'989	0	35'000
Euro bond	Sep. 07, 2017	Oct. 07, 2022	0.875	199'752	199'492	200'000	200'000
Euro bond	Dec. 05, 2017	Dec. 05, 2024	0.97	14'987	14'983	15'000	15'000
Euro bond	Mar. 28, 2018	Apr. 05, 2023	1	266'742	266'538	267'000	267'000
Euro bond	May. 11, 2018	Mar. 19, 2021	0.02	0	19'988	0	20'000
Euro bond	May. 15, 2018	May. 15, 2025	1.423	54'936	54'916	55'000	55'000
Euro bond	May. 22, 2018	Jan. 20, 2021	0.02	0	20'000	0	20'000
Euro bond	Aug. 28, 2018	Aug. 28, 2024	1.048	29'968	29'955	30'000	30'000
Euro bond	Nov. 16, 2018	Oct. 05, 2023	1.5	299'380	299'082	300'000	300'000
Euro bond	Jan. 28, 2019	Jan. 28, 2022	0.957	10'000	9'994	10'000	10'000
Euro bond	Jan. 29, 2019	Jan. 29, 2029	2.237	11'476	11'472	11'500	11'500
Euro bond	Feb. 26, 2019	Apr. 05, 2024	1.625	299'410	299'260	300'000	300'000

	Term		Interest coupon	Carrying amount Dec. 31, 2021	Carrying amount Dec. 31, 2020	Nominal amount Dec. 31, 2021	Nominal amount Dec. 31, 2020
Euro bond	Apr. 16, 2019	Apr. 16, 2029	2.04	19'964	19'959	20'000	20'000
Euro bond	Apr. 25, 2019	Apr. 25, 2024	1.131	19'982	19'974	20'000	20'000
Euro bond	May. 15, 2019	May. 15, 2026	1.287	29'944	29'931	30'000	30'000
Euro bond	May. 27, 2019	Nov. 27, 2024	1.015	49'936	49'913	50'000	50'000
Euro bond	Jul. 12, 2019	Jul. 12, 2021	Euribor 3M + 0,65%	0	19'989	0	20'000
Euro bond	Oct. 09, 2019	Oct. 09, 2026	0.681	26'460	26'451	26'500	26'500
Euro bond	Oct. 10, 2019	Oct. 10, 2022	0.244	9'997	9'993	10'000	10'000
Euro bond	Nov. 12, 2019	Jan. 09, 2025	0.625	299'197	299'087	300'000	300'000
Euro bond	Mar. 04, 2020	Feb. 15, 2030	0.819	9'967	9'963	10'000	10'000
Euro bond	Apr. 09, 2020	Jul. 09, 2025	3.95	329'474	198'932	325'000	200'000

In 2021, no new EUR bonds were issued; an existing bond was increased by EUR 125,000k. The conditions of the bond increase in euros are shown in the table above.

Seven bonds with a total nominal volume of EUR 315,000k were repaid as scheduled in the financial year.

In addition, existing bonds in foreign currency are presented in table form below. The SEK bond with a nominal amount of SEK 250,000k was repaid on schedule in the 2021 financial year.

	Term		Interest coupon	Carrying amount Dec. 31, 2021	Carrying amount Dec. 31, 2020	Nominal amount Dec. 31, 2021	Nominal amount Dec. 31, 2020
Description	**From**	**To**	**Percent p.a.**	**EURk**	**EURk**	**In foreign currency**	**In foreign currency**
JPY bond	Jul. 02, 2019	Jul. 02, 2029	0.95	53'528	55'152	7'000'000'000	7'000'000'000
HKD bond	Sep. 13, 2019	Sep. 13, 2029	2.844	56'430	52'371	500'000'000	500'000'000
JPY bond	Sep. 20, 2019	Sep. 20, 2022	0.5	7'666	7'896	1'000'000'000	1'000'000'000
SEK bond	Oct. 11, 2019	Oct. 10, 2021	0.65	0	24'902	0	250'000'000
HKD bond	Mar. 11, 2020	Mar. 11, 2030	2.5	33'865	31'431	300'000'000	300'000'000

5.11.3.3 Promissory Notes (PN)

The terms and conditions for the promissory notes denominated in euro are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2021	Carrying amount Dec. 31, 2020	Nominal amount Dec. 31, 2021	Nominal amount Dec. 31, 2020
Description	From	To	Percent p.a.	EURk	EURk	EURk	EURk
EUR PN	Apr. 29, 2016	Apr. 29, 2026	2.35	0	10'980	0	11'000
EUR PN	Oct. 20, 2016	Oct. 20, 2026	1.702	0	19'954	0	20'000
EUR PN	Jan. 24, 2017	Jan. 24, 2022	1.058	10'000	9'995	10'000	10'000
EUR PN	Feb. 23, 2017	Feb. 23, 2027	2.083	0	19'952	0	20'000
EUR PN	Sep. 01, 2017	Sep. 01, 2021	0.654	0	10'000	0	10'000
EUR PN	Feb. 05, 2018	Feb. 05, 2021	0.62	0	25'000	0	25'000
EUR PN	Feb. 05, 2018	Feb. 05, 2021	0.626	0	10'000	0	10'000
EUR PN	Feb. 14, 2018	Feb. 14, 2028	2.13	0	5'000	0	5'000
EUR PN	Feb. 14, 2018	Feb. 14, 2028	2	4'992	4'990	5'000	5'000
EUR PN	Feb. 14, 2018	Feb. 14, 2028	1.979	998	9'969	1'000	10'000
EUR PN	Feb. 26, 2018	Feb. 26, 2021	0.65	0	10'000	0	10'000
EUR PN	Apr. 24, 2018	Apr. 24, 2028	1.865	0	4'967	0	5'000
EUR PN	Apr. 24, 2018	Apr. 24, 2028	1.865	0	39'719	0	40'000
EUR PN	Jul. 06, 2018	Jul. 06, 2023	0.82	9'991	9'986	10'000	10'000
EUR PN	Jul. 06, 2018	Dec. 15, 2027	1.773	1'995	4'986	2'000	5'000
EUR PN	Jul. 25, 2018	Jul. 25, 2022	0.68	0	10'000	0	10'000
EUR PN	Aug. 15, 2018	Aug. 15, 2023	0.92	8'000	8'000	8'000	8'000
EUR PN	Sep. 03, 2018	Sep. 03, 2021	0.47	0	10'000	0	10'000
EUR PN	Sep. 04, 2018	Sep. 04, 2022	0.69	0	20'000	0	20'000
EUR PN	Nov. 15, 2018	Nov. 15, 2021	0.95	0	30'000	0	30'000
EUR PN	Jan. 25, 2019	Jan. 25, 2029	2.282	4'986	9'968	5'000	10'000
EUR PN	Mar. 29, 2019	Mar. 29, 2022	0.78	10'000	10'000	10'000	10'000
EUR PN	Mar. 19, 2020	Jan. 05, 2023	0.96	19'000	19'000	19'000	19'000

No new promissory notes denominated in EUR were issued in 2021. Scheduled repayments were made for six promissory notes with a nominal volume of EUR 95,000k. EUR 148,000k was repaid early.

The terms and conditions for the promissory notes denominated in foreign currencies are listed in the following table:

Description	Term From	To	Interest coupon Percent p.a.	Carrying amount Dec. 31, 2021 EURk	Carrying amount Dec. 31, 2020 EURk	Nominal amount Dec. 31, 2021 In foreign currency	Nominal amount Dec. 31, 2020 In foreign currency
CHF-PN	Mar. 07, 2017	Mar. 07, 2022	0.81	9'679	9'252	10'000'000	10'000'000
DKK-PN	Jul. 06, 2018	Jul. 06, 2021	0.37	0	3'494	0	26'000'000
SEK-PN	Jul. 06, 2018	Jul. 06, 2021	0.64	0	2'990	0	30'000'000
SEK-PN	Oct. 08, 2018	Oct. 08, 2021	0.84	0	3'588	0	36'000'000
PLN-PN	Oct. 16, 2018	Oct. 16, 2021	3.18	0	8'773	0	40'000'000
DKK-PN	Apr. 08, 2019	Apr. 08, 2022	0.88	2'689	8'064	20'000'000	60'000'000
CHF-PN	Sep. 17, 2019	Sep. 17, 2024	0.275	9'674	9'251	10'000'000	10'000'000
CHF-PN	Sep. 07, 2020	Sep. 07, 2023	0.8975	29'003	27'717	30'000'000	30'000'000
CHF-PN	Sep. 09, 2020	Sep. 09, 2025	0.97	9'673	9'249	10'000'000	10'000'000
BRL-PN	Mar. 17, 2021	Mar. 10, 2025	2.74	1'264	0	7'977'449	0

In 2021, a new BRL denominated promissory note with a total nominal volume of BRL 10,000k was issued.

All repayments of the foreign currency promissory notes were made on schedule in the financial year.

5.11.3.4 Commercial Papers

The GRENKE Group has the option of issuing commercial papers of up to a total volume of EUR 750,000k with a term of between 1 and 364 days. As of December 31, 2021, EUR 0k (previous year: EUR0k) of the commercial paper programme was utilised.

5.11.3.5 Revolving Credit Facility

The GRENKE Group has the ability to borrow short-term funds with maturities of up to 3 years any time through a revolving credit facility at Landesbank Hessen-Thüringen with a total volume of EUR 30,000k (part of which can be drawn down in Swiss franc, Danish krone, Swedish krona and the British pound). This facility is available to GRENKE Finance Plc., Dublin/Ireland, with a portion also available to GRENKELEASING AG, Zurich, Switzerland, GRENKELEASING AB Stockholm/Sweden, GRENKELEASING ApS, Herlev/Denmark and GRENKELEASING Ltd., Guildford/Great Britain.

In addition, a new syndicated revolving credit facility with a volume of EUR 250,000k (part of which can be drawn down in Swiss francs and British pound) was concluded in the financial year, which offers GRENKE Finance Plc., Dublin/Ireland, GRENKELEASING AG, Zurich/Switzerland, and GrenkeLeasing Ltd., Guildford/United Kingdom, the opportunity to borrow funds at short notice at any time for a term of up to six months. The lenders are Deutsche Bank AG, DZ BANK AG, HSBC Trinkaus & Burkhardt AG, Landesbank Hessen-Thüringen, Le Crédit Lyonnais, Norddeutsche Landesbank and SEB AB (Frankfurt Branch).

There a additional facilities at SEB AB and Norddeutsche Landesbank, which offer GRENKELEASING Sp.z.o.o. the opportunity to borrow funds at short notice at any time up to a volume of PLN 150,000k for fixed terms of up to three years and up to six months, respectively.

Grenke Hrvatska d.o.o., Zagreb/Croatia has a facility with Raiffeisenbank Austria with a volume of up to HRK 125,000k and a fixed term of two and a half or three years.

In addition, there is a revolving loan facility in the amount of CLP 20,250,000k for GC Rent Chile SpA at HSBC Bank (Chile).

As of December 31, 2021, the revolving credit facilities were utilised in the amount of EUR 50,000k, PLN 147,500k, GBP 33,000k, DKK 7,000k, HRK 50,000k, CLP 16,567,200k and CHF 31,000k (previous year: EUR 0k, PLN 76,000k, GBP 30,000k, DKK 7,000k, HRK 85,000k, CLP 18,480,000k and CHF 10,000k).

5.11.3.6 Money Market Trading

The non-committed money market facility from Bayerische Landesbank guaranteed by GRENKE AG totalling EUR 35,000k was discontinued in the 2021 financial year.

As of December 31, 2021, the credit lines were utilised in an amount of CHF 0k and GBP 0k and PLN 0k (previous year: CHF 6,000k and GBP 3,500k and PLN 30,000k).

5.11.4 Committed Development Loans

There are various collaborations in the form of global loans between the GRENKE AG and the development banks Kreditanstalt für Wiederaufbau (KfW), NRW Bank, Thüringer Aufbaubank. Landeskreditbank Baden-Württemberg and the ILB Investitionsbank des Landes Brandenburg. There is also a development loan between GRENKE Finance Plc. and the European Investment Bank. These collaborations facilitate the integration of public funding in GRENKE AG's lease financing. The funding is available to regional investment projects of commercial enterprises and self-employed professionals with an annual turnover of up to EUR 500 million.

The following table shows the carrying amounts of the development loans utilised at the individual development banks:

EURk	Dec. 31, 2021	Dec. 31, 2020
Europäische Investitionsbank	9'846	9'775
NRW Bank	29'029	55'896
Thüringer Aufbaubank	2'112	3'552
Investitionsbank des Landes Brandenburg	417	1'467
KfW	104'842	176'443
Landeskreditbank Baden-Württemberg	891	1'345
Accrued interest	0	0
TOTAL DEVELOPMENT LOANS	**147'137**	**248'478**

5.11.5 Supplementary information on financial liabilities in the statement of cash flows

For the purposes of the statement of cash flows, financial liabilities are composed as follows:

EURk	2021	2020
FINANCIAL LIABILITIES		
Additions of liabilities / assumption of new liabilities from refinancing	656'354	1'123'549
Interest expenses from refinancing	47'461	54'390
Payment / repayment of liabilities to refinancers	–1'328'446	–1'658'230
Currency translation differences	20'982	–38'294
CHANGE IN LIABILITIES FROM REFINANCING	**–603'649**	**–518'585**
Additions / repayment of liabilities from the deposit business	–139'908	641'888
Interest expenses from the deposit business	10'568	9'028
CHANGE IN LIABILITIES FROM THE DEPOSIT BUSINESS	**–129'340**	**650'916**
CHANGE IN FINANCIAL LIABILITIES	**–732'989**	**132'331**

5.12 Other Current Liabilities

EURk	Dec. 31, 2021	Dec. 31, 2020
Value-added tax	13'723	30'714
Debtors with credit	18'884	20'334
Clearing accounts with companies	7'054	5'063
Liabilities for salaries	1'364	1'529
Outstanding charges from refinancers	83	1'741
Contributions to social security	1'574	1'285
Wages/church tax	738	861
Customer payments being settled	925	1'143
Liabilities from car leases	203	283
Deferred income	196	154
Liabilities from security deposits	165	131
Amounts in process	3'824	1'292
Liabilities from other taxes	438	387
Other	6'430	17'559
TOTAL	**55'601**	**82'476**

The decrease in other items mainly results from the change in liabilities from a SEPA clearing account to third parties in the amount of EUR 0k (prior year: EUR 14,369k).

5.13 Deferred Lease Payments

The line item deferred lease payments contains contractual liabilities of EUR 6,431k (previous year: EUR 6,078k). These liabilities are the result of payments received for services in the service and protection business for the subsequent year. The contractual liabilities recorded as of December 31, 2021 will be recognised as revenue in the following year.

5.14 Deferred Liabilities

The following items are shown under the item deferred liabilities:

EURk	Dec. 31, 2021	Dec. 31, 2020
Consulting services	3'664	6'266
Personnel services	7'633	7'485
Other costs	17'437	18'562
TOTAL	**28'734**	**32'313**

Other costs consist largely of deferred liabilities for outstanding invoices and reseller bonuses. All deferred liabilities are short-term in nature.

5.15 Pensions

5.15.1 Defined Benefit Plans

The provisions for pensions relate to the compulsory funded retirement benefit plans (endowment insurance) with supplementary payment obligation on the part of the employers in Switzerland for GRENKE-LEASING AG, Zurich and GRENKEFACTORING AG, Basel, and the pension obligations from final salary and flat salary pension plans in Germany for GRENKE BANK AG, Baden-Baden. A total net pension expense of EUR 602k (previous year: EUR 733k) was recognised for existing pension plans in the 2021 financial year.

The weighted-average duration of the predominant share of the pension obligations amounts to 19.2 years (previous year: 18.6 years).

5.15.1.1 Pensions in Germany

The pension obligations of GRENKE BANK AG relate to direct and vesting pension commitments made in the past and predominantly for former employees.

The pension provisions were calculated on the basis of the following parameters:

EURk	Dec. 31, 2021	Dec. 31, 2020
Discount rate	1.00%	0.50%
Estimated future pension increases	1.70%	1.50%
Mortality tables applied	"Heubeck-Richttafeln 2018 G"	"Heubeck-Richttafeln 2018 G"

* Source: Prof Klaus Heubeck.

The development of the defined benefit obligations was as follows:

EURk	2021	2020
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	**1'858**	**1'861**
Interest expense	9	15
Current service cost	0	0
Benefits paid	–85	–82
Actuarial gains and losses recognised in equity	–79	64
Past service costs resulting from amend- ments to plan	0	0
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	**1'703**	**1'858**

5.15.1.2 Pensions in Switzerland

According to the Swiss Occupational Pension Act (BVG), every employer must grant pensions to entitled employees after termination of employment. The GRENKE Group maintains defined benefit plans (capital-based) in Switzerland that are managed by trusts and independent of the Company.

The external expert opinion is based on the following actuarial assumptions:

EURk	Dec. 31, 2021	Dec. 31, 2020
Discount rate	0.40%	0.20%
Estimated future salary increases	1.50%	1.50%
Estimated future pension increases	0.00%	0.00%
Mortality tables applied	BVG 2020	BVG 2015

* A pension adjustment of 0 percent is assumed, as no pensions are currently paid to employees.

Based on the actuarial report, the following income and expenses were recognised:

EURk	Dec. 31, 2021	Dec. 31, 2020
Service cost	602	733
Interest expense	15	21
Income from interest on plan assets	8	12

The assets are invested in a collective insurance agreement with a life insurance company by way of a follow-up agreement with the BVG pension fund. With this form of full insurance, the life insurer assumes the risk, meaning a shortfall in coverage cannot occur.

As of December 31, 2021, the provision for pensions recognised under non-current liabilities amounted to EUR 3,163k (previous year: EUR 3,878k). The amount consists of a calculated present value of defined benefit obligations (DBO) of EUR 7,252k (previous year: EUR 7,762k), a fair value of plan assets of EUR 4,088k (previous year: EUR 3,884k) and an actuarial gain of EUR 1,160k (previous year: EUR –182k).

EURk	2021	2020
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	**7'762**	**7'197**
Interest expense	15	21
Current service cost	602	733
Benefits paid	205	223
Contributions of the participants of the plan	–420	–526
Actuarial gains and losses recognised in equity	–1'228	84
Past service cost	0	0
Currency translation differences from foreign plans	316	30
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	**7'252**	**7'762**
CHANGE IN PLAN ASSETS	0	0
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**3'884**	**3'930**
Expected return	8	12
Employer's contributions	301	324
Contributions of the participants of the plan	205	223
Benefits paid	–420	–526
Actuarial gains and losses recognised in equity	–68	–98
Currency translation differences from foreign plans	178	19
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**4'088**	**3'884**

The actuarial gains and losses included in the revaluation of defined benefit obligations result from the following:

EURk	Dec. 31, 2021	Dec. 31, 2020
Changes in demographic assumptions	–510	0
Changes in financial assumptions	–334	42
Experience-based gains/losses	–384	42
TOTAL	**–1'228**	**84**

Experience-based adjustments to plan assets amounted to EUR –68k (previous year: EUR –98k). Employer contributions for the subsequent period are estimated at EUR 306k.

5.15.1.3 Sensitivity Analysis

A change in the assumptions above applied to determine the DBO as of December 31, 2021 and December 31, 2020 would increase or decrease the DBO as follows:

	Change in assumptions in percentage points	Increase in assumptions Change in DBO in EURk	Decrease in assumptions Change in DBO in EURk
DEC. 31, 2021			
Discount rate	0.25	–415	447
Future salary increases	0.25	65	–63
Future pension increases	0.25	54	–52
DEC. 31, 2020			
Discount rate	0.25	–468	505
Future salary increases	0.25	78	–75
Future pension increases	0.25	61	–58

In calculating the sensitivity of the DBO for the relevant actuarial assumptions, the same method was used for the calculation of the recognised obligation.

5.15.2 Defined Contribution Plans

Defined contribution plans represent an additional part of the occupational pension schemes within the Consolidated Group. Under defined contribution plans, the entity pays contributions to public or private pension insurance schemes voluntarily or on the basis of statutory or contractual requirements. The entity does not have any other benefit obligations beyond the contribution payments.

The current contribution payments are recognised as an expense for the respective year. In 2021, they amounted to a total of EUR 5,536k (previous year: EUR 5,386k) and had mainly comprised contributions to the statutory pension insurance scheme in Germany. Going forward, the level of expenses primarily depends on the development of the underlying pension insurance schemes.

5.16 Equity

5.16.1 Share Capital

For the details on changes in equity, please refer to the consolidated statement of changes in equity.

GRENKE AG's share capital is unchanged compared to December 31, 2020 and amounts to EUR 46,495,573 divided into 46,495,573 no-par value shares. Each ordinary share has a notional interest in the share capital of EUR 1. All shares are fully paid-in and have the same rights and obligations. Each share is entitled to one vote at the Annual General Meeting and accounts for the shareholders' proportionate share in the Company's net profit.

5.16.2 Authorised Capital

On May 3, 2018, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions up to a nominal amount of EUR 4,400k (Authorised Capital). This can be undertaken by issuing new shares in return for cash and/or contribution in kind until May 2, 2023. Authorised capital amounted to EUR 2,218k as of December 31, 2021.

5.16.3 Contingent Capital

On May 14, 2019, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital up to a nominal amount of EUR 4,500k (Contingent Capital) until May 13, 2024 by issuing new shares against contribution in cash or in kind. The creation of contingent capital is linked to the authorisation of the Board of Directors, with the consent of the Supervisory Board, to issue on one or more occasions, bearer and/or registered bonds with warrants and/or convertible bonds up to a total nominal amount of EUR 500,000k. No bonds with warrants and/or convertible bonds have been issued from contingent capital to date.

5.16.4 Authorisation to Acquire Treasury Shares Pursuant to Section (1) no. 8 AktG

The Company was granted authorisation to acquire treasury shares until August 5, 2025 by the Annual General Meeting of August 6, 2020 in accordance with Section 71 (1) No. 8 AktG. The Company has not made use of this authorisation.

5.16.5 Unappropriated Surplus

On July 29, 2021, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for financial year 2020 in the amount of EUR 12,184,291.78. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

	EUR
2020 Unappropriated surplus	12.184.291,78
Distribution of a dividend of EUR 0.26 per share for a total of 46,495,573 shares	12.088.848,98
Profit carried forward (to new account)	95.442,80

For the past financial year 2021, the Board of Directors will propose to the Annual General Meeting the distribution of a dividend of EUR 0.51 per share. This distribution is not recognised as a liability as of December 31, 2021.

5.16.6 Reserves

The capital reserves of EUR 298,019k (previous year: EUR 298,019k) result primarily from GRENKE AG's IPO in April 2000 and the capital increases in February 2013, May 2014, May 2016, June 2018 and September 2020. In addition to GRENKE AG's retained earnings, retained earnings include the retained earnings and results of the subsidiaries and consolidated structured entities included in the consolidated financial statements.

5.16.7 Additional Equity Components

On July 22, 2015, GRENKE AG issued an unsecured, subordinated hybrid bond (non-cumulative, indefinite Additional Tier 1, known as an AT1 bond or hybrid capital) with a nominal volume of EUR 30,000k and an interest coupon of 8.25 percent. The interest payments for this bond are based on the bond's nominal value and are fixed for the period from the day of issuance until the first possible early redemption day. Thereafter, the interest rate will be redetermined for periods of five years each. Interest payments can be omitted in full or in part, are non-cumulative and at the issuer's discretion. Interest payments in subsequent years will not be increased to make up for any omitted interest payments occurring in prior years. The bonds have an indefinite maturity and are therefore not subject to a limited term. The bonds can be called by GRENKE AG with effect as of the first possible early redemption day and thereafter at five-year intervals. The first possible date for early redemption was March 31, 2021. The bonds can also be called prematurely, subject to certain conditions. The investors' right to call the bonds is excluded. The bonds are subject to the terms and conditions detailed in the respective prospectus, which include – among others – that GRENKE AG can call the bonds only in full and not in part, to the extent certain regulatory or tax reasons exist. Any premature call of the bonds requires the prior approval of the relevant regulatory authority. The redemption and nominal amount of the bonds may be reduced upon the occurrence of a triggering event. Should GRENKE Group's Tier 1 core capital ratio fall below 5.125 percent, this would constitute such a triggering event. In the case of a triggering event, the bonds may be appreciated, subject to certain conditions. On December 20, 2016, the bond with an unchanged coupon of 8.25 percent was increased by a nominal EUR 20,000k. The change in market interest rates since the first issue resulted in an additional premium of EUR 600k. The entire hybrid bond in the amount of EUR 50,000k was not called on the first possible date of March 31, 2021. Therefore, the AT1 bond is extended by a further five years until March 31, 2026. The new interest coupon is 7.33 percent.

On September 27, 2018, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 7.0 percent. The terms are otherwise identical to the AT1 bond issued on July 22, 2015.

The first possible early redemption date is March 31, 2023. Transaction costs of EUR 1,425k were offset directly against retained earnings.

On December 5, 2019, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 5.375 percent. The terms are otherwise identical to the AT1 bonds issued on July 22, 2015 and September 27, 2018. The first possible early redemption date is March 31, 2026. Transaction costs of EUR 1,286k were offset directly against retained earnings.

On March 31, 2021, GRENKE AG made a scheduled payment of EUR 13,406,250 to the hybrid capital investors (previous year: EUR 10,663,680).

5.16.8 Other Components of Equity

Other components of equity include the hedge reserve, in which the recognition directly in equity of derivatives designated as hedges is shown; the reserve for actuarial gains/losses, in which the change in value directly recognised in equity of the defined benefit plans is shown; the currency translation from the translation of the financial statements of entities in foreign currency; as well as the revaluation reserve from equity instruments (IFRS 9), in which the change in value directly in equity of other investments recognised at fair value is shown (FVOCImR).

5.16.9 Non-controlling Interests in Equity

Non-controlling interests are reported in the consolidated statement of financial position as an equity component but separately from equity attributable to GRENKE shareholders. Consolidated net profit or loss attributable to non-controlling interests is presented separately in the consolidated income statement. Changes in the ownership interest in subsidiaries without loss of control are recognised as transactions between equity providers and recognised directly in retained earnings.

6. Changes in the Scope of Consolidation

6.1 Sale of viafintech

In the fourth quarter of 2021, the sale of GRENKE BANK AG's (a wholly owned subsidiary of GRENKE AG) minority interest of 25.01 percent in the fintech company viafintech GmbH to paysafe-card.com Wertkarten GmbH, Vienna (Austria) generated proceeds of EUR 27.6 million. GRENKE BANK AG acquired a stake in viafintech GmbH (then still operating under the name "Cash Payment Solutions GmbH") in 2015 and will continue to support the company as its main payment processor under a long-term cooperation agreement. GRENKE realised an after-tax gain from the sale of EUR 23.0 million in the fourth quarter of 2021.

6.2 Further Changes and Information

Due to changes in legal circumstances, GRENKE AG no longer had significant influence over CTP Handels- und Beteiligungs GmbH as of December 31, 2021. The company is therefore no longer classified as an associated company as of the reporting date.

There were no other changes in the financial year.

7. Disclosures on Financial Instruments

7.1 Additional Information on Financial Instruments

EURk	Measurement category	Carrying amount Dec. 31, 2021	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL ASSETS						
Cash and cash equivalents	AC	853'071			853'071	
Derivative financial instruments with positive fair value without hedging relationship	FVPL	8'890		8'890		
Derivative financial instruments with positive fair value with hedging relationship	n.a.	1'319	1'319			
Lease receivables	n.a.	5'118'972				5'118'972
Trade receivables	AC	6'050			6'050	
Other investments	FVOCIoR					
Other financial assets						
thereof receivables from the factoring business	AC	67'072			67'072	
thereof receivables from the lending business	AC	137'463			137'463	
thereof other financial assets	AC	61'643			61'643	
AGGREGATED CATEGORIES						
	AC				1'125'299	
	FVPL			8'890		
	FVOCIoR					
	n.a.		1'319			5'118'972

Abbreviations
FVPL: Financial assets and financial liabilities measured at fair value through profit and loss.
FVOCIoR: Financial assets measured at fair value through OCI without recycling.
AC: Financial assets and financial liabilities measured at amortised cost..
n. a.: Not applicable/no category according to IFRS 7.8.

EURk	Measurement category	Carrying amount Dec. 31, 2021	Valuation according to IFRS 9			Valuation according to IFRS 16
			At fair value directly in equity	At fair value through profit and loss	Amortised cost	
FINANCIAL LIABILITIES						
Financial debt						
thereof liabilities from the refinancing of lease receivables	AC	3'665'083			3'665'083	
thereof liabilities from the deposit business	AC	1'411'969			1'411'969	
thereof bank liabilities	AC	111			111	
thereof bank liabilities	AC	43'725			43'725	
Derivative financial instruments with negative fair value without hedging relationship	FVPL	4'403		4'403		
Derivative financial instruments with negative fair value with hedging relationship	n.a.	16'381	16'381			
AGGREGATED CATEGORIES						
	AC				5'120'888	
	FVPL			4'403		
	n.a.		16'381			

EURk	Measurement category	Carrying amount Dec. 31, 2020	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL ASSETS						
Cash and cash equivalents	AC	944'733			944'733	
Derivative financial instruments with positive fair value without hedging relationship	FVPL	4'212		4'212		
Derivative financial instruments with positive fair value with hedging relationship	n.a.	3'304	3'304			
Lease receivables	n.a.	5'636'292				5'636'292
Trade receivables	AC	6'384			6'384	
Other investments	FVOCIoR	5'264	5'264			
Other financial assets						
thereof receivables from the factoring business	AC	53'582			53'582	
thereof receivables from the lending business	AC	151'758			151'758	
thereof other financial assets	AC	71'920			71'920	
AGGREGATED CATEGORIES						
	AC				1'228'377	
	FVPL			4'212		
	FVOCIoR		5'264			
	n.a.		3'304			5'636'292

Abbreviations
FVPL: Financial assets and financial liabilities measured at fair value through profit and loss.
FVOCIoR: Financial assets measured at fair value through OCI without recycling.
AC: Financial assets and financial liabilities measured at amortised cost.
n. a.: Not applicable/no category according to IFRS 7.8.

EURk	Measurement category	Carrying amount Dec. 31, 2020	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL LIABILITIES						
Financial debt						
thereof liabilities from the refinancing of lease receivables	AC	4'268'732			4'268'732	
thereof liabilities from the deposit business	AC	1'541'309			1'541'309	
thereof bank liabilities	AC	69			69	
thereof bank liabilities	AC	38'638			38'638	
Derivative financial instruments with negative fair value without hedging relationship	FVPL	11'676		11'676		
Derivative financial instruments with negative fair value with hedging relationship	n.a.	13'623	13'623			
AGGREGATED CATEGORIES						
	AC				5'848'748	
	FVPL			11'676		
	n.a.		13'623			

Net gains and losses as of Dec. 31, 2021

EURk	Currency translation	Interest	Impairment	From disposal	Net profit
Financial assets (at amortised cost)	–16	0	–36'781	–81'168	–117'965
At fair value through profit and loss	–3'861	1'777	0	–9'315	–11'399
Financial liabilities (at amortised cost)	2'816	0	0	0	2'816

Net gains and losses as of Dec. 31, 2020

EURk	Currency translation	Interest	Impairment	From disposal	Net profit
Financial assets (at amortised cost)	–6'467	0	–131'260	–58'711	–196'438
At fair value through profit and loss	12'995	–723	0	–622	11'650
Financial liabilities (at amortised cost)	–9'690	0	0	0	–9'690

Total interest income calculated according to the effective interest method amounted to EUR 7,118k (previous year: EUR 6,775k). Total interest expenses for financial assets and financial liabilities not measured at fair value through profit and loss was EUR 13,067k (previous year: EUR 11,010k). For equity instruments classified as FVOCIoR, the loss recognised in other comprehensive income amounted to EUR 5,339k (previous year: gain of EUR 241k).

Net gains from lease receivables are comprised of interest income, profit from new business, and profit from disposals. They amount to EUR 441,797k (previous year: EUR 494,722k). Net gains and losses from financial instruments recognised at fair value through profit and loss include not only the changes in fair value (for forward exchange contracts shown as the effect from the currency translation and interest hedges as interest effect) but also the results from accrued interest and from the early disposal resulting from an early sale.

7.1.1 Financial Risk Strategy

For qualitative and quantitative information on default, liquidity, and market risks, please refer to the combined management report.

7.2 Maturity of Financial Obligations

The table below shows the maturities of the earliest possible non-discounted contractual cash flows of the financial obligations at the end of the reporting period of the most recent and the previous financial years. Some amounts do not match the amounts shown in the statement of financial position as they relate to undiscounted cash flows.

As of Dec. 31, 2021

EURk	Due on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
TYPE OF LIABILITY					
Refinancing liabilities	0	552'848	586'580	2'425'854	220'013
Liabilities from deposit business	342'915	147'584	387'865	526'572	7'033
Bank liabilities	111	0	0	0	0
Lease liabilities	0	3'352	9'228	25'840	6'660
Other liabilities	0	55'570	31	2	0
Trade payables	0	43'725	0	0	0
Irrevocable credit commitments	6'892	0	0	0	0
Derivative financial liabilities	0	3'269	7'854	2'207	7'454
TOTAL	**349'918**	**806'348**	**991'558**	**2'980'475**	**241'160**

As of Dec. 31, 2020

EURk	Due on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
TYPE OF LIABILITY					
Refinancing liabilities	0	239'884	753'398	2'945'746	424'654
Liabilities from deposit business	158'494	138'324	522'538	714'744	7'209
Bank liabilities	69	0	0	0	0
Lease liabilities	0	3'458	9'594	28'610	9'809
Other liabilities	0	82'457	19	26	0
Trade payables	0	38'638	0	0	0
Irrevocable credit commitments	4'708	0	0	0	0
Derivative financial liabilities	0	1'142	3'392	7'401	13'364
TOTAL	**163'271**	**503'903**	**1'288'941**	**3'696'527**	**455'036**

With respect to the disclosures on liquidity risk management, please refer to the explanations in the combined management report.

7.3 Derivative Financial Instruments

7.3.1 Fair Value and Nominal Volume

The nominal volumes and fair values of the derivative financial instruments are shown in the following tables. In accordance with internal guidelines, the nominal volumes of the derivative financial instruments correspond to the volume of the underlying transactions hedged with the derivative financial instruments.

Derivative Financial Instruments with Positive Fair Value

EURk	Dec. 31, 2021		Dec. 31, 2020	
	Nominal volume	Fair value	Nominal volume	Fair value
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross currency swaps	62'239	851	23'208	1'764
Foreign currency forward contracts	57'058	468	166'513	2'069
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	**119'297**	**1'319**	**189'721**	**3'833**
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	244'770	1'130	389'794	351
Foreign currency forward contracts	10'121	7'760	55'343	3'332
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	**254'891**	**8'890**	**445'137**	**3'683**
TOTAL	**374'188**	**10'209**	**634'858**	**7'516**

Derivative Financial Instruments with Negative Fair Value

EURk	Dec. 31, 2021		Dec. 31, 2020	
	Nominal volume	Fair value	Nominal volume	Fair value
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross currency swaps	111'968	7'987	176'106	13'623
Foreign currency forward contracts	283'353	8'394	248'498	8'458
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	**395'321**	**16'381**	**424'604**	**22'081**
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	464'414	387	198'033	1'356
Foreign currency forward contracts	97'234	4'016	63'593	1'862
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	**561'648**	**4'403**	**261'626**	**3'218**
TOTAL	**956'969**	**20'784**	**686'230**	**25'299**

7.3.2 Components of the Hedging Reserve in the Consolidated Statement of Comprehensive Income

The following table shows the hedging gains and losses that were recognised in the hedging reserve within the consolidated statement of comprehensive income in the reporting period. The amounts reclassified to the income statement are also shown.

EURk	2021	2020
PROFITS/LOSSES IN THE FINANCIAL YEAR		
Cross currency swaps	4'723	−9'167
Foreign currency forward contracts	309	−7'763
Interest rate derivatives	0	−27
RECLASSIFIED TO THE INCOME STATEMENT		
Cross currency swaps	−2'816	9'690
Foreign currency forward contracts	−327	7'840
Interest rate derivatives	0	0
TOTAL GAINS/LOSSES RECOGNISED IN HEDGING RESERVE	**1'889**	**573**

The amounts reclassified are reported under “other operating expenses” or “other operating income” in the item “currency translation differences”. The reclassifications relate, on the one hand, to the change in the fair value of the hedged item. This change would affect profit or loss without the reclassification.

On the other hand, the costs of the hedge are reclassified to the income statement on a time proportion basis. The cumulative change in the fair value of the hedged bonds in foreign currency (cross-currency swap) amounted to EUR 7,027k. The cumulative change in the fair value of the hedged foreign currency loans (foreign currency forward contracts) amounted to EUR -1,309k.

7.3.3 Use and Measurement

7.3.3.1 Business Model

As a small-ticket IT leasing company, GRENKE Group offers lease contracts to B2B customers for mobile IT assets, among others. The lease portfolio, i.e. all lease contracts in their entirety, has fixed contractual terms over the duration of each individual contract. Upon conclusion of the contract, both the periodical payments as well as the interest rate used to calculate the payments are set out. Neither of the parties can subsequently amend these terms. GRENKE Group only dissolves or agrees to dissolve contracts prematurely (repurchase, exchange option, termination, etc.) if the lessee bears the potential loss (i.e. due to lost interest). Each derivative contract has an underlying economic transaction with a corresponding contrarian risk position. Contracts are only concluded with credit institutions having an investment grade rating. Therefore, and due to the diversification of our contract partners, the maximum credit risk is of minor importance and is limited to the carrying amount. Please refer to the combined management report, and particularly to the risk report and the report on the financial position and net assets for qualitative and quantitative disclosures regarding default risk, liquidity risk, and market risks. Please refer to the Notes to the Consolidated Statement of Financial Position for more information.

7.3.3.2 Hedging Policy

Derivatives are used when, and only when, underlying contracts must be hedged. Underlying contracts are the contractual obligations entered into by GRENKE Group in order to achieve its objectives. The Treasury department is not a separate profit centre. The use of derivatives is limited to hedging the profits of GRENKE Group to the extent stipulated in the Company's Articles of Association.

Items are largely hedged in terms of volume or amount, with various instruments being used. The choice of instrument is always a management decision based on the risk profile, i.e. the potential income associated with the risk in question.

7.3.3.3 Measurement

Since the derivatives used are so-called OTC derivatives rather than standardised, listed financial instruments, recognised measurement models are used for calculating fair values. The necessary parameters for measurement, such as interest rates, yield curves, and foreign exchange spot and forward rates, can be observed on the market at all times and may be accessed via external sources of information.

7.3.4 Currency Risk Management

GRENKE Group is exposed to currency risks as a result of its international activities and the growing significance of its international markets. Derivatives are used to mitigate or eliminate these risks. Forward exchange contracts were and are used to hedge the cash flows from the refinancing of the international subsidiaries. The GRENKE Group finances the lease receivables generated by the subsidiaries in the corresponding foreign currencies and receives payments in those currencies over the term of the underlying lease contracts. GRENKE Bank and GRENKE Finance Plc. also granted foreign currency loans to subsidiaries. The fair values of the forward exchange contracts are recorded under financial instruments with positive fair value and financial instruments with negative fair value. As of the end of the reporting period, there were asset and liability forward exchange contracts, leading to their disclosure as assets as well as liabilities (see Note 7.3.1). Some of the forward exchange transactions are designated as hedging instruments as defined by IFRS 9.

The following table provides information on the maturity of the nominal volumes and the hedged average rate for the forward exchange transactions with a hedging relationship as defined by IFRS 9.

EURk	Maturity of the nominal volumes as of Dec. 31, 2021			
EUR Purchase	Up to 1 year	1 to 5 years	More than 5 years	Hedged average rate
AED	4'652	0	-	4.13
AUD	55'159	0	-	1.65
CAD	55'951	0	-	1.48
CHF	6'338	0	-	1.04
CLP	4'681	0	-	961.27
DKK	26'027	47'908	-	7.44
GBP	17'079	0	-	0.85
PLN	8'629	0	-	4.64
SEK	42'081	50'761	-	10.52
SGD	20'562	0	-	1.62
USD	171	412	-	1.20

Cross-currency swaps were used to hedge the foreign currency risk of 3 foreign currency bonds issued in the 2019 financial year and one foreign currency bond issued in the 2020 financial year (HKY, JPY) as well as the resulting interest payments. The hedged item is reported under current and non-current financial liabilities (see Note 5.11.3.2). The cross-currency swaps are designated as hedging relationships within the meaning of IFRS 9. The 4 existing cross-currency swaps have proven to be effective. The changes in fair value were recognised in other comprehensive income. Exchange gains and losses from the translation of the foreign currency bonds at the spot rate as of December 31, 2021 were recognised in the income statement. The corresponding amount of these gains and losses was reversed from other comprehensive income to the income statement in order to offset the gains and losses from the translation of the foreign currency bonds at the spot rate as of December 31, 2021 (see Note 7.3.2).

The following table provides information on the maturity of the nominal volumes, the hedged average rate and the hedged average interest rates (arithmetic mean):

	Maturity of the nominal volumes as of Dec. 31, 2021		
EUR Purchase	**Up to 1 year**	**1 to 5 years**	**More than 5 years**
CROSS CURRENCY SWAPS (EUR : HKD)			
Nominal volume	900	3'601	96'021
Hedged average rate	8.6	8.6	8.6
Average interest rate	0.97%	0.97%	0.97%
CROSS CURRENCY SWAPS (EUR : JPY)			
Nominal volume	9'412	3'838	60'435
Hedged average rate	121.27	121.62	121.62
Average interest rate	1.53%	1.67%	1.67%

For information on exchange rate sensitivity, please refer to the detailed explanations on market price risk in the risk report contained in the combined management report.

7.3.5 Interest Rate Risk Management

The interest rate risk for GRENKE Group's operations results mainly from the sensitivity of its financial liabilities to changes in market interest rates. GRENKE Group endeavours to limit the impact of such risks on interest expense and net interest income by employing appropriate derivatives.

Issuing bonds and contracting interest rate swaps are elements of implementing a financing strategy under which GRENKE Group separates refinancing from interest rate hedging in order to obtain maximum flexibility for optimising its refinancing activities. The risks (variable cash flows) which may result are hedged by appropriate interest rate derivatives.

The variable refinancing of the ABCP transaction is economically hedged by the employment of interest rate swaps. From the perspective of the GRENKE Group, these are receiver swaps. A fixed interest rate is exchanged for a floating-rate interest.

For information on sensitivities, please refer to the statements on market price risks, which are explained in detail in the risk report of the combined management report.

7.3.6 Effectiveness of the Hedging Relationship

IFRS accounting requires documentation and risk assessment when using derivative financial instruments. In particular, the appropriation and the critical term match between the hedged item and the hedging instrument form the basis for a successful hedging relationship in terms of effectiveness. By using derivatives to hedge foreign currency bonds and loans to Consolidated Group companies in foreign currencies, the GRENKE Group applies hedge accounting in accordance with IFRS 9. The efficiency of hedging relationships required by IFRSs is in line with the GRENKE Group's intention that only risks from designated underlying transactions are hedged by derivatives and that derivatives are not entered into at any time for speculative reasons.

The effectiveness tests for the individual financial derivatives, insofar as a hedging relationship is accounted for in accordance with IFRS 9, are performed prospectively on the basis of the critical term match method when the hedge is designated for the first time and at the end of each quarter. The documentation of each hedging relationship describes the underlying transaction, the hedged risk, the hedging relationship, the strategy, the hedging instrument, as well as the effectiveness assessment and names the contract partner.

Foreign currency cash flows are the basis for the forward currency contracts and cross-currency swaps. These foreign currency cash flows are determined by contractually fixed payment dates in foreign currency.

The foreign currency denominated cash flows form the basis for the forward currency contracts and the cross-currency swaps. The hedging can be categorised as highly effective, as only the actual cash flows are hedged and never a higher amount. The dates of the funding and the currency hedging coincide to ensure the best possible economic hedge of the cash flow risk.

The hedging relationships between the cross-currency swaps and the foreign currency bonds have proven to be highly effective. The material contractual terms of the hedging instrument and the hedged item match. The hedging relationships between the foreign currency loans to Consolidated Group companies and the forward exchange contracts with a hedging relationship have proven to be highly effective.

For all derivatives for which hedge accounting has been applied, the material contractual terms between the hedged item and the hedging instrument match. The credit risk of the counterparty to the hedging instrument is not dominant, so the hedge is prospectively considered to be highly effective.

7.4 Fair Value of Financial Instruments

7.4.1 Fair Value of Primary Financial Instruments

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. The table does not contain information on the fair value of financial assets and financial liabilities if the carrying amount represents an appropriate approximation to the fair value.

EURk	Fair value Dec. 31, 2021	Carrying amount Dec. 31, 2021	Fair value Dec. 31, 2020	Carrying amount Dec. 31, 2020
FINANCIAL ASSETS				
Lease receivables	5'714'078	5'118'972	6'341'277	5'636'292
Other financial assets	277'904	266'178	288'512	277'260
thereof receivables from the lending business	149'189	137'463	163'010	151'758
FINANCIAL LIABILITIES				
Financial liabilities	5'067'695	5'077'163	5'672'117	5'810'110
thereof refinancing liabilities	3'635'882	3'665'083	4'095'744	4'268'732
thereof liabilities from the deposit business	1'431'702	1'411'969	1'576'304	1'541'309

This includes the following line items in the statement of financial position: cash and cash equivalents, trade receivables and trade payables. All primary financial instruments are assigned to Level 2 of the fair value hierarchy except for exchange-listed bonds that are included in refinancing liabilities and assigned to Level 1 of the fair value hierarchy and the other investment that is assigned to Level 3 of the fair value hierarchy. As of the reporting date, the carrying amount of exchange-listed bonds was EUR 2,459,008k (previous year: EUR 2,662,498k), and their fair value amounted to EUR 2,427,015k (previous year: EUR 2,498,603k). All primary financial assets are measured at amortised cost (AC) except for lease receivables, which are measured in accordance with IFRS 16, and other investments, which are allocated to the FVOCIoR measurement category and are therefore measured at fair value. Financial liabilities are also measured at (amortised) cost.

7.4.2 Fair Value of Derivative Financial Instruments

At the end of the reporting period, all derivative financial instruments, which include interest rate derivatives (interest rate swaps), forward exchange contracts and cross-currency swaps, are recognised at fair value in the GRENKE Group. All derivative financial instruments are assigned to Level 2 of the fair value hierarchy.

EURk	Fair value Dec. 31, 2021	Carrying amount Dec. 31, 2021	Fair value Dec. 31, 2020	Carrying amount Dec. 31, 2020
FINANCIAL ASSETS				
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross-currency swaps	851	851	1'764	1'764
Forward exchange derivatives	468	468	2'069	2'069
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	1'130	1'130	351	351
Forward exchange derivatives	7'760	7'760	3'332	3'332
TOTAL	10'209	10'209	7'516	7'516
FINANCIAL LIABILITIES				
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross-currency swaps	7'987	7'987	13'623	13'623
Forward exchange derivatives	8'394	8'394	8'458	8'458
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	387	387	1'356	1'356
Forward exchange derivatives	4'016	4'016	1'862	1'862
TOTAL	20'784	20'784	25'299	25'299

The GRENKE Group uses so-called OTC derivatives ("over-the-counter"). These are directly concluded with counterparties having at least investment grade status. Thus, there are no quoted market prices available.

Fair values are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a mark-to-market valuation model. The fair value of interest rate derivatives is determined on the basis of the net present value method. The input parameters applied in the valuation models are derived from market quotes. Interest rates with matching maturities in the traded currencies are used for forward exchange contracts, and interest rates are used for interest rate derivatives. To obtain the fair value of such OTC derivatives, the determined amounts are multiplied with the counterparty's credit default swaps (CDS) with matching maturities that are observable on the market or their own credit risk using what is known as the "add-on method", including the coupons.

7.4.3 Measurement Methods and Input Parameters Used

The following table presents the measurement methods used and the input parameters and assumptions applied to determine the fair values:

Category and Level	Measurement method	Input factors
FAIR VALUE HIERARCHY LEVEL 1		
Listed bonds	n. a.	Quoted market price as of the reporting date
FAIR VALUE HIERARCHY LEVEL 2		
Other financial assets	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities refinancing of lease receivables, promissory notes and bank liabilities)	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own credit risk (Debt Value Adjustment [DVA])
Forward currency contracts / Cross currency swaps	Mark-to-market Present value of estimated future cash flows	Available interest rates in the traded currencies at comparable conditions and residual terms using the own counterparty risk DVA (Debt Value Adjustment) or the counterparty's credit risk CVA (Credit Value Adjustment) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own counterparty risk DVA (Debt Value Adjustment) or the counterparty's credit risk CVA (Credit Value Adjustment) derived from available credit default swap (CDS) quotes
FAIR VALUE HIERARCHY LEVEL 3		
Other investments (investment in Finanzchef24 GmbH)	Discounted cash flow model Present value of estimated future cash flows	Business plan of Finanzchef24 GmbH to determine future cash flows; sustainable growth rate of future cash flows; parameters to determine the discount rate (in particular, riskfree interest rate, market risk premium, beta factor, adjustment factors)

The development of the fair value of the investment in Finanzchef24 GmbH assigned to Level 3 of the fair value hierarchy is shown in the following table. The scheduled valuation process of the investment, which is allocated to the category FVOCI without recycling (FVOCIoR), is carried out annually on the basis of the updated business plan submitted by Finanzchef24 GmbH.

EURk	2021	2020
Fair value at start of period (Jan. 1)	5'264	5'505
Gains and losses recognised in profit and loss for the period	0	0
Gains and losses recognised in other comprehensive income for the period	–5'264	–241
Fair value at end of period (Dec. 31)	0	5'264

A discount rate (weighted average cost of capital, WACC) of between 16.4 and 19.6 percent (previous year: between 12.8 and 14.6 percent) and a sustainable growth rate of future cash flows of 1.0 percent (previous year: 2.6 percent) were used as significant unobservable input factors in determining the fair value of the investment in Finanzchef24 GmbH. A change in the significant unobservable input factors within realistic ranges would not lead to a material change in the estimates underlying the measurement of the fair value of the investment in Finanzchef24 GmbH.

7.5 Transfers of Financial Assets

The following table lists transferred financial assets not derecognised and the corresponding liabilities at their respective carrying amount and fair value for which the contractual right to cash flows from these financial assets was transferred.

EURk	Carrying amount	Carrying amount of correspond-ing liability	Fair value	Fair value of correspond-ing liability	Net position
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2021	**118'768**	**106'954**	**129'520**	**107'286**	**11'814**
From sale of receivable agreements	118'768	106'954	129'520	107'286	11'814
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2020	**113'628**	**96'295**	**123'943**	**96'285**	**17'333**
From sale of receivable agreements	113'628	96'295	123'943	96'285	17'333

For more information, please see the explanations on sales of receivables agreements under Note 5.11.2.3.

8. Segment Reporting

8.1 Description of Reportable Segments

GRENKE Group's reporting on the development of its segments is aligned with its prevailing organisational structure within the GRENKE Group ("management approach"). Thus, operating segments are divided into Leasing, Banking, and Factoring based on the management of the Company's segments, which enables the key decision-maker, the Board of Directors of GRENKE AG, to assess the performance of the segments and make decisions about the allocation of resources to the segments. Separate financial information is available for the three operating segments.

Intra-Group transactions are reported in the column "Consolidation and Other" within the segment reporting.

8.1.1 Leasing

The Leasing segment comprises all of the activities that are related to the Consolidated Group's business as a lessor. The services offered consist of the provision of financing to commercial lessees, rental, service, protection and maintenance offerings, as well as the disposal of used equipment.

The GRENKE Group's leasing business focuses primarily on the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors, peripheral devices, software, telecommunication and copier equipment, medical devices as well as other IT products. Nearly all leases concluded provide for full cost recovery.

8.1.2 Banking

The Banking segment comprises the activities of GRENKE BANK AG (GRENKE Bank) as a financing partner, particularly to small and medium-sized companies (SMEs). In the context of cooperating with a variety of federal government and state development banks, GRENKE Bank offers business start-up financing. In addition, GRENKE Bank provides development loans to SMEs and self-employed professionals who want to finance new business purchases through lease financing. GRENKE Bank also offers investment products such as fixed deposit products to private and business customers via its website. The bank's business is focused primarily on German customers. In addition to business with external customers, GRENKE BANK AG's activities also include the internal refinancing of the GRENKE Group's Leasing segment through the purchase of receivables and the issuance of loans.

8.1.3 Factoring

In the Factoring segment, GRENKE offers traditional factoring services with a focus on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. In addition, the segment also offers receivables management without a financing function (non-recourse factoring), where the customer continues to bear the credit risk. Internal operating income results in particular from internal refinancing.

8.2 Segment Data

The accounting policies employed to gather segment information are the same as those used for the consolidated financial statements (see Note 3). Intra-group transactions are performed at standard market prices.

The Board of Directors of GRENKE AG is the responsible body for assessing the performance of the GRENKE Group. In addition to the growth of new business in the Leasing segment (total acquisition costs of newly acquired leased assets), the Board of Directors has determined the deposit volume for GRENKE Bank and the gross margin for the Factoring segment as key performance indicators. The performance components of the segments are presented in the combined management report. The other measures include, in particular, segment operating income, non-interest expenses, segment result before other financial result, as well as staff costs, selling and administrative expenses, and depreciation and amortisation. Other financial result and tax expense/income are the main components of the consolidated statement of income that are not included in the individual segment information.

The segment income of the individual segments is composed as follows:

- // Leasing – Net interest income after settlement of claims and risk provision, profit from service business, profit from new business and gains/losses from disposals
- // Banking – Net interest income after settlement of claims and risk provision
- // Factoring – Net interest income after settlement of claims and risk provision
- // The non-cash items represent impairment losses

The segment assets include the assets required for operations. Segment liabilities correspond to liabilities attributable to the respective segment.

Segment assets and liabilities do not take into account tax positions.

The column “Consolidation and Other” includes inter-segment transactions.

EURk	Leasing Segment		Bank Segment		Factoring Segment		Consolidation & Other		Consolidated Group	
January to December	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
OPERATING INCOME										
External operating income	376'671	367'638	–9'650	–13'527	7'010	6'227	0	0	374'031	360'338
Internal operating income	–55'805	–53'688	57'017	54'503	–1'212	–815	0	0	0	0
TOTAL OPERATING INCOME	**320'866**	**313'950**	**47'367**	**40'976**	**5'798**	**5'412**	**0**	**0**	**374'031**	**360'338**
thereof non-cash items	132'312	181'615	4'357	9'358	–333	1'484	0	0	136'336	192'457
NON-INTEREST EXPENSES										
Staff costs	116'662	110'285	5'738	4'249	5'451	5'871	–321	–625	127'530	119'780
Depreciation/amortisation and impairment	27'877	26'394	921	2'436	3'639	924	–953	–883	31'484	28'871
Selling and administrative expenses	86'840	75'825	10'283	4'971	2'287	3'189	–2'254	–2'356	97'156	81'629
SEGMENT RESULT	**98'635**	**111'999**	**39'744**	**17'581**	**–5'763**	**–4'496**	**–106**	**33**	**132'510**	**125'117**
Result from companies accounted for using the equity method	–160	–98	–259	–302	0	0	0	0	–419	–400
Other financial result							–8'591	–9'545	–8'591	–9'545
EARNINGS BEFORE TAXES ACCORDING TO CONSOLIDATED INCOME STATEMENT	**98'475**	**111'901**	**39'485**	**17'279**	**–5'763**	**–4'496**	**–8'697**	**–9'512**	**123'500**	**115'172**
As of December 31										
SEGMENT ASSETS	**6'009'505**	**6'732'015**	**2'031'998**	**2'252'866**	**84'235**	**77'248**	**–1'501'645**	**–1'775'672**	**6'624'093**	**7'286'457**
thereof investments accounted for using the equity method	162	322	0	4'201	0	0	0	0	162	4'523
SEGMENT LIABILITIES	**4'924'312**	**5'735'910**	**1'747'474**	**1'968'804**	**86'990**	**75'135**	**–1'426'092**	**–1'708'050**	**5'332'684**	**6'071'799**

A significant effect on earnings before taxes in the consolidated income statement in the Banking segment is attributable to the sale of viafintech GmbH.

8.3 Information on Regional Segments

The main geographical areas at a country level in which operating income is generated with external customers are Germany, France and Italy. All other countries are summarised in “Other countries”. Operating income and non-current assets are presented for the countries shown. Operating income includes net interest income and non-interest income, the geographical breakdown of which is based on the customer contracts in the subsidiary’s location. Non-current assets include other intangible assets, property, plant and equipment, rights-of-use and other assets based on the location of the subsidiary.

EURk	Germany		France		Italy		Other countries		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
EXTERNAL OPERATING INCOME (JANUARY TO DECEMBER)	81'983	78'890	107'153	84'302	51'581	55'996	133'314	141'150	374'031	360'338
NON-CURRENT ASSETS (AS OF DECEMBER 31)	48'561	56'603	16'986	17'503	11'035	12'673	70'086	73'470	146'668	160'249

9. Other Disclosures

9.1 Capital Management

9.1.1 Economic Capital

The primary goal of the GRENKE Group's capital management is to ensure that its credit rating is maintained in order to support its operations and safeguard liquidity, as well as to maintain risk-bearing capacity at all times within the requirements placed on the Consolidated Group by the Minimum Requirements for Risk Management.

The GRENKE Group monitors its capital, among other things, using the equity ratio, i.e. the ratio of a minimum of its equity according to the statement of financial position to total assets. In accordance with the Consolidated Group guidelines, we aim for an equity ratio of 16 percent as in the previous year. In addition, the Consolidated Group's determination of maximum risk-bearing capacity and its risk-limiting system through the limiting of risk positions, the safeguarding and monitoring of economic capital is guaranteed.

Operating income consists of the same items as those explained above for operating segment income. Non-current assets comprise non-current lease receivables, property, plant and equipment, rights-of-use, goodwill, other intangible assets and other non-current assets.

9.1.2 Regulatory Capital

As a financial services provider and parent company of the banking group, GRENKE AG must meet the equity requirements of banking groups under Section 10a KWG in conjunction with Section 25ff of EU Regulation No. 575/2013 (Capital Requirement Regulation – CRR).

The regulatory scope of consolidated companies of GRENKE AG is determined by the Consolidated Group's scope of consolidation. The solvency of the banking group is also measured based on the affiliation with the Consolidated Group. Equity is calculated in the context of the COREP reporting (Common Solvency Ratio Reporting) under Section 72ff CRR.

For the presentation of equity, please refer to the combined management report. The return on capital in accordance with Section 26 a (1) sentence 4 KWG is 1.4 percent.

9.2 Contingent Liabilities and Other Financial Obligations

Irrevocable credit commitments from the loan business amounted to EUR 6,892k (previous year: EUR 4,708k) and included unutilised limited overdrafts and unutilised loan commitments for the risk concentration country of Germany. This amount also represents the maximal credit risk.

Obligations for the construction of office buildings amounted to EUR 123k as of December 31, 2021 (previous year: EUR 615k).

The Company has financial obligations related to rent, building maintenance and lease contracts. Lease contracts for leased branch offices and company vehicles are generally recognised as rights-of-use and lease liabilities in the statement of financial position.

The following table contains the other financial obligations that were not recognised as lease liabilities under IFRS 16 because the underlying contracts did not contain a lease as defined by IFRS 16 or the exemptions were utilised for short-term leases and low-value leases. The presentation also includes obligations from leases that the GRENKE Group had already entered into as lessee as of the reporting date but have not yet started.

EURk	Dec. 31, 2021	Dec. 31, 2020
RENT, MAINTENANCE, AND LEASE OBLIGATIONS NOT RECOGNISED AS LEASE LIABILITIES IN STATEMENT OF FINANCIAL POSITION		
Due in subsequent year	6'765	4'584
Due in 1 to 5 years	6'426	7'445
Due after 5 years	0	0
TOTAL	**13'191**	**12'029**

Under three agreements on the sale of receivables of GRENKE Investitionen Verwaltungs KGaA to secure all receivables of the holding company (Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien) from the operating company, the operating company (GRENKE AG) assigns to the holding company the following from lease contracts with end lessees (sublease contract) for leasing assets which are the subject of a purchase agreement between the operating company and the holding company:

All receivables, claims and rights arising from these sublease contracts, including any claims from extended leases following the expiry of the original lease term, any claims for compensation payments, residual values, and payment of a purchase price from the sale of the respective lease asset. Claims from credit and property insurance from the sublease contract are also assigned, as are any claims from repurchase obligations on the part of suppliers of lease assets or of third parties. The buyer of the receivables acquires the equitable lien on the lease assets underlying the receivables purchase agreement.

With the notice of July 27, 2009, GRENKE AG submitted a Letter of Commitment in accordance with Section 5 (10) of the Statute of the Deposit Protection Fund to the Association of German Banks (Bundesverband deutscher Banken e.V.). With this notification, GRENKE AG has waived any claim against the Association of German Banks that would be in favour of GRENKE BANK AG.

GRENKE AG has issued a letter of comfort as of the December 31, 2021 reporting date for the following entities:

- // GRENKELEASING Magyarország Kft., Hungary
- // GRENKELEASING Sp.z.o.o., Poland
- // GRENKELEASING ApS, Denmark
- // GRENKELEASING Oy, Finland
- // GRENKELEASING s.r.o., Czechia
- // GRENKE Renting Ltd., Malta
- // GC Leasing Middle East FZCO, United Arab Emirates (UAE)
- // GRENKEFACTORING AG, Switzerland
- // Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien, Germany
- // GRENKEFACTORING GmbH, Germany

The purpose of the letter of comfort provided by GRENKE AG for Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien and GRENKEFACTORING GmbH is the use of the waiver rule pursuant to Section 2 a (1) KWG in conjunction with Article 7 CRR and with Section 2 a (5) KWG by the respective subsidiary.

9.3 Tax Audits

The tax audit for Grenke Investitionen Verwaltungs KGaA for the financial years 2005 through 2009 was completed in 2018. As of the reporting date, there is still one disputed matter in which GRENKE and the tax authorities have a difference of opinion. For the measurement of uncertain tax positions from the disputed matter, the most probable value was recognised as a tax receivable.

In April 2018, an audit order was issued for GRENKE BANK AG for the period of January 2011 to December 2014. In February 2021, another audit order was issued for GRENKE BANK AG for the period of January 2015 to December 2020. The tax audits cover insurance tax. As of the reporting date, findings are available in the form of notices. Since the facts are disputed and GRENKE has a different opinion than the tax authorities, objections were filed in due form and time and a request for a stay of execution was filed. The suspension of execution was granted accordingly. Appeal decisions are not yet available as of the reporting date. For the valuation of the uncertain tax positions from the disputed facts, the most probable value was recognised as a tax provision.

In July 2018, an audit order was issued for GRENKE AG for the period of January 2012 to December 2017. In February 2021, another audit order was issued for GRENKE AG for the period of January 2018 to December 2020. The tax audits cover insurance tax. As of the reporting date, findings are available in the form of notices. Since the facts are disputed, and GRENKE has a different opinion than the tax authorities, objections were filed in due form and time, and a request for a stay of execution was filed. The suspension of execution was granted accordingly. Appeal decisions are not yet available as of the reporting date. For the valuation of the uncertain tax positions from the disputed facts, the most probable value was recognised as a tax provision.

In September 2020, audit orders for GRENKE AG and its subsidiaries for the years 2015 through 2018 were issued. These were extended in spring 2021 to include the year 2019. The start of the tax audit was moved to mid-February 2021 in October 2020. The tax audit for the years 2015 through 2019 has not yet been completed as of the reporting date. There are also no final audit findings yet.

In addition, the tax audits initiated in previous years in Austria, Switzerland, Italy and Belgium, among others, were partially completed. In some cases, there are disputed issues in which GRENKE has a different opinion than the tax authorities and has filed corresponding appeals. In France, a tax audit was started in 2021. No final findings were available as of the reporting date. To the extent that final determinations are available or uncertain tax positions from disputed matters are to be measured, these were recognised in the consolidated financial statements at the most probable values.

9.4 Consulting and Audit Fees

The expenses related to the audit fee are comprised as follows:

EURk	2021	2020
Audit services	1'236	5'343
Other assurance services	190	116
TOTAL	**1'426**	**5'459**

In the 2021 financial year, expenses related to prior periods amounted to EUR 1,980k (previous year: EUR 96k) in connection with the 2020 audit.

9.5 Related Party Disclosures

Third parties are considered to be related when one party controls GRENKE AG, has joint control over GRENKE AG, or has the power to exercise considerable influence over its business or operating decisions. Related parties of the GRENKE Group include persons in key positions and persons closely related to them, and entities controlled by these persons, subsidiaries and associated companies of GRENKE AG, as well as entities that exercise a considerable influence. In the case of their interim entry or exit during the year, the transactions are shown as of or up to this date in time.

Transactions With Other Associated Companies and Subsidiaries

Transactions of GRENKE AG with its subsidiaries are related party transactions. In the event that the transaction is eliminated in the course of consolidation, no disclosure is required. Transactions of the GRENKE Group with associated companies are to be disclosed as related party transactions.

Liabilities to associated companies result from the deposit business and current account balances of GRENKE BANK AG. As of the December 31, 2021 reporting date, GRENKE BANK AG had received deposits and credit balances on current accounts of EUR 5,178k (previous year: EUR 574k) from associated companies. In addition, there are receivables from loans in the amount of EUR 1,807k (previous year: EUR 600k). Interest expenses of EUR 0k (previous year: EUR 0k) and interest income of EUR 45k (previous year: EUR 15k) were incurred. Furthermore, the GRENKE Group has another loan to an associated company in the amount of EUR 60k (previous year: EUR 0k).

There were no reportable transactions with subsidiaries in financial year 2021 or 2020. The consolidated group companies and therefore subsidiaries as defined by the IFRS consolidated financial statements include thirteen franchise companies. Option agreements exist for these companies, as well as for the sales agency in Norway, which allow the GRENKE Group to acquire them. None of these purchase options were exercised in the 2021 reporting year. In addition, a memorandum of understanding was concluded between GRENKE AG and the financial investors of the franchise companies in December 2020 with the aim of acquiring the shares in the franchise companies by December 31, 2021. The contract negotiations are nearing completion for two franchise companies. For the remaining franchise companies, the contracts are expected to be concluded in 2022.

Transactions with Persons in Key Positions

Persons in key positions are people who have direct or indirect authority and responsibility for planning, directing, and overseeing the activities of the GRENKE Group. Persons in key positions were exclusively sitting members of the Board of Directors and Supervisory Board of GRENKE AG and persons closely related to them such as family members.

In the course of its ordinary business activities, GRENKE BANK AG provides services to persons in key positions and persons closely related to them. As of the reporting date, GRENKE BANK AG received deposits and credit balances on current accounts of EUR 16,918k (previous year: EUR 10,726k) from persons in key positions and persons closely related to them. The related interest expense amounted to EUR 16k (previous year: EUR 32k). Credit card accounts not yet settled showed a balance of EUR 39k (previous year: EUR 13k) with a credit card limit of EUR 316k (previous year: EUR 316k) to related persons in key positions as of the reporting date. No further loans were extended to this group of persons during the reporting period. Income of EUR 6k (previous year: EUR 8k) arose with persons in key positions from the on-charging of data line costs, vehicle costs and other costs. As of the reporting date, there are receivables of EUR 1k (previous year: EUR 1k) from these transactions. The GRENKE Group incurred expenses of EUR 0k (previous year: EUR 2k) from transactions with persons in key positions.

Board of Directors:
The following table presents the total remuneration of the members of the Board of Directors in accordance with Section 314 (1) no. 6 and IAS 24.17. A detailed description of the basic features of the remuneration system for the members of the Board of Directors and the Supervisory Board and an individualised presentation of the remuneration in accordance with the provisions of DRS 17 is presented in the remuneration report (www.grenke.com/investor-relations/reports-and-presentations/). Short-term benefits include, among other things, customary benefits in kind.

EURk	2021	2020
Short-term benefits	2'247	1'721
Pension benefits	9	9
Other long-term benefits	0	0
Termination benefits	2'193	0
Share-based remuneration	0	0
TOTAL	**4'449**	**1'730**

Supervisory Board:
The remuneration (including fringe benefits) of the Supervisory Board of GRENKE AG at the Consolidated Group level totalled EUR 408k (previous year: EUR 290k). Remuneration for Supervisory Board activities is set out in GRENKE AG's Articles of Association. The remuneration is categorised as a short-term benefit in accordance with IAS 24.17.

Transactions with Other Related Parties

Other related parties include subsidiaries and joint ventures of persons in key positions and persons closely related to them. Other related parties include persons who have been declared as related parties due to the economic content of the relationship in accordance with IAS 24.10.

Liabilities to other related parties result from GRENKE BANK AG's deposit business and current account balances. As of the December 31, 2021 reporting date, GRENKE BANK AG had received deposits and current account balances of EUR 3,477k (previous year: EUR 2,888k) from other related parties. Credit lines for current accounts were utilised in the amount of EUR 793k (previous year: EUR 807k) with a current account credit limit of EUR 840k (previous year: EUR 840k). The resulting interest expense amounted to EUR 17k (previous year: EUR 170k) and interest income to EUR 31k (previous year: EUR 28k). Income from other related parties in the amount of EUR 433k (previous year: EUR 203k) mainly results from rental income and the on-charging of data line costs, licence costs and other costs. In addition, the GRENKE Group incurred expenses with other related parties in the amount of EUR 421k (previous year: EUR 1,582k). These are mainly interest expenses from loans and commissions. Liabilities in this context, which mainly result from loans, amount to EUR 6,153k as of the reporting date (previous year: EUR 5,128k). Receivables from other related parties, which mainly consist of collateral payments to other related parties, amount to EUR 11,007k as of December 31, 2021 (previous year: EUR 10,664k).

9.6 Board of Directors and Supervisory Board

The Board of Directors of GRENKE AG consisted of the following members in the 2021 financial year:

// Michael Bücker, graduate business administration, Berg, Germany, Chair of the Board of Directors (as of August 1, 2021)
// Sebastian Hirsch, Sinzheim, Germany, Deputy Chair of the Board of Directors
// Gilles Christ, MBA, Wissembourg, France
// Isabel Rösler, graduate business administration (BA), Stuttgart, Germany (as of January 1, 2021)
// Antje Leminsky, graduate business administration, Baden-Baden, Germany, Chair of the Board of Directors (until June 30, 2021)
// Mark Kindermann, graduate business administration, Bühl, Germany (until February 8, 2021)

The members of the Board of Directors represent GRENKE AG jointly with another member of the Board of Directors or with an authorised signatory.

Memberships in other statutory supervisory boards and memberships in comparable domestic and foreign supervisory bodies are listed below:

Michael Bücker has been a member of the Supervisory Board of GRENKE Service AG, Baden-Baden, since December 22, 2021.

Dr Sebastian Hirsch was a member of the Supervisory Board of GRENKE Bank AG, Baden-Baden, until August 7, 2021. He accompanies the office of chief financial officer (CFO) and was appointed deputy chairman of the Board of Directors with effect from November 1, 2021. In addition, Dr Hirsch has been a member of the Supervisory Board of GRENKE Service AG, Baden-Baden, as of December 22, 2021.

Gilles Christ is on the Supervisory Board of GRENKE Service AG, Baden-Baden.

Since this financial year, Isabel Rösler has been in charge of the new Chief Risk Officer (CRO) department on the Board of Directors. She is responsible for key internal control functions such as risk controlling, compliance, money laundering prevention and data protection. Ms Rösler has been a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden (as of February 27, 2021) and GRENKE Service AG, Baden-Baden (as of April 16, 2021).

In the reporting period until June 30, 2021, Antje Leminsky was a member of the Supervisory Boards of GRENKE BANK AG, Baden-Baden, Testo SE & Co. KGaA, Lenzkirch, and Testo Management SE, Lenzkirch.

Mark Kindermann was a member of the Supervisory Board of Grenkefinance N.V., Vianen, the Netherlands (until February 8, 2021), and of GRENKE BANK AG, Baden-Baden (until February 8, 2021).

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In the 2021 financial year, the Supervisory Board comprised the following members:

// Prof Dr Ernst-Moritz Lipp, Baden-Baden, Germany, Chairman, Professor of International Finance and Managing Director of ODEWALD & COMPAGNIE Gesellschaft für Beteiligungen mbH, Berlin

// Jens Rönnberg, Mainz, Germany, Deputy Chairman, self-employed auditor/tax consultant, Managing Director of Roennberg UG (limited liability), Mainz

// Norbert Freisleben, Unterschleißheim, Germany, graduate economist and Certified Public Accountant (CPA), Managing Director of NUFA GmbH, Böblingen and Karl Häge Verwaltungs GmbH, Langenau (since July 29, 2021)

// Nils Kröber, Neuss, Germany, lawyer, Managing Director of SKS Steuerberatungsgesellschaft mbH, Cologne and DeaDia Ventures GmbH, Cologne (since July 29, 2021)

// Dr Konstantin Nikolaus Maria Mettenheimer, Königstein, Germany, lawyer and tax advisor, Executive Chairman of the Board of Directors of PMB Capital Limited, London, United Kingdom (July 29, 2021)

// Dr Ljiljana Mitic, Munich, Germany, independent management consultant, Managing Director of Venture Value Partners GmbH

// Wolfgang Grenke, Sinzheim, Germany, Deputy Chairman (mandate suspended since September 21, 2020), businessman and Managing Director of WGW Investment GmbH, Vienna (until July 29, 2021)

// Claudia Krcmar, Baden-Baden, Germany, Managing Director of AMPIT GmbH, Sinzheim (until July 29, 2021)

// Florian Schulte, Baden-Baden, Germany, Managing Director of S.K. Management- und Beteiligungs GmbH, Baden-Baden (until July 29, 2021)

The term of office of Prof Dr Ernst-Moritz Lipp ends at the end of the Annual General Meeting that decides on his discharge for the 2022 financial year. The terms of office of Jens Rönnberg and Norbert Freisleben end at the end of the Annual General Meeting that decides on their discharge for the 2021 financial year. The term of office of Nils Kröber ends at the end of the Annual General Meeting that decides on his discharge for the 2022 financial year. The terms of office of Dr Konstatin Nikolaus Maria Mettenheimer and Dr Ljiljana Mitic end at the end of the Annual General Meeting that decides on their discharge for the 2023 financial year.

Memberships in other statutory supervisory boards and memberships in comparable domestic and foreign supervisory bodies are listed below:

Prof Dr Ernst-Moritz Lipp was Chairman of the Supervisory Board of GRENKE BANK AG, Baden-Baden, until September 15, 2021.

Jens Rönnberg was appointed to the Supervisory Board on September 13, 2021 and Chairman of the Supervisory Board of GRENKE BANK AG on September 15.

Norbert Freisleben is Chairman of the Supervisory Board of GANÉ AG, Aschaffenburg and GANÉ Investment AG, Frankfurt am Main.

Dr Konstantin Nikolaus Maria Mettenheimer is a member of the Supervisory Boards of HQ Holding GmbH & Co. KG, Bad Homburg vor der Höhe, HQ Direct GmbH & Co. KG, Bad Homburg vor der Höhe and TTTech Computertechnik AG, Vienna, as well as Chairman of the Board of Directors of Brunneria Foundation, Liechtenstein, Blues Seas Trust Company Ltd., George Town, Cayman Islands and Eastwest Trust Company Ltd., George Town, Cayman Islands.

Dr Ljiljana Mitic is a Non-Executive Director of Computacenter plc, London, United Kingdom, and was elected to the Supervisory Board and Deputy Chair of the Supervisory Board of GRENKE Bank AG in September 2021 with effect from October 1, 2021.

Wolfgang Grenke was Chairman of the Supervisory Board of GRENKE Service AG, Baden-Baden, Chairman of the Supervisory Board of KSC GmbH & Co. KGaA, Karlsruhe, and a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden, in the reporting period until November 25, 2021. He was also Chairman of the Board of Directors of

GRENKELEASING AG, Zurich, Switzerland, and of GRENKE Factoring AG, Basel, Switzerland.

Florian Schulte is Deputy Chairman of the Supervisory Board of Softline AG, Leipzig, and a member of the Supervisory Board of Upside Beteiligungs AG, Grünwald (reporting period until July 29, 2021).

9.7 Disclosures on Notifications pursuant to Section 33 (1) WpHG

As part of our investor relations work, we provide comprehensive information on developments in the Company. GRENKE also makes extensive use of the Internet for reporting purposes; the voting rights notifications that have been received are published at https://www.grenke.com/investor-relations/grenke-share/voting-rights in accordance with Section 40 of the German Securities Trading Act.

Notified reportable shareholdings in the 2021 financial year:

On April 21, 2021, Morgan Stanley, Wilmington, Delaware, United States of America, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in GRENKE AG, Baden-Baden, Germany, exceeded the threshold of 5 percent of the voting rights on April 14, 2021 and amounted to 5.11 percent (corresponding to 2,373,936 voting rights) on that date. On June 2, 2021, Morgan Stanley, Wilmington, Delaware, United States of America, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in GRENKE AG, Baden-Baden, Germany, fell below the threshold of 5 percent of the voting rights on May 26, 2021 and amounted to 4.73 percent (corresponding to 2,198,343 voting rights) on that date. In accordance with Section 33 (1) WpHG, notification was made on July 28, 2021 that the share of voting rights in GRENKE AG, Baden-Baden, Germany, had exceeded the threshold of 5 percent of the voting rights on July 16, 2021 and amounted to 5.00 percent (corresponding to 2,325,516 voting rights) on that date. Furthermore, Morgan Stanley, Wilmington, Delaware, United States of America, notified us on July 27, 2021 pursuant to Section 33 (1) WpHG that its share of voting rights in GRENKE AG, Baden-Baden, Germany, fell below the threshold of 5 percent of the voting rights on July 19, 2021 and amounted to 4.98 percent (corresponding to 2,314,194 voting rights) on that date. On July 29, 2021, it was notified that the share of voting rights had increased to 5.00 percent (corresponding to 2,326,440 voting rights) on July 22, 2021. With notification dated August 4, 2021, it was announced in accordance with Section 33 (1) WpHG that the voting rights had fallen below the threshold of 5 percent on July 28, 2021. On this day, the share of voting rights amounted to 4.08 percent (this corresponds to 1,895,190 voting rights). On August 9, 2021, Morgan Stanley, Wilmington, Delaware, United States of America, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in GRENKE AG, Baden-Baden, Germany, exceeded the threshold of 5 percent of the voting rights on July 30, 2021 and amounted to 5.08 percent (corresponding to 2,360,533 voting rights) on that date. On September 2, 2021, it was notified that the share of voting rights had fallen to 4.16 percent on August 27, 2021 (corresponding to 1,935,031 voting rights). On October 14, 2021, Morgan Stanley, Wilmington, Delaware, United States of America, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in GRENKE AG, Baden-Baden, Germany, exceeded the threshold of 5 percent of the voting rights on October 7, 2021 and amounted to 5.76 percent (corresponding to 2,676,243 voting rights) on that date.

9.8 Events after the Reporting Date

GRENKE AG and GRENKE Finance PLC mandated DZ Bank to establish another ABCP programme for GRENKE Location SAS. The mandate for the establishment has been in the process of implementation since January 2022.

A letter of intent was signed for the purchase of GC Leasing AZ LLC and GC Leasing Singapore Pte Ltd. The acquisition of the companies is planned for the first quarter of 2022.

The German Federal Financial Supervisory Authority (BaFin) has completed its institution-related measures from the special audit of GRENKE AG and GRENKE BANK AG conducted between autumn 2020 and spring 2021. As part of the regular Supervisory Review and Evaluation Process (SREP), the amount of required own funds that GRENKE must hold as a minimum was adjusted. In addition, BaFin has ordered that proper rules of procedure be ensured.

GRENKE has set up an extensive organisational development project and has already addressed a large number of the findings. The additional SREP capital surcharge will be lifted again as soon as BaFin is satisfied of the further development when it conducts its regular follow-up audits. The Company’s planned portfolio growth for the 2022 financial year will not be affected by the additional capital surcharge.

There were no other significant events after the reporting date.

9.9 Declaration Pursuant to Section 161 AktG

The Board of Directors and the Supervisory Board of GRENKE AG issued the declaration pursuant to Section 161 AktG and made it permanently available to shareholders on the Company’s website (www.grenke.com/investor-relations/corporate-governance/).

10. Overview of the GRENKE Group's Schedule of Shareholdings Pursuant to Section 313 (2) HGB

	Registered Office	Equity interest Dec. 31,2021 in %[1]
GERMANY		
GRENKE Service AG	Baden-Baden	100
Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien	Baden-Baden	100
GRENKE BANK AG	Baden-Baden	100
GRENKEFACTORING GmbH	Baden-Baden	100
GRENKE Business Solutions GmbH & Co. KG	Baden-Baden	100
GRENKE MANAGEMENT SERVICES GmbH	Baden-Baden	100
GRENKE digital GmbH	Karlsruhe	100
INTERNATIONAL		
GRENKELEASING s.r.o.	Prague/Czechia	100
GRENKE ALQUILER S.L.	Barcelona/Spain	100
Grenkefinance N.V.	Vianen/Netherlands	100
GRENKE RENT S.L.	Madrid/Spain	100
GRENKELEASING AG	Zurich/Switzerland	100
GRENKELEASING GmbH	Vienna/Austria	100
GRENKELEASING ApS	Herlev/Denmark	100
GRENKE LIMITED	Dublin/Ireland	100
GRENKE FINANCE PLC	Dublin/Ireland	100
GRENKE LOCATION SAS	Schiltigheim/France	100
GRENKE Locazione S.r.l.	Milan/Italy	100
GRENKELEASING AB	Stockholm/Sweden	100
GRENKE LEASE Sprl	Brussels/Belgium	100
Grenke Leasing Ltd.	Guildford/ United Kingdom	100
GRENKELEASING Sp. z o.o.	Poznan/Poland	100
GRENKELEASING Magyarország Kft.	Budapest/Hungary	100
Grenke Renting S.R.L	Bucharest/Romania	100
GRENKE RENTING S.A.	Lisbon/Portugal	100
GRENKELEASING s.r.o.	Bratislava/Slovakia	100
GRENKELEASING Oy	Vantaa/Finland	100
GRENKELOCATION SARL	Munsbach/ Luxembourg	100
GRENKEFACTORING AG	Basel/Switzerland	100
GRENKELEASING d.o.o.	Ljubljana/Slowenia	100
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey	100
GRENKE RENTING LTD.	Sliema/Malta	100
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100
GRENKE Locação de Equipamentos LTDA	São Paulo/Brazil	100
GC Leasing Middle East FZCO	Dubai/UAE	100
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100
FCT „GK"-COMPARTMENT „G2"	Pantin/France	100[2]
FCT „GK"-COMPARTMENT „G3"	Pantin/France	0[2]
FCT „GK"-COMPARTMENT „G4"	Pantin/France	100[2]
Opusalpha Purchaser II Limited	Dublin/Ireland	0[2]
Kebnekaise Funding Limited	St. Helier/Jersey	0[2]
CORAL PURCHASING (IRELAND) 2 DAC	Dublin/Ireland	0[2]
GF Faktor Zrt.	Budapest/Hungary	0[2]
GC Factoring Limited	London/ United Kingdom	0[2]
GC Crédit-Bail Québec Inc.	Montréal/Canada	0[2]
GC Leasing Ontario Inc.	Toronto/Canada	0[2]

GL Leasing British Columbia Inc.	Vancouver/Canada	0[2]
GC Rent Chile SpA	Santiago de Chile/ Chile	0[2]
GC Lease Singapore Pte Ltd	Singapore/Singapore	0[2]
GC Factoring Ireland Limited	Dublin/Ireland	0[2]
GC LEASING MELBOURNE PTY LTD	Melbourne/Australia	0[2]
GC LEASING SYDNEY PTY LTD	Sydney/Australia	0[2]
GC Faktoring Polska Sp.z.o.o.	Poznan/Poland	0[2]
SIA GC Leasing Baltic	Riga/Latvia	0[2]
GC Leasing AZ LLC	Phoenix/USA	0[2]
ASSOCIATED ENTITIES		
finux GmbH	Kassel	33,03[3]

	Registered Office	Equity interest Dec. 31,2021 in %	Net profit in EURK	Equity in EURK
OTHER INVESTMENTS				
Finanzchef24 GmbH	Munich	13.71	–1.377[4]	–1'620[4]

1 Control is based on a majority of voting rights unless otherwise stated
2 Control is based on contractual agreements to steer main business activities
3 Significant influence is based on contractual agreements and/or legal circumstances
4 Figures are according to most recently available financial statements (under local GAAP)

Country-by-country-Reporting 2021

Foreword

In accordance with Article 89 of the 2013/36/EU Directive (CRD IV), which was transposed into German law in the form of Section 26a KWG in conjunction with Section 64r (15) sentence 1 KWG, the GRENKE AG Consolidated Group ("the GRENKE Group") is required to provide a county-by-country breakdown of information on the company names, type of business activity, geographical location, revenue, number of employees in full-time equivalents, profit or loss before taxes, taxes on profit or loss and public subsidies received.

Disclosures

In this report, the GRENKE Group is publishing the required disclosures as of December 31, 2021. This includes the disclosures required as of the reporting date for all companies included in the scope of consolidation in the context of full consolidation under commercial law, which is identical to the regulatory scope of consolidation. The geographical allocation is based on the legal domicile of the companies.

The management and actions of the GRENKE Group are based on the standards of the German Corporate Governance Code. Additional principles of proper management of the Consolidated Group are set out in detail in the annual financial report. This report distinguishes between leasing, factoring and banking/refinancing activities within the Consolidated Group. The Leasing segment represents the most significant segment for the GRENKE Group and includes all transactions related to the Consolidated Group's leasing activities. Depending on local circumstances, this may also include the leasing of movable goods. Commercial customers primarily lease IT products such as printers, copiers, telecommunications products and software with a net purchase value of EUR 500 or more. The Factoring segment includes traditional factoring services, such as the purchase of receivables for immediate payment. The focus of this segment is on small receivable amounts. The Banking segment includes the activities of GRENKE BANK AG, which primarily contributes to the Consolidated Group's refinancing through the bank's deposit business and purchase of receivables. In cooperation with development banks, it also provides and processes loans for business start-up financing and microcredits for small and medium-sized enterprises (SMEs). In addition, GRENKE BANK AG operates its own leasing business through a branch in Norway, as well as its own factoring business in Italy and Portugal. In the refinancing area, a broad range of refinancing instruments is also provided by subsidiaries and securitisation companies that are consolidated without capital participation under supervisory and commercial law.

The definition of revenue is based on the following items on the income statement in accordance with IFRS:

// Net interest income excluding the settlement of claims and risk provision
// Profit from service business
// Profit from new business
// Gains (+) and losses (-) from disposals
// Other operating income, including intra-group income
// Other interest result, including intra-group interest result

Reporting

The following overview lists all domestic and foreign companies, including the company name, registered office and type of business activity in accordance with Section 26a (1) sentence 2 point 1 KWG.

Country	Entity	Registered Office	Business activity/ segment
EU COUN-TRIES			
Belgium	GRENKE LEASE Sprl	Brussels	Leasing
Denmark	GRENKELEASING ApS	Herlev	Leasing
Germany	GRENKE BANK AG	Baden-Baden	Bank/Refinancing
	GRENKEFACTORING GmbH	Baden-Baden	Factoring
	GRENKE Investitionen Verwaltungs Kommanditgesellschaft auf Aktien	Baden-Baden	Leasing/ Refinancing
	GRENKE AG	Baden-Baden	Leasing
	GRENKE Service AG	Baden-Baden	Sonstiges
	GRENKE digital GmbH	Karlsruhe	Sonstiges
	GRENKE Business Solutions GmbH & Co. KG	Baden-Baden	Leasing
	GRENKE MANAGEMENT SERVICES GmbH	Baden-Baden	Leasing
Finland	GRENKELEASING Oy	Vantaa	Leasing
France	GRENKE LOCATION SAS	Schiltigheim	Leasing
	FCT „GK“-COMPARTMENT „G2“	Pantin	Refinancing
	FCT „GK“-COMPARTMENT „G3“	Pantin	Refinancing
	FCT „GK“-COMPARTMENT „G4“	Pantin	Refinancing
Ireland	GRENKE LIMITED	Dublin	Leasing
	GRENKE FINANCE PLC	Dublin	Leasing/ Refinancing
	GC Factoring Ireland Limited	Dublin	Factoring
	Opusalpha Purchaser II Limited	Dublin	Refinancing
	CORAL PURCHASING (IRELAND) 2 DAC	Dublin	Refinancing
Italy	GRENKE Locazione S.r.l.	Milan	Leasing
	GRENKE BANK AG Branch Italy	Milan	Factoring
Croatia	GRENKE Hrvatska d.o.o.	Zagreb	Leasing
Latvia	SIA GC Leasing Baltic	Riga	Leasing
Luxembourg	GRENKELOCATION SARL	Munsbach	Leasing
Malta	GRENKE RENTING LTD.	Sliema	Leasing
Netherlands	Grenkefinance N.V.	Vianen	Leasing
Austria	GRENKELEASING GmbH	Vienna	Leasing
Poland	GRENKELEASING Sp.z.o.o.	Poznan	Leasing
	GC Faktoring Polska Sp.z.o.o.	Poznan	Factoring
Portugal	GRENKE RENTING S. A.	Lisbon	Leasing
	GRENKE BANK AG – Sucursal em Portugal	Lisbon	Factoring
Romania	Grenke Renting S.R.L.	Bucharest	Leasing
Sweden	GRENKELEASING AB	Stockholm	Leasing
Slovakia	GRENKELEASING s.r.o.	Bratislava	Leasing
Slovenia	GRENKELEASING d.o.o.	Ljubljana	Leasing
Spain	GRENKE ALQUILER S.L.	Barcelona	Leasing
	GRENKE RENT S.L.	Madrid	Leasing
Czech Republic	GRENKELEASING s.r.o.	Prague	Leasing
Hungary	GRENKELEASING Magyarország Kft.	Budapest	Leasing
	GF Faktor Zrt.	Budapest	Factoring
THIRD COUNTRIES			
Australia	GC LEASING MELBOURNE PTY LTD	Melbourne	Leasing
	GC LEASING SYDNEY PTY LTD	Sydney	Leasing
Brazil	GC Locação de Equipamentos LTDA	São Paulo	Leasing
	GRENKE Locação de Equipamentos LTDA	São Paulo	Sonstiges
Chile	GC Rent Chile SpA	Santiago de Chile	Leasing

Jersey	Kebnekaise Funding Limited	St. Helier	Refinancing
Canada	GL Leasing British Columbia Inc.	Vancouver	Leasing
	GC Leasing Ontario Inc.	Toronto	Leasing
	GC Crédit-Bail Québec Inc.	Montréal	Leasing
Norway	GRENKE BANK AG BRANCH NORWAY	Lysaker	Leasing
Switzerland	GRENKELEASING AG	Zurich	Leasing
	GRENKEFACTORING AG	Basel	Factoring
Singapore	GC Lease Singapore Pte Ltd	Singapur	Leasing
Turkey	GRENKE Kiralama Ltd. Sti.	Istanbul	Leasing
United Arab Emirates	GC Leasing Middle East FZCO	Dubai	Leasing
United Kingdom	Grenke Leasing Ltd	Guildford	Leasing
	GC Factoring Limited	London	Factoring
United States of America	GC Leasing AZ LLC	Phoenix	Leasing

Country-specific disclosures pursuant to Section 26 a (1) sentence 2 points 2–6 KWG follow below. Disclosures are provided on a country-by-country basis according to the IFRS conversion and before inter-group transfers.

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
EU COUNTRIES					
Belgium	24	8.9	0.2	1.0	0
Denmark	31	5.1	−2.7	−0.2	0
Germany	736	222.5	20.5	5.6	0
Finland	36	3.7	−1.4	0.0	0
France	174	42.7	16.6	4.3	0
Ireland	54	224.4	70.5	8.6	0
Italy	206	97.4	11.7	4.1	0
Croatia	15	2.7	2.0	0.4	0
Latvia	5	0.4	0.0	0.0	0
Luxembourg	4	0.5	0.0	0.0	0
Malta	4	0.2	−0.4	0.0	0
Netherlands	35	4.0	−0.7	−0.1	0
Austria	19	6.5	1.2	0.1	0
Poland	44	3.7	−0.4	0.6	0
Portugal	56	6.6	1.1	0.2	0
Romania	25	1.5	−0.4	−0.1	0
Sweden	22	4.9	0.4	0.1	0
Slovakia	8	0.9	0.0	0.1	0
Slovenia	10	0.8	−0.2	0.0	0
Spain	73	15.1	2.0	0.5	0
Czech Republic	7	0.7	−0.2	−0.3	0
Hungary	21	1.2	−0.2	0.1	0

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
THIRD COUNTRIES					
Australia	18	5.1	1.2	1.2	0
Brazil	33	6.7	0.1	–0.8	0
Chile	13	2.3	0.6	0.0	0
Jersey		3.0	0.0	0.0	0
Canada	14	3.9	0.4	1.0	0
Norway	3	2.7	1.6	0.0	0
Switzerland	38	11.0	–0.1	–0.1	0
Singapore	7	0.0	–3.2	0.0	0
Turkey	12	0.2	–1.7	0.0	0
United Arab Emirates	12	2.2	–0.5	0.0	0
United Kingdom	75	28.3	9.9	2.1	0
United States of America	3	0.1	–0.4	0.0	0

1 Excluding employees on maternity and parental leave but including executives and trainees
2 Figures include deferred taxes

The return on capital was 1.4 percent according to Section 26a KWG (1) sentence 4.

Independent Auditor's Report

The translation of the independent auditor's report is a non-binding convenience translation of the German original. In the event of any conflict or inconsistency between the English translation and the German original, the German original shall prevail.

To GRENKE AG, Baden-Baden

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit opinions

We have audited the consolidated financial statements of GRENKE AG and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31 December 2021 and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of GRENKE AG for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of those parts of combined management report listed in section “Other Information”.

In our opinion, on the basis of the knowledge obtained in the audit,

- // the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2021, and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, and
- // the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section “Other information”.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's responsibilities for the audit of the Consolidated Financial Statements and of Combined Management Report” section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have identified the following matters as key audit matters:

1. Determination of allowances for non-performing receivables from finance leases

2. Impairment of goodwill

Determination of allowances for non-performing receivables from finance leases

Matter

GRENKE AG's consolidated financial statements include non-performing receivables from terminated finance leases in the amount of EUR 563.8 million (8.5% of total assets) and allowances on these receivables of EUR 421.7 million.

GRENKE AG applies IFRS 9 when determining the allowances, considering the lifetime expected loss for the measurement of non-performing receivables from finance leases.

Discretionary decisions must be made by the legal representatives when determining allowances for non-performing receivables from finance leases. These include the selection of the model used to determine the loss rates for non-performing receivables, the other estimation parameters used in the model, the assumptions made for this purpose, and possible model adjustments based on the findings of model validations. These judgments are subject to uncertainties that are amplified by the COVID 19 pandemic. In addition, the determination of allowances is highly complex and depends on a high level of expertise and knowledge of a limited number of employees and decision makers.

Against this background, this matter was of particular importance in the context of our audit.

For information on the accounting policies applied to non-performing finance lease receivables, please refer to the notes to the consolidated financial statement in section 3.18.2 "Determination of Impairment for Lease Receivables" and section 5.2 "Lease Receivables" in the notes to the consolidated financial statements.

Our audit approach

As part of our audit approach, we first performed a risk assessment in relation to the non-performing finance lease receivables.

Based on this risk assessment, we obtained an understanding of the process for determining the allowance for such receivables as part of our audit procedures on the internal control system. To this end, we assessed the design of methods, procedures and controls based on a review of guidelines and work instructions for the determination of allowances for such receivables and verified their implementation. In addition, we performed tests of operating effectiveness.

Based on this, we performed substantive audit procedures. In determining the nature and extent of the audit procedures and evidence required, we also considered our findings regarding the effectiveness of the overarching IT controls. In particular, we performed the following substantive audit procedures with the assistance of valuation specialists.

We analyzed the fundamental suitability of the valuation model for determining the value adjustments and the suitability of the estimation parameters used in the procedures.

In doing so, we examined whether the key estimation parameters for determining the allowances were determined in a methodologically appropriate and mathematically correct manner and were correctly included in the model for determining the allowances for non-performing receivables from finance leases. In addition, we verified the annual validation of key estimation parameters.

We sampled the determination of the key estimation parameters at portfolio level and understood how the data relevant for the determination is derived from the cash flows and balances recorded in the accounting records. A reconciliation was performed with the cash flows and balances recorded in accounting for the underlying contract bases. The determination of the processing classes (payment status of leasing and hire-purchase agreements) and the allocation of receivables from finance leases to the processing classes were tested for accuracy on a sample basis.

Finally, our audit included the mathematical correctness of the valuation model used with regards to the valuation allowances determined for non-performing receivables from finance leases.

Impairment of goodwill

Matter

Goodwill of EUR 41.0 million (0.6% of total assets) is recognized in the consolidated financial statements as of December 31, 2021.

Goodwill is tested for impairment annually at the level of the cash-generating units.

The calculation of the fair value is complex and, with regards to the assumptions made, highly dependent on estimates and judgments of the Company. This applies in particular to the estimation of future cash flows and long-term growth rates, as well as the determination of capitalization rates. The valuation is therefore subject to significant uncertainties. The COVID-19 pandemic continues to have a significant impact on market conditions and increases uncertainty with respect to the valuation of cash-generating units and the related recoverability of goodwill.

Against this background, the recoverability of goodwill was a particularly important audit matter in the context of our audit.

For information on the accounting policies applied, please refer to the disclosures in section 3.8 “Goodwill” in the notes to the consolidated financial statements, for related disclosures on the use of judgment by management and sources of estimation uncertainty, please refer to section 3.18 “Use of assumptions and estimates” in the notes to the consolidated financial statements, and for disclosures on goodwill, please refer to section 5.7 “Goodwill” in the notes to the consolidated financial statements.

Our audit approach

As part of our audit, we assessed the appropriateness of the valuation method used and the significant valuation assumptions used to derive the respective fair values, as well as the correct and consistent application of the valuation method, involving our valuation specialists.

For this purpose, we first performed a risk assessment with regards to the valuation of the cash-generating units. Based on this risk assessment, we obtained an understanding of the valuation process as part of the audit procedures relating to the internal control system. In particular, we examined the model used by the Company for the valuation, the parameters used therein, and the assumptions made in this respect, and assessed the precautions and measures taken to prepare the business plans.

We have assessed the appropriateness of the key assumptions and the valuation model of the Company with the assistance of our valuation specialists. To this end, we discussed the expected cash flows, the planning assumptions, and the assumed long-term growth rates with the persons responsible for planning and performed a reconciliation with the Group planning approved by the legal representatives. We also verified the consistency of the planning based on time series analyses. We also assessed the consistency of the assumptions with external market estimates and other external data sources.

Furthermore, we have convinced ourselves of the Company's prognosis quality to date by comparing the projections with the actual results for a selection of value drivers and analyzing deviations.

We compared the assumptions and underlying parameters of the capitalization rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take into account, the existing forecast uncertainty, especially against the background of the ongoing COVID 19 pandemic, we also examined possible changes in key valuation parameters on the fair value (sensitivity analysis) by calculating alternative scenarios and comparing them with the Company's valuation results.

In addition, based on the information obtained in the course of our audit, we assessed the cash-generating units for which a need for write-downs had already been identified and where there were indications of a need for further write-downs.

To ensure the mathematical correctness of the valuation models used, we verified the Company's calculations based on risk-oriented selected elements.

Other information

The legal representatives respectively the supervisory board are responsible for the other information. The other information comprises:

- // the group statement on corporate governance provided in section 8 of the combined management report
- // the non-financial group statement provided in section 4 of the combined management report

// the information referred to in the cross-reference in the introduction and chapter 7 of the combined management report: www.grenke.de/unternehmen/investor-relations/berichte-und-praesentationen,

// the information referred to in the cross-reference in section 2.7.5 “Liquidity” of the combined management report: https://www.grenke.de/unternehmen/investor-relations/fremdkapital/emittierte-anleihen,

// the information referred to in the cross-reference in section 8.5 “Directors’ dealings” of the combined management report: www.grenke.de/nternehmen/investor-relations/corporate-governance/meldepflichtige-wertpapiere,

// the performance indicators contained in section 1.3 “Management system”,

// the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report, and our audit opinion.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

// is materially inconsistent with the consolidated financial statements, with the combined management report, or our knowledge obtained in the audit or

// otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

// identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

// obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

// evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

// conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.

// evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

// obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

// evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

// perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the Consolidated Financial Statements and the Combined Management Report, prepared for publication purposes in accordance with § 317 (3a) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „GRENKE_AG_KA_2021.zip" (SHA256-Hashwert: 12e01fca95ab22644a164219eecadfb886440b b745a487a72b651138bc3d317f) and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised)]. Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the legal representatives of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

// identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

// obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

// evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.

// evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

// evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the consolidated general meeting on 29. July 2021. We were engaged by the supervisory board on 15. September 2021. We have been the group auditor of the GRENKE AG without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

// Agreed-Upon Procedures Report pursuant to ISRS 4400

// Audit of the compensation report in accordance with Section 162 (3) AktG (IDW PS 870).

// Tax consulting services abroad

Other matter — use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format — including the versions to be published in the Federal Gazette — are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Johannes Kauselmann.

Frankfurt am Main, March 11, 2022

BDO AG
Wirtschaftsprüfungsgesellschaft
[Original version signed by]

gez. Grunwald	gez. Kauselmann
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

We confirm that to the best of our knowledge, and in accordance with the applicable reporting standards, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Consolidated Group and the management report of the Company and the Consolidated Group conveys a true and fair view of business performance, including financial performance and the position of the Consolidated Group, and describes the main opportunities and risks relating to the Consolidated Group's anticipated development.

Baden-Baden, March 11, 2022

Michael Bücker
Chair of the Board of Directors (CEO)

Gilles Christ
Chief Sales Officer (CSO)

Dr. Sebastian Hirsch
Chief Financial Officer (CFO),
Deputy Chair of the Board

Isabel Rösler
Chief Risk Officer (CRO)

Annual Financial Statements

GRENKE AG´s complete Annual Financial Statements (HGB) are available at www.grenke.com/investor-relations/reports-and-presentations.

Annual Financial Statements 2021

of GRENKE AG (HGB) Excerpts

Annual financial statements of GRENKE AG

for fiscal year 2021

GRENKE AG's Income Statement for the period from January 1 to December 31, 2021

	EUR	2021	2020
1.	Income from leases	625'595'738.82	615'959'505.57
2.	Expenses from leases	372'184'722.44	363'432'461.83
3.	Interest income from	6'853'972.88	7'300'507.08
	a) Lending and money market transactions	6'853'972.88	7'300'507.08
	thereof: Negative interest income from lending and money market transactions	954'884.54	1'242'709.60
4.	Interest expenses	16'703'340.60	18'195'099.08
	thereof: Positive interest income from lending and money market transactions	953'481.87	1'242'709.60
5.	Current income from	120'604'763.23	95'912'916.02
	c) Investments in associated companies	120'604'763.23	95'912'916.02
6.	Income from profit transfer agreements	27'976'141.83	3'897'233.74
7.		5'851'074.00	6'668'229.00
8.	Commission expenses	15'794'247.76	15'700'109.72
9.	Other operating income	56'525'321.72	54'136'375.04
10.	General and administrative expenses	110'885'417.01	102'651'339.13
	a) Staff costs		
	aa) Wages and salaries	26'164'458.12	21'726'914.30
	ab) Social security contributions and expenses for pensions and other employee benefits, thereof: for pensions EUR 87,520.31 (previous year: EUR 86,540.16)	3'583'122.95	3'404'088.24
	b) other administrative expenses	81'137'835.94	77'520'336.59
11.	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	188'707'258.88	202'004'931.90
	a) on lease assets	184'867'895.82	197'534'070.81
	b) on intangible assets and property, plant and equipment	3'839'363.06	4'470'861.09
12.	Other operating expenses	15'002'805.77	2'474'861.34
13.	Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business	2'040'287.54	6'263'354.26

	EUR	2021	2020
14.	Write-downs and impairments on other investments, investments in associated companies and securities treated as fixed assets	14'736'822.40	91'995'529.81
15.	Write-downs and impairments on other investments, investments in associated companies and securities treated as fixed assets	15'252'224.00	0.00
16.	Expenses from the transfer of losses	2'779'274.29	3'472'945.58
17.	**RESULT FROM NORMAL BUSINESS ACTIVITY**	**119'825'059.79**	**–22'315'866.20**
18.	Income taxes	121'450.05	420'166.78
19.	Other taxes	1'939'458.78	2'432'111.25
20.	**NET PROFIT / NET LOSS**	**117'764'150.96**	**–25'168'144.23**
21.	Profit carryforward from previous year	95'442.80	7'352'436.01
22.	Withdrawal from other revenue reserves	0.00	30'000'000.00
23.	**UNAPPROPRIATED SURPLUS**	**117'859'593.76**	**12'184'291.78**

GRENKE AG's Statement of financial position as per December 31, 2021

	EUR	31.12.2021	31.12.2020
1.	Cash reserves	58'000'342.26	203'000'785.21
	a) Cash on hand	342.26	785.21
	b) Cash deposit at central banks		
	thereof: at Deutsche Bundesbank EUR 58,000,000.00 (previous year: EUR 203,000,000.00)	58'000'000.00	203'000'000.00
2.	Receivables from credit institutions	144'403'315.01	73'418'199.19
	a) due on demand	37'247'779.83	23'418'199.19
	b) other receivables	107'155'535.18	50'000'000.00
3.	Receivables from customers	39'409'676.03	30'685'519.34
4.	Investments in associated companies	488'554'703.77	483'858'099.18
	a) in banks	271'272'355.82	256'272'355.82
	b) in financial services institutions	4'276'957.59	7'934'042.59
	c) others	213'005'390.36	219'651'700.77
5.	Lease assets	443'424'764.68	592'733'289.44
6.	Intangible assets	1'477'245.00	1'842'591.00
	b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets	1'477'245.00	1'842'591.00
7.	Property, plant and equipment	18'259'237.99	20'826'623.15
8.	Other assets	76'346'333.02	44'313'959.02
9.	Prepaid expenses	8'640'894.23	12'567'912.03
	TOTAL ASSETS	1'278'516'511.99	1'463'246'977.56

GRENKE AG's Statement of financial position as per December 31, 2021

	EUR	31.12.2021	31.12.2020
1.	Liabilities to banks	37'506'123.60	8'717'124.85
	a) repayable on demand	37'453'215.83	8'130'057.28
	b) with agreed term or notice period	52'907.77	587'067.57
2.	Liabilities to customers	35'066'795.20	26'640'558.79
	b) other liabilities		
	ba) repayable on demand	4'019'859.12	4'845'018.40
	bb) with agreed term or notice period thereof: to financial services institutions: EUR 31,046,936.08 (previous year: EUR 21,795,540.39)	31'046'936.08	21'795'540.39
3.	Other liabilities	86'445'568.18	281'472'204.90
4.	Accruals and deferrals	373'684'068.82	512'992'505.70
5.	Provisions	20'079'280.91	13'365'210.02
	b) tax provisions	0.00	15'829.54
	c) other provisions	20'079'280.91	13'349'380.48
6.	Subordinated liabilities	200'000'000.00	200'000'000.00
7.	Equity	525'734'675.28	420'059'373.30
	a) Subscribed capital	46'495'573.00	46'495'573.00
	b) Capital reserves	304'277'711.09	304'277'711.09
	c) Retained earnings		
	ca) legal reserves	5'089.87	5'089.87
	cc) statutory reserves	48'353.78	48'353.78
	cd) other retained earnings	57'048'353.78	57'048'353.78
	d) Unappropriated surplus	117'859'593.76	12'184'291.78
	TOTAL LIABILITIES AND EQUITY	**1'278'516'511.99**	**1'463'246'977.56**
1.	Contingent liabilities		
	b) Liabilities from guarantees and indemnity agreements	10'096'905'035.23	10'330'168'321.19

Calendar of Events

March 17, 2022 // Annual Report 2021

April 05, 2022 // New Business Figures Q1 2022

May 12, 2022 // Quarterly Statement Q1 2022

May 25, 2022 // Ordinary Annual General Meeting

July 05, 2022 // New Business Figures Q2 2022

August 11, 2022 // Financial Report Q2 and Q1-Q2 2022

October 05, 2022 // New Business Figures Q3 2022

November 10, 2022 // Quarterly Statement Q3 and Q1-Q3 2022

Disclaimer

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Disclaimer

Figures in this Annual Report are usually presented in EURk and EUR millions. Rounding differences may occur in individual figures compared to the actual EUR amounts. Such differences are not significant in character due to their nature. For reasons of easier readability, gender-specific language is generally avoided, and the respective terms apply equally to all genders to ensure equal treatment.

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