Note: This English version of the annual report 2023 is for informational purposes only. Legally binding is solely the German version of the annual report 2023.

Varengold Bank AG, Hamburg

Balance sheet as at 31 December 2023

Assets

	Euro	Financial year Euro	Previous year TEuro
1. Cash reserve			
a) Cash on hand	2.151,53		1,8
b) Balances with central banks	2.619.139,		13.897,
- including:		2.621.291,26	13.899,7
at the Deutsche Bundesbank: Euro 2,570,658.04			(13.826,5)
2. Receivables from banks			
a) due daily	792.932.817,74		783.805,1
b) Other receivables	11.190,		7,
		792.944.008,22	783.812,1
3. Receivables from customers		383.318.219,33	432.932,1
- including:			
secured by mortgages: Euro 0.00			(43,7)
Municipal loans: EUR 85,394,191.35			(191.290,5)
4. Bonds and other fixed-income securities			
Securities			
a) Bonds and debentures			
aa) from public issuers	16.394.705,92		25.808,3
- including:			
eligible as collateral with Deutsche Bundesbank: Euro 16,210,356.72			(25.582,7)
ab) from other issuers	7.843.858,36		2.086,7
- including:			
eligible as collateral with Deutsche Bundesbank: Euro 5,387,057.00			(2.071,2)
		24.238.564,28	27.895,0
5. Shares and other variable-yield securities		92.273.643,77	100.255,6
6. Shareholdings		4.271.082,22	3.988,9
7. Shares in affiliated companies		750.000,00	500,0
8. Trust assets		34.987.307,49	39.406,3
- including:			
Fiduciary loans Euro 34,987,307.49			(39.406,3)
9. Intangible assets			
a) Concessions acquired against payment	45.468,		86,
		45.468,00	86,0
10. Property, plant and equipment		185.246,50	180,4
11. Other assets		18.013.290,79	18.299,4
12. Prepaid expenses and deferred charges		204.006,78	109,5
Total assets		1.353.852.128,	1.421.365,

Liabilities

		Euro	Financial year Euro	Previous year TEuro
1. Liabilities to banks				
a) due daily		75.090.427,42		121.144,1
b) with an agreed term or period of notice		332.340,		2.962,8
			75.422.767,51	124.106,9
2. Liabilities to customers				
a) other liabilities				
aa) due daily		728.545.375,57		845.386,1
ab) with an agreed term or cancellation period		386.876.626,		299.825,6
			.115.422.002,21	1.145.211,7
3. Fiduciary liabilities			34.987.307,49	39.406,3
- including:				
Fiduciary loans Euro 34,987,307.49				(39406,3)
4. Other liabilities			2.513.281,00	1.098,6
5. Prepaid expenses and deferred charges			427.469,59	686,9
6. Provisions				
a) Provisions for pensions and similar obligations		1.601.000,00		1.294,0
b) Tax provisions		2.770.668,00		5.885,7
c) Other provisions		25.896.232,		28.786,
			30.267.900,40	35.966,3
7. Instruments of the additional regulatory core capital			5.000.000,00	5.000,0
8. Fund for general banking risks			10.400.000,00	5.000,0
9. Equity capital				
a) Subscribed capital		10.043.015,00		10.043,0
b) Capital reserve		44.705.492,65		44.705,5
c) Retained earnings				
ca) legal reserve	1.700,00			1,7
cb) Other revenue reserves	16.700,			16,
		18.400,00		18,4
d) Retained earnings		24.644.492,		10.121,
			79.411.400,44	64.888,3
Total liabilities			1.353.852.128,	1.421.365,
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements			820.550,00	50,0
2. other obligations				
a) Irrevocable loan commitments			47.988.225,47	46.027,2

Varengold Bank AG, Hamburg

Profit and loss account

for the period from 1 January 2023 to 31 December 2023

	Euro	Euro	Financial year Euro	Previous year TEuro
1. Interest income from				
a) Credit and money market transactions	49.562.936,58			15.288,2
less negative interest from bank balances and customer loans	0,00			-3.182,9
	49.562.936,58			12.105,3
b) fixed-income securities and debt register claims	721.024,03			524,5
less negative interest	0,00			0,0
	721.024,03	50.283.960,61		12.629,8
2. Interest expenses	-7.397.329,56			-2.413,0
less positive interest from open market transactions and banking business	0,00			3.381,3
		-7.397.329,56		968,3
			42.886.631,05	13.598,1
3. current income from				
a) Shares and other variable-yield securities		421.629,45		302,3
b) Shares in affiliated companies		0,00		0,0
			421.629,45	302,3
4. Commission income		22.520.456,76		72.777,5
5. Commission expenses		-2.425.559,51		-7.474,4
			20.094.897,25	65.303,1
6. Other operating income			3.277.841,89	5.123,7
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-10.925.294,37			-12.050,8
ab) Social security contributions and expenses for pensions and support	-2.024.079,13			-2.539,1
- of which: for pension schemes Euro 1,446,465.15		-12.949.373,50		-14.589,9
b) Other administrative expenses		-25.034.731,26		-21.113,8
			-37.984.104,76	-35.703,7
8. amortisation and impairment of intangible assets Fixed assets and property, plant and equipment			-86.969,38	-116,1
9. other operating expenses			-650.339,86	-9.996,2
10. write-downs and value adjustments on receivables and certain securities as well as additions to provisions in the lending business			-380.425,43	-6.828,6
11. allocation to the fund for general banking risks			-5.400.000,00	-5.000,0
12. write-downs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets			327.056,40	-1.239,4
13. **result from ordinary activities**			22.506.216,61	25.443,2
14. taxes on income and earnings		-7.982.454,25		-16.386,3
15. other taxes not recognised under item 9		-684,82		-0,0
			-7.983.139,07	-16.386,3
16. **net income for the year**			14.523.077,54	9.056,9
17. profit carried forward (previous year loss carried forward) from the previous year			10.121.415,	1.064,5
18 Retained earnings			24.644.492,	10.121,4

Varengold Bank AG, Local Court, HRB
73684

ANNEX

for the period from 1 January to 31 December 2023

Preliminary remark

The special audit of business operations in accordance with Section 44 (1) sentence 2 of the German Banking Act (KWG) by the German Federal Financial Supervisory Authority (BaFin) continues beyond the date of preparation of the financial statements.

The unqualified audit opinion on the 2022 annual financial statements and the 2022 management report was issued on
18 June 2024 was granted.

For computational reasons, rounding differences of +/- one unit may occur.

1 General information

The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the Ordinance on Accounting for Banks and Financial Services Institutions (RechKredV).

In order to improve clarity and transparency, disclosures relating to several items continue to be presented for all items in deviation from Section 284 (1) sentence 1 HGB.

The institution has at least one subsidiary within the meaning of Section 290 (1) 2. HS HGB and is therefore recognised in accordance with
§Section 340i (1) in conjunction with Section 290 (1) 1. HS HGB requires the preparation of consolidated financial statements.

All subsidiaries (within the meaning of Section 290 (1) 2. HS HGB in conjunction with Section 290 (2) and (3) HGB) are individually and collectively immaterial for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group. All subsidiaries are therefore not required to be included in the consolidated financial statements in accordance with Section 296 (2) HGB. The Bank makes use of Section 290 (5) HGB and does not prepare consolidated financial statements.

2 Accounting and valuation methods

The accounting and valuation methods remain unchanged from the previous year, unless otherwise stated below.

In accordance with Section 265 (8) HGB, items in the balance sheet and income statement that do not show an amount have been omitted to provide a better overview.

Assets and liabilities are recognised in accordance with the provisions of Sections 252 et seq. HGB and additionally in accordance with Sections 340 et seq. HGB.

Cash on hand and balances with central banks are recognised at nominal value. Overnight credit balances at the Deutsche Bundesbank are recognised as loans and advances to banks.

Loans and advances to banks and customers are generally recognised at nominal value. Where necessary, possible counterparty default risks are minimised by recognising specific valuation allowances.

taken into account. The amount of the risk provision for individually analysed counterparty default risks is calculated on the basis of the difference between the carrying amount of the receivables and the probable recoverable amount. Uncollectible receivables are derecognised. The latent credit risk is into account by recognising general loan loss provisions. The general bad debt allowance is calculated in accordance with the Statement on Accounting (RS) of the Banking Expert Committee (BFA) of the Institute of Public Auditors in Germany (IDW) IDW RS BFA 7 (Risk provisions for foreseeable, not yet individually specified counterparty default risks in the lending business of credit institutions ("general bad debt allowances")) on the basis of an estimate of the expected losses from the non-contractual fulfilment of capital and interest obligations in the originally agreed amount or at the originally agreed payment dates over the term of the loan. at the originally agreed payment dates over the remaining term (expected loss); proceeds from the realisation of loan collateral received are taken into account in the calculation.

The structured financial instruments from loans granted and share options against cash payment without an exercise obligation included in loans and advances to customers are recognised uniformly in accordance with the statement on accounting by the main expert committee (HFA) of the Institute of Public Auditors in Germany (IDW RS HFA 22) (on uniform or separate accounting of structured financial instruments under commercial law), as both the underlying instrument and the derivative are subject to uniform risks. When the options are exercised, the acquisition costs of the assets are determined by the cash payment for exercising the option.

On the balance sheet date, there were open share option transactions without an obligation to exercise. These options are not used to cover interest rate, exchange rate or market price fluctuations and are not used for trading purposes. The open transactions are intended for the acquisition of shareholdings that are intended to serve the bank on a permanent basis.

Bonds and other fixed-interest securities are recognised in accordance with the moderate lower of cost or market principle if they are allocated to fixed assets. If they allocated to the liquidity reserve, they are recognised in accordance with the strict lower of cost or market principle.

Shares and other variable-yield securities are recognised in accordance with the moderate lower of cost or market principle if they are allocated to fixed assets. If they are allocated to the liquidity reserve, they are recognised in accordance with the strict lower of cost or market principle. A portfolio of EUR 60,264 thousand (previous year: EUR 63,098 thousand) is allocated to fixed assets and recognised at amortised cost.

In accordance with the rules applicable to fixed assets, investments and shares in affiliated companies are recognised at the lower of cost or fair value in the event of expected permanent impairment less impairment losses.

Trust assets and liabilities were recognised at nominal value.

Intangible assets (software) and property, plant and equipment are measured at cost less scheduled straight-line amortisation over their useful lives. The useful lives specified by the tax authorities (depreciation table for generally usable assets - "AV depreciation table") serve as a guide.

Low-value assets with an acquisition cost of between EUR 250 and EUR 1,000 are capitalised in a collective item and written down by one fifth in the financial year in which they are created and in each of the following four financial years. Assets with a value of less than EUR 250 are treated as an immediate operating expense.

Other assets are recognised at their nominal amount. Individual value adjustments totalling EUR 1,000 thousand (previous year: EUR 1,000 thousand) were deducted for doubtful items.

Prepaid expenses and deferred charges are recognised in accordance with Section 250 (1) HGB.

Liabilities are recognised at their settlement amount.

Deferred income is recognised in accordance with Section 250 (2) HGB and amortised over the term of the underlying transactions.

The provisions for pensions and similar obligations are recognised in accordance with the actuarial report by Funk Vorsorgeberatung GmbH, Hamburg, and mainly serve to provide for surviving dependants. The valuation is based on recognised actuarial principles using the projected unit credit method (PUC method). The 2018 G mortality tables by Prof Dr Klaus Heubeck were used as the biometric calculation basis. The calculation was based on a salary and pension trend of 2.0 % and an average fluctuation of 10 % or 15 %, depending on the group of beneficiaries. An average remaining term of 15 years was assumed for discounting in accordance with Section 253 (2) sentence 2 HGB. The average market interest rate of 1.82% (previous year: 1.78%) calculated by the Deutsche Bundesbank as at the balance sheet date for the past ten years in accordance with Section 253 (2) sentences 2, 4 and 5 HGB was used as the discount factor.

Provisions, including tax provisions, are recognised at the settlement amount required according to prudent business judgement.

The instruments issued as additional regulatory core capital are recognised at their nominal amount. Interest is accrued in accordance with the contractual agreements and recognised in other liabilities.

In the reporting year, the company increased the fund for general banking risks in accordance with Section 340g HGB by EUR 5,400 thousand from EUR 5,000 thousand to EUR 10,400 thousand.

The interest-related transactions in the banking book are analysed annually in their entirety for an excess liability. For this purpose, a present value-oriented approach is used, taking into account the risk and administrative costs that are likely to be incurred. The valuation showed that the interest-related transactions in the banking book (interest book) did not result in a surplus obligation for the financial year. There is therefore no need to recognise a provision for impending losses.

Contingent liabilities and other obligations as well as all other balance sheet items are recognised at nominal value.

Expenses and income are recognised on an accrual basis.

Negative interest from lending transactions and positive interest from deposit transactions no longer exist.

The bank exercises the option of cross-compensation in accordance with Section 340f (3) HGB in

conjunction with
§ Section 32 RechKredV and in accordance with Section 340c (2) HGB in conjunction with Section 33 RechKredV.

3 Currency conversion

Receivables and liabilities are initially recognised at the reference rate of the European Central Bank (ECB).

There are both transactions in foreign currencies with and without special cover. The company conducts its

currency hedging via an independent treasury fund.

For transactions without special cover, the results from currency translation are not offset by hedging transactions in the income statement. Currency results are recognised in other operating expenses.

Exchange rate-related overruns of the acquisition costs for these transactions in foreign currencies are compensated for by recognising an adjustment item on the liabilities side in accordance with IDW RS BFA 4, point 21 (Special features of foreign currency translation for banks under commercial law), which is reported under other liabilities.

Some of the receivables in foreign currencies are specially hedged transactions in foreign currencies within the meaning of Section 340h HGB.

Both the expenses and income from currency translation for the specially covered transactions were recognised in profit or loss. In accordance with IDW RS BFA 4, the translation results from the currency translation of specially covered transactions are netted and recognised in other operating income.

Income and expenses incurred during the year are recognised in the income statement at the respective daily exchange rates. Foreign currency items are translated into euros at the ECB reference rates on the balance sheet date in accordance with Section 256a HGB.

The following balance sheet items include the foreign currency amounts listed:

	31.12.2023	31.12.2022
	TEUR	**TEUR**
Balances with central banks	48	71
Receivables from banks	4.179	8.219
Receivables from customers	36.442	59.711
Shares and other variable-yield securities	32.009	37.158
Shareholdings	1.234	921
Other assets	48	43
Liabilities to customers	51.384	61.085
Other liabilities	14	11

4 Notes to the balance sheet

4.1 Cross-item disclosures

4.1.1 Relationships with affiliated companies

The subsidiary Elbe2021 Incubator GmbH changed its name to VARP Finance GmbH at the beginning of 2023.

	31.12.2023	31.12.2022
	TEUR	**TEUR**
Receivables from customers	383.318	432.932
-thereof to affiliated companies	1.557	1.186
---of which vis-à-vis VARP Finance GmbH	1.557	1.186
Liabilities to customers	1.115.422	1.145.212
-thereof to affiliated companies	207	170
---of which vis-à-vis VARP Finance GmbH	207	170

4.1.2 Remaining term structure

Receivables from banks include overnight deposits with Deutsche Bundesbank totalling EUR 786,963 thousand (previous year: EUR 774,575 thousand).

	31.12.2023	31.12.2022
	TEUR	**TEUR**
Receivables from banks	792.944	783.812
due daily	792.933	783.805
up to three months	0	0
more than three months to one year	11	7
Receivables from customers	383.318	432.932
due daily	36.602	21.776
up to three months	67.618	134.649
more than three months to one year	135.282	127.567
more than one year and up to five years	143.758	148.882
more than five years	58	58
Bonds and other fixed-income securities	24.239	27.895
up to three months	3.037	128
more than three months to one year	6.894	10.510
more than one year up to five years	9.483	17.257
more than five years	4.825	0
Liabilities to banks	75.423	124.107
due daily	75.091	121.144
up to three months	24	24
more than three months to one year	71	71
more than one year and up to five years	237	2.868
Liabilities to customers	1.115.422	1.145.212
due daily	728.926	845.829
up to three months	26.615	31.152
more than three months to one year	120.437	106.372
more than one year and up to five years	231.147	157.160
more than five years	8.297	4.699

4.1.3 Securities

	31.12.2023	31.12.2022
	TEUR	**TEUR**
Bonds and other fixed-income securities	24.239	27.895
Not marketable	0	0
marketable	24.239	27.895
- of which: listed	21.816	27.895
Shares and other variable-yield securities	92.274	100.256
Not marketable	81.144	86.418
marketable	11.130	13.838
- of which: listed	130	3.837
Shares in affiliated companies	750	500
Not marketable	750	500
marketable	0	0
- of which listed	0	0
Shareholdings	4.271	3.989
Not marketable	3.922	3.640
marketable	349	349
- of which listed	0	0

The shares in affiliated companies include payment obligations from uncalled contributions totalling EUR 250 thousand (previous year: EUR 0 thousand).

4.1.4 Trust assets and trust liabilities

The bank has been granting loans to customers under the KfW Corona Quick Loan Programme since May 2020. These are fiduciary loans. Liabilities to KfW from this programme are reported under trust liabilities in the same amount. Trust receivables and trust liabilities as at 31 December 2023 amounted to EUR 34,987 thousand (previous year: EUR 39,406 thousand).

4.2 Item-specific information

4.2.1 Receivables from customers

Receivables from customers totalling EUR 383,318 thousand (previous year: EUR 432,932 thousand) largely consist of customer loans of EUR 302,583 thousand (previous year: EUR 249,692 thousand) and municipal loans of EUR 85,394 thousand (previous year: EUR 191,291 thousand), in each case before deduction of valuation allowances. Other items include accrued interest and payment transaction accounts with overdrafts.

4.2.2 Bonds and other fixed-income securities

The portfolio of bonds and other fixed-interest securities totalling EUR 16,395 thousand (previous year: EUR 25,808 thousand) consists of bonds and debentures from public issuers. Other issuers account for EUR 7,844 thousand (previous year: EUR 2,087 thousand).

4.2.3 Shares and other variable-yield securities

The balance sheet item includes shares in investment funds and exchange-traded bearer bonds totalling EUR 92,144 thousand (previous year: EUR 99,907 thousand).

EUR 91,047 thousand (previous year: EUR 96,218 thousand) of these are investment assets in which the Bank holds shares of more than 10 % and which are broken down as follows:

in TEUR	**Investment objective**	**Book value**	**Market value**	**Silence Reserve/ Load**	**Distribution in the financial year**
Dalma Corporate Bond Fund	Real estate	17.313	18.306	993	0
Quintar STFF	Trade financing	14.600	14.600	0	0
Varengold Special I	Pensions	49.135	49.546	411	0
nordiX European Consumer Credit Fund C	Consumer loans	10.000	10.118	118	400

Redemption is possible within three months for the "Dalma Corporate Bond" fund and within three months for the "Dalma Bond" fund.
"Quintar STFF" within 90 days at the end of the month. The "Varengold Spezial I" fund has no restrictions on daily redemption options. The "nordiX European Consumer Credit Fund" provides for redemption with a notice period of three months to 30 June or 30 December of a year for packages of more than EUR 100 thousand.

With regard to the valuation of the Varengold Spezial I fund, it should be noted that write-downs have already been made to take account of risks from the fund's commitments in Russia, which are to be retained on the balance sheet date in the absence of a sustained recovery in value.

Fund units with a carrying amount of EUR 60,134 thousand (previous year: EUR 62,749 thousand) and a fair value of EUR 60,675 thousand (previous year: EUR 60,816 thousand) are allocated to fixed assets. They also include shares with a carrying amount of EUR 130 thousand (previous year: EUR 349 thousand) and a fair value of EUR 564 thousand (previous year: EUR 414 thousand).

4.2.4 Investments and shares in affiliated companies

Varengold Bank AG holds the following unlisted shareholdings, each with a shareholding of more than 20% on the balance sheet date.

Society	**Participation rate**	**Equity capital**	**Result**
	direct	**31.12.2023**	**2023**
	%	**TEUR**	**TEUR**
VARP Finance GmbH, Hamburg	100,00	616	-97
Hanseatic Brokerhouse Securities AG, Hamburg	33,00	-3.165	-121

In accordance with section 285 no. 11 HGB in conjunction with section 271 HGB, investments of less than 20 % are not disclosed.

4.2.5 Gross fixed assets movement schedule

Fixed assets are shown in the following statement of changes in fixed assets. Only those bonds and other securities as well as shares and other non-fixed-income securities that are allocated to fixed assets are taken into account.

	Anschaffungskosten				kumulierte Abschreibungen				Restbuchwerte	
	01.01.2023	Zugänge 2023	Abgänge 2023	31.12.2023	01.01.2023	Jahres-Afa 2023	Abgänge 2023	31.12.2023	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Immaterielle Anlagewerte Selbst geschaffene gewerbliche Schutzrechte und ähnliche Rechte und Werte	388	0	0	388	388	0	0	388	0	0
Entgeltlich erworbene Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Werte sowie Lizenzen an solchen Rechten und Werten	2.242	0	0	2.242	2.156	41	0	2.197	45	86
Sachanlagen	727	51	0	778	547	46	0	593	185	180
Summe	**3.357**	**51**	**0**	**3.408**	**3.091**	**87**	**0**	**3.178**	**230**	**266**
	Veränderung*)									
Schuldverschreibungen und andere festverzinsliche Wertpapiere	0								0	0
Aktien und andere nicht festverzinsliche Wertpapiere	-2.834								60.264	63.098
Beteiligungen	282								4.271	3.989
Anteile an verbundenen Unternehmen	250								750	500

*) Von der nach § 34 Abs. 3 RechKredV möglichen Zusammenfassung für Finanzanlagen wurde Gebrauch gemacht

Intangible assets consist primarily of purchased software and licences. Property, plant and equipment relates to operating and office equipment (including leasehold improvementsused by the bank.

4.2.6 Other assets

In the reporting year, this item is characterised by receivables for repayment following the cancellation of fund shares in the liquidity reserve with a nominal value of EUR 16,775 thousand (previous year: EUR 16,566 thousand). A specific valuation allowance of EUR 1,000 thousand (previous year: EUR 1,000 thousand) was recognised for one of the receivables. Otherwise, this item mainly includes receivables from tax refund claims totalling EUR 1,727 thousand (previous year: EUR 1,454 thousand), from assigned claims of EUR 244 thousand (previous year: EUR 233 thousand) and receivables from security deposits paid of EUR 141 thousand (previous year: EUR 140 thousand). There are no longer any claims for restitution against third parties (previous year: EUR 728 thousand). The tax refund claims result from VAT for the current financial year and previous years totalling EUR 1,659 thousand (previous year: EUR 1,320 thousand). In addition, there are refund claims against tax authorities in Germany totalling EUR 0 thousand (previous year: EUR 69 thousand) and abroad totalling EUR 68 thousand (previous year: EUR 65 thousand).

4.2.7 Prepaid expenses and deferred charges

Prepaid expenses mainly include prepaid licences of EUR 95 thousand (previous year: EUR 86 thousand) and third-party services of EUR 79 thousand (previous year: EUR 87 thousand). Deferred income consists of accruals from loan agreements totalling EUR 350 thousand (previous year: EUR 514 thousand) and forfaiting of EUR 77 thousand (previous year: EUR 173 thousand).

4.2.8 Liabilities to banks

Liabilities to banks include liabilities due on demand to 16 banks totalling EUR 75,090 thousand (previous year: EUR 121,144 thousand).

There are no longer any liabilities to the Deutsche Bundesbank from open market transactions. There are liabilities to KfW amounting to EUR 332 thousand (previous year: EUR 380 thousand) from a loan that was transferred from the "Corona Soforthilfe" programme (trust loan) to the "Unternehmerkredit" programme.

4.2.9 Liabilities to customers

The item liabilities to customers includes liabilities due on demand totalling EUR 728,545 thousand (previous year: EUR 845,386 thousand) and liabilities with an agreed term or period of notice totalling EUR 386,877 thousand (previous year: EUR 299,825 thousand). The liabilities comprise current accounts of EUR 604,476 thousand (previous year: EUR 679,488 thousand), term deposits of EUR 386,877 thousand (previous year: EUR 299,826 thousand), overnight deposits of EUR 84,479 thousand (previous year: EUR 135,491 thousand), security deposits of EUR 35,156 thousand (previous year: EUR 25,973 thousand) and other items of EUR 4,435 thousand (previous year: EUR 4,435 thousand).

4.2.10 Other liabilities

The other liabilities all have a remaining term of up to one year and mainly include trade payables totalling EUR 1,657 thousand (previous year: EUR 274 thousand) and an adjustment item on the liabilities side in accordance with IDW RS BFA 4 totalling EUR 482 thousand (previous year: EUR 447 thousand). Trade payables mainly result from brokerage commissions in connection with discontinued business. This item also includes liabilities from tax matters totalling EUR 349 thousand (previous year: EUR 325 thousand).

4.2.11 Provisions for pensions and similar obligations

Pension provisions were recognised for surviving dependants' pensions.

The difference between the valuation the pension provisions with the 10-year average interest rate of EUR 1,601 thousand and the 7-year average interest rate of EUR 1,638 thousand amounted to EUR 37 thousand (previous year EUR 137 thousand) and was subject to a distribution block in accordance with
§ Section 253 (6) sentence 2 HGB. The interest expense from compounding totalled EUR 10 thousand in the reporting year (previous year: EUR 57 thousand).

4.2.12 Tax provisions

The item is broken down as follows:

		31.12.2023	31.12.2022
		TEUR	**TEUR**
Domestic	Corporation tax 2014	0	948
	Corporate income tax 2019	0	15
	Corporate income tax 2020	-258	0
	Corporation tax 2021	152	305
	Corporate income tax 2022	1.747	2.046
	Corporate income tax 2023	-305	0
	Trade tax 2014	0	68
	Trade tax 2019	0	6
	Trade tax 2020	-267	0
	Trade tax 2021	155	320
	Trade tax 2022	1.822	2.156
	Trade tax 2023	-310	0
	Domestic total	**2.736**	**5.864**
Abroad	Income taxes London previous years	14	7
	Income taxes Sofia Previous year	0	14
	Income taxes Sofia 2023 **Total**	20	0
	abroad	**34**	**21**
	Total domestic+ Foreign	**2.770**	**5.885**

4.2.13 Other provisions

The item is broken down as follows:

	31.12.2023	31.12.2022
	TEUR	**TEUR**

Provisions for legal proceedings Possible fines	4.286	4.093
Variable remuneration	4.064	4.000
	3.960	3.260
Costs of special audit pursuant to § 44 KWG	3.474	7.000
Reclaim claims from tax authorities for capital gains tax 2016	3.100	3.100
Costs of preparing and auditing financial statements	2.703	1.879
Legal and consulting costs	2.304	622
General allowance for irrevocable loan commitments	437	360
Provisions for holiday and overtime	190	222
Contributions to the Chamber of Commerce	146	0
Compensation Scheme of German Banks Archiving costs	126	126
Commissions and reimbursements	65	99
	0	3.077
Severance payments	0	84
Other	1.042	865
Total	**25.897**	**28.787**

As in previous years, there are entitlements to variable remuneration based on the 2022 and 2023 results. As the variable remuneration for 2022 could not yet be settled due to the lack of approval of the 2022 annual financial statements, there was an increase of EUR 700 thousand compared to the previous year.

The provision for legal risks due to a possible proportionate judgement against Varengold Bank AG in the context of the Caceis litigation, as explained in the management report and formed as a precautionary measure, is included in the item "Provisions for legal proceedings" at TEUR 4,061 (previous year TEUR 3,868). The increase in the provision in the reporting year is due to interest effects.

Due to ongoing auditing activities as part of the special audit in accordance with Section 44 of the German Banking Act (KWG) and the resulting increase in costs, an addition was made to the provision for Section 44 KWG in the financial year. The company could face fines as a result of the findings of the special audit. These were recognised at EUR 4,000 thousand on the basis of legal estimates. In addition, a contractual penalty of EUR 64 thousand has been recognised for the late publication of the half-year financial statements and the annual financial statements in accordance with the General Terms and Conditions of Deutsche Börse.

In connection with the audit pursuant to Section 44 KWG, legal services totalling EUR 1,855 thousand are in the legal and consulting costs item. These are services relating to legal issues with customers and the processing of the results of the special audit.

In a notice dated 22 December 2021, the tax authorities established a claim for repayment against Varengold AG for failure to deduct the required capital gains tax including solidarity surcharge in the amount of EUR 3,100 thousand from a fund in which the bank held an interest. The fund was terminated in 2016. An appeal was lodged against the tax authorities' decision. The suspension of enforcement was granted.

In addition to the amounts for annually recurring audits in the reporting year, the provisions for financial statement preparation and audit costs include amounts for irregular audits by the tax authorities and the special representative of the Federal Financial Supervisory Authority (Bafin).

4.2.14 Instruments of the additional regulatory core capital

On 19 August 2014, Varengold Bank AG issued additional Tier 1 bonds ("AT1 bonds") in the amount of EUR 5 million. The additional AT1 bonds unsecured and subordinated bonds of Varengold Bank. The semi-annual interest payments for these bonds are based on their nominal amount and the development of the EURIBOR. The bond conditions contain regulations according to which Varengold Bank can both be obligated and the has the comprehensive right to make the sole decision to cancel interest payments at any time. Interest payments are not cumulative and will not be higher in subsequent years in order to make up for any cancelled interest payments from previous years. The bonds have no maturity date. They can be cancelled by Varengold Bank for the first time at the end of five years after their issue and thereafter on each interest payment date. They can also be cancelled prematurely under certain conditions. The bond conditions include, among other things, that Varengold Bank can only call the bonds in full and not in part if there are certain regulatory or tax reasons for doing so. Any premature cancellation requires the prior approval of the competent supervisory authority. The redemption amount and the nominal amount of the bonds may be reduced if a triggering event occurs. A triggering event would be a fall in the Tier 1 core capital ratio of Varengold Bank to below 5.125%. The bonds can be written up under certain conditions if a triggering event occurs.

The accrued interest expense for these bonds amounted to EUR 8 thousand as at 31 December 2023 (previous year: EUR 7 thousand).

Additional Tier 1 bonds outstanding on 31 December 2023 (here without interest):

Currency	Amount in EUR	Kind	Issue date	Interest rate	Maturity
EUR	5.000.000	variable interest rate, Cumulative subordinated bonds	19 August 2014	variable	without maturity

4.2.15 Fund for general banking risks

In the reporting year, the company increased the fund for general banking risks in accordance with Section 340g HGB by EUR 5,400 thousand from EUR 5,000 thousand to EUR 10,400 thousand.

4.2.16 Equity capital

The fully paid-up share capital of EUR 10,043,015.00 (previous year: EUR 10,043,015.00) is divided into 10,043,015 no-par value registered shares as at the balance sheet date.

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

Year	New shares	Premium	Allocation to reserves
2019	3.105.211	1,50	4.657.816,50
2020	727.381	2,85	2.073.035,85
2021	0	0	0
2022	0	0	0
2023	0	0	0
Total			6.730.852,35
Status 31.12.2018			37.974.640,30
Status 31.12.2023			44.705.492,65

In January 2020, the share capital was increased by EUR 621,000.00 using part of the "Authorised Capital 2018" and by EUR 106,381.00 using part of the "Authorised Capital 2019". Accordingly, the "Authorised Capital 2018" amounted to EUR 2,484,211.00 and the "Authorised Capital 2019" amounted to EUR 1,446,225.00. At the Annual General Meeting on 25 November 2020, the cancellation of the "Authorised Capital 2018" and the "Authorised Capital 2019" on the one hand and the new "Authorised Capital 2020" of EUR 5,021,507.00 on the other were resolved.

None of the subscription rights granted in 2012 were exercised and have not been exercised since 14 January 2023 expire.

No share options issued in 2023.

4.2.17 Contingent liabilities

As at 31 December 2023, liabilities from guarantees and indemnity agreements mainly take the form of guarantee credits in the amount of EUR 821 thousand (previous year: EUR 50 thousand). The risk of utilisation is classified as low. The guarantees are fully collateralised by cash, liquid securities or a combination of cash and liquid securities.

The risk of losses from the utilisation of contingent liabilities is essentially based on the credit risk of the client. The Bank assesses the risk of a loss resulting from the utilisation of a contingent liability before entering into a binding commitment as part of a credit check of the client and, if necessary, on the basis of an assessment of the expected fulfilment of the underlying obligations by the respective client.

As at 31 December 2023, there are other obligations in the form of irrevocable loan commitments amounting to EUR 47,988 thousand (previous year: EUR 46,027 thousand) to customers who can draw on these in full or in partial amounts. These utilisations are subject to contractual conditions for disbursement, compliance with which is checked prior to the respective disbursement. The Bank assesses the risk of a loss resulting from the utilisation of irrevocable loan commitments prior to entering into a binding commitment as part of the credit review.

4.2.18 Transferred collateral

In accordance with the conditions for open market transactions, collateral in the form of securities (ECB-eligible bonds) and promissory note loans totalling EUR 2,886 thousand (previous year: EUR 12,104 thousand) was provided to Deutsche Bundesbank.

5 Notes to the income statement

5.1 Net interest income

The regional allocation refers to the customer's registered office	2023	2022
	TEUR	**TEUR**
Interest income	50.284	12.630
---of which: Domestic	37.395	4.532
---of which: Europe	12.509	7.427
---of which: Near and Middle East	35	192
---of which: Asia	0	0
---of which: other third country	345	479
Interest expenses	7.397	-968
Net interest income	**42.887**	**13.598**

Interest income mainly consists of income from loans granted and fixed-interest securities. Until the previous year, negative interest was incurred in particular at the Deutsche Bundesbank for collateral and overnight deposits; this was openly deducted from interest income. The increase in interest income from EUR 12,105 thousand to EUR 49,563 thousand is mainly due to the positive interest rate trend in the ECB's key interest rate, which rose to 4.5% for the main refinancing operations in the reporting year. On the one hand, this increased income from deposits with the Bundesbank, while on the other hand, income from loans to customers in existing and new lending business increased compared to the previous year.

Interest expenses mainly include interest for customer deposits (overnight, fixed-term and term deposits). In addition, the current interest rate situation has resulted in interest expenses for the first time for the Tier 1 bond issued 2014. Negative interest received for customer collateral and customer deposits was openly deducted from interest expenses until the previous year. In the previous year, this negative interest was higher than the interest expense, meaning that income was recognised in the interest expense item. Interest expenses increased from EUR -968 thousand to EUR 7,397 thousand.

5.2 Current income from shares and other variable-yield securities

The regional allocation refers to the customer's registered office	2023	2022
	TEUR	**TEUR**
Current income from shares and other variable-yield securities		
---of which: Domestic		
---of which: Europe	422	
---of which: Near and Middle East	422	302
---of which: Asia	0	151
---of which: other third country	0	151
	0	0
	0	0
		0
Current income from shares and other non-fixed-income securities Securities	**422**	**302**

Income from shares and other variable-yield securities exclusively includes distributions from fund investments.

5.3 Net commission income

The regional allocation refers to the customer's registered office	2023	2022
	TEUR	**TEUR**
Commission income	22.521	72.777
---of which: Domestic	2.556	2.917
---of which: Europe	7.601	25.678
---of which: Near and Middle East	9.401	35.150
---of which: Asia	2.961	8.850
---of which: other third country	2	182
Commission expenses	2.426	7.474
Net commission income	**20.095**	**65.303**

The measures taken in connection with the findings of the Section 44 KWG audit had a significant negative impact on commission income. On 27 June 2023, BaFin prohibited transactions with payment agents and other third parties related to Iran on the grounds of high money laundering risks and serious deficits in money laundering prevention. BaFin has also appointed a special commissioner. The transaction ban is intended to prevent the bank from being misused for money laundering. In September 2024, the Bank decided to discontinue payment transaction business involving increased risks. Please refer to the supplementary report at the end of the notes.

Commission income mainly includes income from commissions on payment transactions totalling EUR 17,850 thousand (previous year: EUR 68,280 thousand), lending business totalling EUR 2,117 thousand (previous year: EUR 2,117 thousand) and commission on the sale of goods and services totalling EUR 1,000 thousand (previous year: EUR 1,000 thousand).

EUR 1,442 thousand), guarantee and letter of credit business at EUR 1,030 thousand (previous year: EUR 1,773 thousand) and income from fronting services in the marketplace banking business at EUR 1,472 thousand (previous year: EUR 1,193 thousand).

Commission expenses primarily relate to fees for brokering transactions in the Transaction Banking segment. The decline in commission expenses is due to the restrictions and measures taken in connection with the findings of the Section 44 KWG audit.

5.4 Other operating income

The regional allocation refers to the customer's registered office	2023	2022
	TEUR	**TEUR**
Other operating income	3.278	5.124
---of which: Domestic	2.837	4.793
---of which: Europe	423	311
---of which: Near and Middle East	0	0
---of which: Asia	0	20
---of which: other third country	18	0
Other operating income	**3.278**	**5.124**

Other operating income mainly income from the recharging of consulting expenses of EUR 723 thousand (previous year: EUR 1,107 thousand) and from the reversal of provisions of EUR 1,199 thousand (previous year: EUR 3,174 thousand). Income relating to other periods totalling EUR 7 thousand (previous year: EUR 85 thousand) is included.

It also includes income from VAT refund claims totalling EUR 574 thousand (previous year: EUR 0). The income results from an adjustment to the rate for deductible input tax.

5.5 Personnel expenses

	2023	2022
	TEUR	**TEUR**
Wages and salaries	10.925	12.050
Social security contributions	1.285	1.093
Expenses for pensions and other employee benefits	739	1.446
Total	**12.949**	**14.590**

The decrease in personnel expenses is mainly due to a reduction in performance-related remuneration of EUR 1,519 thousand. Pension expenses fell by EUR 707 thousand, which is due to the fact that a one-off disproportionate addition to pension provisions was necessary due to a change in the calculation basis in the previous year.

5.6 Other administrative expenses

	2023	2022
	TEUR	**TEUR**
Consultancy, closing and audit costs	10.523	4.534
IT expenses	5.515	4.154
Audit costs § 44 KWG	3.185	7.000

Other services	1.802	1.829
Contributions and insurance	1.645	1.457
Room costs	657	682
Communication	558	500
Advertising, hospitality, travel expenses	461	403
Office supplies, magazines, training	181	267
Vehicle costs incl. leasing (excluding vehicle tax)	66	44
Miscellaneous other administrative expenses	442	244
Total	**25.035**	**21.114**

Due to the ongoing audit activities of the special auditors after the financial year
§ 44 KWG, the provision for the special audit must be recognised again in the reporting year.

The increase in expenses for consulting, preparing and auditing the financial statements is mainly due to increased expenses as a result of the special audit in accordance with Section 44 KWG. In particular, costs for lawyers for advice in connection with customer funds, assessment and comments on audit results and the auditor's fees should be mentioned here. Part of the increase in IT expenses is also attributable to this.

Other services" refers to the purchase of third-party services that cannot necessarily be assigned to one of the other categories.

Miscellaneous other administrative expenses include expenses relating to other periods totalling EUR 139 thousand (previous year: EUR 18 thousand).

5.7 Other operating expenses

Other operating expenses of EUR 650 thousand (previous year: EUR 9,996 thousand) mainly include expenses from currency translation of EUR 344 thousand (previous year: EUR 178 thousand), interest on tax back payments of EUR 44 thousand (previous year: EUR 229 thousand), expected interest of EUR 193 thousand in the Caceis legal case and interest on tax back payments of EUR 44 thousand (previous year: EUR 229 thousand). In the same period of the previous year, there were also expenses of EUR 4,000 thousand for possible fines following the special audit in accordance with Section 44 KWG, the recognition of a provision in the Caceis legal case in the amount of EUR 3,868 thousand and the recognition of specific valuation allowances in the lending business of EUR 1,000 thousand.

5.8 Allocation to the fund for general banking risks

In the reporting year, the company increased the fund for general banking risks in accordance with Section 340g HGB by EUR 5,400 thousand from EUR 5,000 thousand to EUR 10,400 thousand.

5.9 Taxes on income and earnings

The tax result is the result of domestic corporation tax including solidarity surcharge for the reporting year totalling EUR 4,580 thousand (previous year: EUR 7,401 thousand) and trade tax for the reporting year totalling EUR 4,769 thousand (previous year: EUR 6,774 thousand). In addition, the tax result was influenced by back payments and refunds for previous years for domestic and foreign income taxes with net income of EUR 1,366 thousand (previous year: EUR -2,212 thousand).

Tax expenses will fall mainly due to the reduction in the bank's income.

6 Other information

6.1 Organs

6.1.1 Supervisory Board

Mr Dirk Auerbach

Chairman
Chairman of the Executive Board of Schalast Auerbach AG Wirtschaftsprüfungsgesellschaft
Member since: 13/08/2024 End of term of office[1]: 2028

Mr Vasil Stefanov
Board of Directors, Euro-Finance AD; Head of M&A, Euroins Insurance Group AD
Member since: 21/03/2018 End of term of office[1]: 2028

Mr Tobias Michael Weitzel CEO and founder of CREDION AG Member since: 20.02.2025
End of term of office: next AGM

Dr Karl-Heinz Lemnitzer Auditor and tax consultant in his own firm Member since: 14/09/2015
End of term of office: 21 January 2025

Mr Francesco Filia
CEO Fasanara Capital Ltd. end of term of office: 25/02/2023

Mr Florin Isac
Head of Corporate Finance at Swiss Capital S.A., Management Consultant
Member since: 26/02/2023
End of the term of office: 05/07/2023

Mr Marcus Columbu
Attorney-at-law, Partner at act AC Tischendorf Rechtsanwälte Partnerschaft mbB
Member since: 06.07.2023
End of the term of office: 13 August 2024

Mr Isac was appointed to the Supervisory Board by court order with effect from 26 February 2023 and resigned from office for personal reasons with effect from 5 July 2023. At the request of the Board of Directors, the Hamburg District Court Mr Marcus Columbu as a member of the Supervisory Board by court order dated 3 July 2023 with effect from 6 July 2023 until the end of the company's next Annual General Meeting or Extraordinary General Meeting. His term of office expired at the Annual General Meeting on 13 August 2024.

At the end of the Annual General Meeting on 13 August 2024, Mr Auerbach was elected as the new Chairman of the Supervisory Board and assumed the role of Chairman of the Supervisory Board. Since the Annual General Meeting on 13 August 2024, Mr Lemnitzer is no longer Chairman of the Supervisory Board and Mr Stefanov is no longer Deputy Chairman of the Supervisory Board; both are still members of the Supervisory Board of the institute following their re-election at the Annual General Meeting on 13 August 2024.

In a letter dated 9 January 2025, Dr Karl-Heinz Lemnitzer informed the Supervisory Board that he was irrevocably resigning from the Supervisory Board with effect from the end of 21 January 2025.

[1] For a period up to the end of the Annual General Meeting that decides on the discharge for the aforementioned financial year.

By order of the Hamburg Local Court dated 17 February 2025, Mr Tobias Michael Weitzel was appointed as a member of the Supervisory Board in place of Mr Karl-Heinz Lemnitzer with effect from 20 February 2025.

6.1.2 Management Board

Chief Financial Officer: Dr Bernhard Fuhrmann Chief Market
Officer: Mr Frank Otten

Dr Fuhrmann and Mr Otten are each authorised to represent the company jointly with another member of the Executive Board or an authorised signatory.

6.1.3 Mandates in statutory supervisory bodies

The following information all relates to the balance sheet date.

Dr Lemnitzer does not hold any other positions on statutory supervisory boards or comparable supervisory bodies within the meaning of Section 125 (1) sentence 5 AktG.

In addition to his activities as a member of the Supervisory Board of Varengold Bank, Mr Stefanov is also a member of the Supervisory Board of the Insurance Company Euroins Georgia JSC (Tbilisi), a member of the Management Board of Euro-Finance AD (Sofia), Deputy Chairman of the Supervisory Board of Electrohold Sales EAD (Sofia), a member of the Management Board of Quintar Capital Limited (Hong Kong), a non-executive director of Hanson Asset Management Limited (London) and a co-owner of Arkont-Invest Ltd. (Mr Stefanov is also a member of the Management Board of the "Multi-Sport Student Club at St. George Private School" in Sofia.

Mr Filia is CEO of Fasanara Capital Ltd (London) as at the balance sheet date.

Mr Columbu is Chairman of the Supervisory Board of FiNet Asset Management AG (Marburg).

As at the balance sheet date, Dr Fuhrmann is a liquidator at Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg, in addition to his position on the Board of Directors of Varengold Bank AG. He is also Managing Director of JUCLA Invest GmbH, Hamburg. Dr Fuhrmann is also a member of the Supervisory Board of "coinIX COINVEST Investmentaktiengesellschaft mit Teilgesellschaftsvermögen", Hamburg.

In addition to his position on the Board of Directors of Varengold Bank AG, Mr Otten is also Chief Executive Officer of the management consultancy Arensburg Consult GmbH, Molfsee, and Chairman of the Supervisory Board of Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg. He is also a non-executive director of Hanson Asset Management Ltd, London.

Mr Lukas Diehl and Dr Volkart Tresselt, authorised signatories of Varengold Bank AG, are also members of the Supervisory Board of Varengold Verwaltungs Aktiengesellschaft i.L., Hamburg. Mr Lukas Diehl is Managing Director of VARP Finance GmbH (at the reporting date still Elbe2021 Incubator GmbH), Hamburg. Dr Volkart Tresselt is a member of the Supervisory Board of coinIX GmbH & Co KGaA, Hamburg.

6.1.4 Board remuneration and loans

With regard to the disclosure of the total remuneration of the Executive Board in accordance with Section 285 No. 9 letter a HGB and the surviving dependants' remuneration in accordance with Section 285 No. 9 letter b HGB, use is made of the protective clause in Section 286 (4) HGB.

The members of the Supervisory Board received total remuneration of EUR 402 thousand (previous year: EUR 405 thousand) for their activities in the reporting period. This includes remuneration for activities totalling EUR 400 thousand (previous year: EUR 400 thousand) and EUR 2 thousand (previous year: EUR 6 thousand) in travel expenses.

As at the reporting date, there were no loans receivable from members of the Supervisory Board or Management Board.

6.2 Employees

The average number of employees in the reporting period totalled 118 (previous year: 114), including 47 female employees (previous year: 46). With the exception of 19 employees (previous year: 20), all employees in Germany. There are 18 part-time employees (previous year: 17). Seven senior employees were power of attorney. Mr Kai Friedrichs was also granted general power of attorney as an authorised signatory.

6.3 Other financial obligations from contracts and contingent liabilities

Other financial obligations totalling EUR 4,063 thousand (previous year: EUR 5,153 thousand) mainly comprise costs for software, hardware and services, primarily ongoing IT operations, amounting to EUR 2,860 thousand (previous year: EUR 3,503 thousand), obligations from room rental agreements amounting to EUR 1,015 thousand (previous year: EUR 1,479 thousand) and obligations from lease agreements amounting to EUR 188 thousand (previous year: EUR 171 thousand). The remaining terms for the largest individual amounts are between 3 and 36 months.

The company also has uncalled capital contribution obligations totalling EUR 250 thousand (previous year: EUR 0 thousand) from its participation in a capital increase by VARP Finance GmbH, Hamburg.

6.4 Auditor's fee

Total fee of the auditor in accordance with § Section 285 No. 17 HGB	2023	2022
	TEUR	**TEUR**
Auditor's fee - PwC GmbH WPG	1.772	1.450
-Final audit services	1.677	1.263
-Other confirmation lines	69	127
-Tax consultancy services	7	60
-Other services	19	0
Auditor's fees for network companies	0	0
-Final audit lines	0	0
-Other confirmation lines	0	0
-Tax consultancy services	0	0
-Other services	0	0
Total	**1.772**	**1.450**

The fees for auditing services provided by PwC GmbH WPG in 2023 include EUR 457 thousand for the audit of the 2022 annual financial statements. The tax advisory services in the amount of EUR 7 relate entirely to the previous year and, like the tax advisory services incurred in 2022, result from the provision of information for previous years to the bank's tax advisor and are therefore not unauthorised services.

6.5 Notifications pursuant to § 20 AktG

No notifications pursuant to Section 20 (1) AktG were sent to Varengold Bank AG in the reporting year and therefore no announcements pursuant to Section 20 (6) AktG were published in the Federal Gazette.

6.6 German Corporate Governance Code

From 20 March 2007 to 28 February 2017, Varengold Bank AG shares (ISIN DE0005479307) were listed in the Entry Standard of the German Stock Exchange. Following the closure of the Entry Standard, Varengold shares have been listed on the Basic Board of the Open Market since 1 March 2017. Varengold Bank AG does not publish a declaration of compliance with the German Corporate Governance Code (Section 161 AktG), as the company is not listed on the stock exchange within the meaning of Section 3 (2) AktG.

6.7 Supplementary report

At the Supervisory Board meeting on 10 September 2024, the Executive Board and the Supervisory Board agreed on the main features of a new business model which, in addition to the established Marketplace Banking segment, also includes the expansion of business in the area of ESG financing. It was also decided to immediately discontinue the payment transaction business relating to Iran in the Commercial Banking segment and to wind up existing business relationships appropriately.

Due to the reduced payment transaction business relating to Iran in connection with the Section 44 KWG audit, commission income was already down significantly in the financial year. The same picture emerges in business development 2024. Due to the discontinuation of the Iran-related payment transaction business, commission income will be at a significantly lower level than in the past.

Due to the strengthening of Marketplace Banking and ESG financing, interest income from this business area is expected to increase.

There were no other significant events after 31 December 2023.

7 Proposed appropriation of profits

The Executive Board to the Annual General Meeting that the net profit for the year of EUR 14,523,077.54 be offset against the existing profit carried forward and that the current balance sheet profit of EUR 24,644,492.79 be carried forward to new account.

Hamburg, 03 March 2025 Varengold

Bank AG

Dr Bernhard Fuhrmann Frank Otten

Varengold Bank AG, Local Court, HRB
73684

SITUATION REPORT

At the time of preparation of this management report, a special audit of the business operations of Varengold Bank AG pursuant to Section 44 (1) sentence 2 of the German Banking Act (KWG) is still being conducted by the Federal Financial Supervisory Authority (BaFin). Of the three audit subjects relating to a) cum-ex transactions and similar structuring models, b) business purpose and other business relationships with natural and legal persons domiciled in Bulgaria and c) precautions to prevent money laundering, terrorist financing and other criminal offences, the two audit subjects b) and c) were completed at the time of preparation of this report.

This management report contains information on the status of the special audit and forward-looking statements based on current plans, objectives, forecasts and estimates of the Board of Managing Directors of Varengold Bank AG. These statements only take into account information that was available up to and including the date of preparation of the 2023 annual financial statements or the preparation of this management report.

A. Fundamentals of Varengold Bank

Varengold Bank AG is a German bank that was founded in 1995 and has a full banking licence since 2013. In addition to its headquarters in Hamburg, the bank also has a location in Sofia. Varengold Bank is registered with the German Federal Financial Supervisory Authority (BaFin) under the number 109 520. Varengold shares (ISIN: DE0005479307) have been listed on the open market of the Frankfurt Stock Exchange since 2007.

The core business areas of Varengold Bank are Marketplace Banking and Commercial Banking. In addition, in the deposit business area, German private customers are offered daily available, free overnight deposit accounts with monthly interest crediting. The bank also fixed-term deposit accounts with different terms ranging from one year to ten years. In addition to customer deposits from the Marketplace Banking and Commercial Banking divisions, some of which are invested as Bundesbank deposits, Varengold Bank refinances itself primarily through the deposit business with overnight and fixed-term deposits provided by the Bank's customers.

In the Marketplace Banking business division, the focus is on cooperation with credit platforms and young fintechs within Europe. They are active in the asset classes Receivables Finance, Real Estate Finance, Trade Finance, Consumer Finance and SME Finance. In principleVarengold Bank supports its customers in the early stages of their business activities and also in the start-up phase. Varengold Bank positions itself as a partner to the mostly young marketplace operators. An anchor product in Marketplace Banking is structured financing (lending). In addition to debt and equity capital markets products, the portfolio also includes Banking-as-a-Service (BaaS). Here, components of the company's own banking licence are "lent" to lending marketplaces that have customers and a good product idea but do not have a banking licence. Relevant areas for these services include lending, factoring and leasing as well as credit card receivables, deposit business and account management and payment transaction services.

The second core business area of Varengold Bank is Commercial Banking. Varengold Bank supports corporate customers worldwide in their global trading and investment activities. In the Trade Finance division, Varengold Bank bundles selected solutions for financing as well as bank guarantees and letter of credit transactions. In addition to traditional payment guarantees, the guarantee business also includes performance bonds as well as delivery and performance guarantees. With the help of individualised products and solutions, Varengold Bank gives its customers the opportunity to process transactions and trading activities securely, efficiently and transparently across national borders.

In 2023 customers in Transaction Banking and the international payments business as part of Commercial Banking were primarily producers and global wholesalers of food and medicines. In this context, the bank supported, for example, exporters and importers in payment processing for humanitarian goods, including to importers in high-risk third countries. In 2023, around three quarters of customers in the core business area of Commercial Banking had a connection to Iran.

In a decision dated 22 December 2022, the German Federal Financial Supervisory Authority ("BaFin") a special audit Varengold Bank in accordance with Section 44 (1) KWG, which has been carried out by an external law firm commissioned by BaFin since January 2023. The law firm asserted possible compliance violations in an interim report dated 12 April 2023 ("Interim Report"). In a letter dated 1 June 2023, BaFin announced several supervisory measures to Varengold, referring to the findings of the interim report ("first hearing letter"). As a consequence and until the final clarification of the facts, Varengold Bank immediately stopped payment transactions with 75.5% of the international corporate customers in the core business area Commercial Banking, which were responsible for 94% of the bank's total commission income in financial year 2022. In a letter dated 6 June 2023, BaFin also announced that it intends to appoint an external auditing firm as a special representative to monitor the supervisory measures and additional reporting obligations on liquidity, net assets, results of operations and capital adequacy, among other things. In addition, the capital adequacy recommendation (formerly: capital adequacy target ratio) was raised by BaFin from 2.7 % to 6.5 % due to the planned adjustments to the business strategy and the future earnings situation. Varengold Bank is in a position to fulfil these increased requirements.

In two decisions dated 27 June 2023, the measures envisaged in the letter dated 1 June 2023 and 6 June 2023 were essentially confirmed. In particular, BaFin prohibited Varengold Bank from (i) carrying out incoming and outgoing transactions with payment agents and (ii) carrying out transactions relating to Iran as a high-risk third country or involving natural and legal persons resident in Iran. According to the wording of the decision, the prohibition includes payment transactions involving payment agents/trustees and other third parties based in third countries and acting as (intermediary) payment agents.
)recipients for the actual clients. This activity as (intermediate) recipient, to which the prohibition under (i) and (ii) above applies, includes, among other things, the receipt of (also split) payments from the actual principal and the forwarding to the actual final recipient in the EU or in third countries via accounts at Varengold Bank. In accordance with the notice, individual transactions that fall under the above cases and demonstrably do not constitute a sanction violation or a violation of the law may be executed after the institution has conducted its own review in this regard and approval has been granted by the appointed special representative (KPMG). A penalty payment of EUR 250,000 is threatened for each violation of the notice. Against the background described above, Varengold Bank suspended the execution of payment orders from customers relating to Iran in accordance with the above requirements and did not execute payment orders. According to the decision, individual transactions that fall under the above-mentioned cases and demonstrably do not constitute a violation of sanctions or the law could in turn be carried out following the bank's own review and approval by the designated special representative - any approval processes were then established accordingly.

At the Supervisory Board meeting on 10 September 2024, the Supervisory Board and Board of Directors of Varengold Bank finally decided, against the background of the strategic realignment, to discontinue the payment transaction business with reference to Iran in the Commercial Banking division immediately and without exceptions, so that this will no longer be part of Varengold Bank's product portfolio in the future. In particular, this takes into account the resulting reputational risks and the increased costs under the current conditions. At the same time, the course was fundamentally reset and the recalibration of the previous business model was decided. One focus will continue to be on the established Marketplace Banking segment. The bank will also push ahead with the expansion of business in the area of ESG financing with a special focus on energy transition.

B. Economic report

1. Macroeconomic and sector-specific framework conditions

In 2023, the geopolitical situation has continued to deteriorate compared to the previous year. The war between Russia and Ukraine continues with no sign of an imminent end. There has also been a war between the militant Palestinian organisation Hamas and Israel since October 2023. In addition to the far-reaching effects of these conflicts, the global economy continued to lose momentum in 2023 due to persistent inflation and the spreading effects of key interest rate hikes by the central banks (European Central Bank (ECB) and US Federal Reserve (Fed)).

Despite these challenges, global gross domestic product grew at a relatively moderate rate of 4.22%[1] in 2023 compared to the previous year. Within the EU, however, gross domestic product almost stagnated in 2023 with a slight increase of 0.4%[2] compared to the previous year. This is partly due to high energy prices, which put a strain on private households and companies. After inflation peaked in 2022, the rise in consumer prices initially slowed only hesitantly in the first half of 2023. In the second half of the year, however, inflation fell significantly and closed December in the eurozone with an increase of around 2.9%[3] compared to the same month in the previous year. Declining prices for food, energy and industrial goods as well as falling transport costs contributed to the easing inflationary pressure. In Germany, the inflation rate in 2023 also levelled off steadily after the record year of 2022, ending December 2023 with a year-on-year increase of 3.7%[4]. On average for 2023, consumer prices in Germany by 5.9%[5] compared to 2022.

The initially persistent inflationary pressure continued to have an impact on the actions of the central banks. After the Federal Reserve Bank and the European Central Bank (ECB) had already raised the key interest rate several times in 2022, the key interest rate was also raised several times in the course of 2023. The ECB finally raised it to 4.5%[6] in September 2023. The move away from the long-term low interest rate environment in conjunction with a steeper yield curve has had a positive effect on the German banking sector. On the other hand, there is still a risk that economic momentum will continue to weaken. Banks are also feeling the effects of rising inflation rates through material and personnel costs, not least in the context of necessary digitalisation projects.

The German economy contracted across the board and price-adjusted gross domestic product fell by 0.3 %[7] in 2023 compared to the same quarter of the previous year. Among other things, this is due to the persistently high price level at all levels of the economy. This was compounded by unfavourable financing conditions resulting from the rise in interest rates and the decline in demand from Germany and abroad.

The stock markets in both the USA and the eurozone performed well overall in 2023, although the economic environment continued to deteriorate. The main drivers of the positive share price performance were easing concerns about the European energy supply and falling inflation rates, which had a positive impact on investors' appetite for risk. Germany's leading index, the DAX, closed at around 16,752 points[8] at the end of December. The IT sector in particular benefited, as did the financial sector, including insurance companies and banks.

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1 https://de.statista.com/statistik/daten/studie/159798/umfrage/entwicklung-des-bip-bruttoinlandsprodukt-weltweit/

2 https://de.statista.com/statistik/daten/studie/250161/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-den-eu-laendern/

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

4 https://de.statista.com/statistik/daten/studie/1045/umfrage/inflationsrate-in-deutschland-veraenderung-des-consumer-price-index-for-the-month-previous-year/

5 https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/01/PD24_020_611.html

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

7 https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/bip- bubbles.html

8 https://de.statista.com/statistik/daten/studie/162176/umfrage/monatliche-entwicklung-des-dax/

Looking specifically at the fintech sector, the general trend followed on from the situation in 2022. Global investment in fintech start-ups fell significantly in 2023 compared to the previous year, due to the stagnation in the macroeconomic environment and the declining attractiveness for investors.[9] As a result, valuations fell and access to financing and equity in particular became more difficult.

2023 was a challenging year for the banking sector as a whole due to the difficult economic conditions - particularly with regard to the international crisis hotspots, high inflation rates and energy costs. Nevertheless, the financial markets once again proved to be very robust and European banks were spared any major defaults. Overall, the profitability of banks improved significantly due to the rise in interest rates in 2023. At the same time, the regulatory requirements for banks in 2023 have continued to rise unmistakably. In addition to the ECB's previous core topics such as interest rate risks and IT and cyber security, ESG (environment, social, governance) factors are moving further into focus. The topic of sustainability and climate neutrality will be subject to greater regulatory control in future and will become increasingly important in the financial sector. With regard to the implementation of regulatory requirements, German banks in particular have once again incurred additional operational costs, the implementation of which is now tying up both financial and human resources on a permanent basis. For years, advancing digitalisation has meant that the financial sector has had to adapt its business models due to the increasing momentum. This represents a major challenge because, on the one hand, the digital transformation is modernising the technologies of financial institutions, which goes hand in hand with the development of contemporary structures and products. On the other hand, legislators are developing ever more detailed regulations to which institutions must adapt their internal processes in parallel, sometimes at considerable expense.

2. Business performance

Varengold Bank got off to a dynamic start in the first quarter of 2023 and was initially able to further expand its two core business areas focussed on at the beginning of the reporting period. However, this momentum was significantly slowed in June 2023, as a special audit ordered by the German Federal Financial Supervisory Authority (BaFin) short-term restructuring measures and the development of restructuring parameters at the overall bank level. This event marked a turning point in the history of Varengold and resulted in a series of measures and consequences to secure the bank's foundations.

As part of the special audit, the payment transaction business (Transaction Banking) in the core business area of Commercial Banking was intensively examined and an interim result of the auditors involved led to restrictions in the payment transaction business due to possible compliance violations. The bank then took initial steps to curb the alleged deficits. This included the longer-term process of reorganising the core business area of Commercial Banking. In the meantime, KPMG AG Wirtschaftsprüfungsgesellschaft has been by BaFin as a special representative for the individual review and approval of individual transactions in the payment transaction business. The special representative was successfully integrated into the bank's existing processes in August 2023.

The mixed situation resulted in a considerable loss of commission income, which had a correspondingly negative impact on the bank's performance. Net income from payment transactions fell by EUR 45,740 thousand (-74.5 %) compared to the previous year. At EUR 66,682 , net income was 20.9 % below the previous year's level (previous year: EUR 84,327 thousand). Income is mainly made up of net interest income totalling EUR 42,887 thousand (+215.4 %) and net commission income of EUR 20,095 thousand (-69.2 %).

In addition to restructuring measures in the Commercial Banking segment, a cost-cutting programme was implemented immediately in June 2023, which led to short-term savings in administrative expenses for regular operating and personnel costs. Administrative expenses were nevertheless 6.4% higher than in the previous year at EUR 37,984 thousand due to costs in connection with the Section 44 KWG audit in the reporting year.

[9] https://financefwd.com/de/fintech-2023/

The result from ordinary activities (equivalent to EBT) 11.5% lower than in the previous year. It totalled EUR 22,506 thousand (same period in the previous year: EUR 25,443 thousand). The result includes a net addition to risk provisions totalling EUR 8,748 thousand (same period in the previous year:
13,199 thousand, including the allocation to the special item "Fund for general banking risks" in the amount of EUR 5,400 thousand (previous year: EUR 5,000 thousand) in accordance with Section 340g HGB.

In the Marketplace Banking business area, Varengold Bank accelerated the needs-based further development of its product range in 2023, as originally planned, in order to offer its customers the opportunity to expand their business throughout Europe. Since mid-2023, the core business area of Marketplace Banking, and in particular the Lending division, has been particularly intensively focussed, which has enabled additional customers to be acquired. In addition, the development of the interest rate environment led to a positive contribution, as variable interest rates could be agreed with numerous customers. Varengold Bank now has investments in six market partners; the acquisition costs of the investments totalled EUR 4.2 million. New investments in market partners totalling EUR 0.3 million were made in the financial year.

The digital transformation remains a key driver of success in order to provide meaningful support to the bank's business divisions and meet today's customer expectations of a modern institution. Various projects were planned for 2023 for this purpose, but these were halted until further notice as part of the cost-cutting programme in response to the special audit in June 2023 and therefore led to redundancies. In addition, personnel costs also had to be reduced in order to compensate for the lack of commission income. As a result, Varengold Bank had to lay off around 22% of its workforce in the middle of 2023 as part of a measure. As at 31 December 2023, the number of employees at all locations was 94 (31 December 2022: 120).

In order to be able to cope with the bank's growth at the beginning of 2023 and to be perceived as innovative and state-of-the-art when recruiting specialists, the bank wanted to continue its cultural change and present itself more strongly to the outside world. Among other things, projects focussing on personnel development and leadership culture were planned. A refresh of the Varengold brand and the development of a new corporate website were also planned. In addition to the digitalisation projects, these projects were also put on hold until further notice as part of the cost reduction programme in June 2023. Instead, existing internal capacities were used, for example, to drive forward the topic of mental health and the promotion of employee autonomy and self-determination.

The topic of sustainability continued to be a high priority at Varengold Bank in 2023. As a central component of the business strategy, the activities initiated in this area in 2018 were continuously further developed. The Bank takes economic, social and ecological concerns into account in its actions. In addition to raising awareness, the focus remains on resource efficiency, environmental protection and social commitment. The details of the individual measures are presented in Varengold Bank's separate sustainability report, which was published in December 2023. In addition, an Environmental-Social-Governance (ESG) questionnaire was developed at the beginning of 2022, which is currently being completed by all new customers. The data obtained from this will serve as the basis for a meaningful ESG scoring model, which support the bank in managing and aligning the customer portfolio in all business areas with regard to ESG factors. In addition, ESG aspects are already into the internal rating assessment of customers. In addition, the Bank acquired software in 2023 that can be used to assess the Bank's customers in terms of their environmental impact and their susceptibility to climate risks. The implementation of sustainability aspects in the business processes of customer acquisition, as well as in the review of existing customers, will be successively continued.

In order to strengthen the equity base and thus expand business activities, the shareholders of Varengold Bank decided at the Annual General Meeting in August 2022 to plan a 10% cash capital increase excluding the subscription rights of existing shareholders. The aim here was in particular to fulfil the requirement in accordance with Art. 92 Para. 1 lit. d) CRR with regard to compliance with the so-called leverage ratio to permanently raise it to a level above the legal threshold. This goal was already achieved during the second half of 2022. In addition, no suitable strategic or institutional investors were identified.

for the subscription of shares despite intensive efforts on the part of the Board of Directors. In addition, Varengold Bank made an initial allocation to the special item "Fund for general banking risks" in the amount of EUR 5.0 million for the 2022 financial year. This special item could additionally strengthen the Bank's regulatory capital after the 2022 annual financial statements have been adopted. For these reasons and in order to avoid negative dilution effects for the other shareholders, the Executive Board decided in February 2023 not to carry out the capital increase.

In addition, at the beginning of 2023, the Executive Board and Supervisory Board their intention to propose a dividend distribution of around EUR 3.6 million (36 euro cents per share) to the Annual General Meeting in August 2023 on the basis of the net profit expected for the 2022 financial year. After it was not possible to hold an Annual General Meeting in the 2023 financial year due to the considerable delay in the audit of the annual financial statements for the 2022 financial year, the Executive Board and Supervisory Board finally decided, with the approval of the last Annual General Meeting in August 2024, to carry forward the unappropriated surplus for the 2022 financial year in full and therefore not to distribute a dividend for the 2022 financial year following the developments in the special audit to provide for and strengthen the capital base.

3. Location

Rounding differences may occur in the following figures.

3.1 Earnings situation

The company's interest income rose from EUR 12,630 thousand in the previous year to EUR 50,284 thousand in the financial year. The previous year's interest income included negative interest on Bundesbank balances totalling EUR 3,183 thousand. Such negative interest no longer existed in the financial year. The increase in interest income is mainly due to the interest earned on balances at the Deutsche Bundesbank and the increased business volume in Marketplace Banking. In addition, the turnaround in interest rates also had a positive effect on the variable loan interest rates.

Interest income also includes income from fixed-interest securities. This increased from EUR 525 thousand to EUR 721 thousand.

The increased interest level on customer deposits means that income is no longer recognised in the interest expense item. Interest expenses totalled EUR 7,398 thousand, whereas in the previous year they reported as income in the interest expenses item at EUR 968 thousand. Net interest income of EUR 42,887 thousand was generated (previous year: EUR 13,598 thousand).

Current income from shares and other variable-yield securities rose from EUR 302 thousand in the previous year to EUR 422 thousand in the financial year.

Commission income could not be maintained as a consequence of the audit in accordance with Section 44 KWG and the resulting measures, particularly in the payment transaction business. Commission income fell significantly from EUR 72,777 thousand to EUR 22,521 thousand. At the same time, commission expenses fell from
EUR 7,474 thousand to EUR 2,426 thousand, resulting in net commission income of EUR 20,095 thousand (previous year: EUR 65,303 thousand).

Other operating income totalling EUR 3,278 thousand (same period in the previous year: EUR 5,124 thousand) was significantly influenced in the reporting year by the reversal of provisions of EUR 1,274 thousand (same period in the previous year: EUR 3,175 thousand), costs charged on for project business amounting to EUR 794 thousand (same period in the previous year: EUR 1.107 thousand), cost reimbursement claims unrelated to the accounting period, in particular from legal disputes with former customers of EUR 583 thousand (same period in the previous year: EUR 85 thousand) and adjustments to input tax reimbursement claims from the calculation of VAT margins for previous years totalling EUR 574 thousand (same period in the previous year: EUR 730 thousand).

Net income fell by 20.9 % from EUR 84,327 thousand to EUR 66,682 thousand.

Personnel expenses fell by EUR 1,641 thousand or 11.3% from EUR 14,590 thousand to EUR 12,949 thousand due to the reduction in the number of employees. At EUR 13,708 thousand, consulting expenses and costs in connection the audit in accordance with Section 44 of the German Banking Act (KWG) and the special representative were lower than in the previous year.
EUR 11,542 thousand in the previous year was noticeably higher than in the previous year. The effect results from the ongoing auditing activities as part of the audit in accordance with Section 44 of the German Banking Act (KWG) and the associated fee notices from the German Federal Financial Supervisory Authority (BaFin). Due to better knowledge, the costs have been recognised in the financial statements until the first quarter of 2025. Expenses for maintenance and IT also increased significantly from EUR 4,154 thousand by EUR 1,361 thousand or 32.8 % to EUR 5,515 thousand.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment fell from EUR 116 thousand in the previous year to EUR 87 thousand in the financial year.

Other operating expenses fell by EUR 9,346 thousand from EUR 9,996 thousand in the previous year to EUR 650 thousand in the financial year. In the previous year, additions to provisions for impending fines
EUR 4,000 thousand and EUR 3,868 thousand for possible legal risks from the Caceis case (see section C.1). Interest is payable on the Caceis legal risks, which resulted an addition interest totalling EUR 193 thousand in the financial year. In the previous year, value adjustments of EUR 1,000 thousand were also recognised on other assets. In the financial year under review, the valuation allowances were maintained.

Expenses for hedging foreign currency items and net expenses from exchange rate effects increased by a net amount of EUR 166 thousand from EUR 178 thousand in the previous year to EUR 344 thousand in the financial year.

The item write-downs and value adjustments on receivables and certain securities as well as additions to provisions in the lending business totalled EUR 380 thousand (same period in the previous year: EUR 6,829 thousand). The result from the liquidity reserve had a positive value contribution of EUR 1,065 thousand (same period in the previous year: EUR -676 thousand). In addition, income from the reversal of specific and general valuation allowances on receivables from the lending business totalled EUR 1,760 thousand after
EUR 6,361 thousand in the previous year.

The special item "Fund for general banking risks in accordance with Section 340g HGB", which was recognised for the first time in the previous year at EUR 5,000 thousand, was increased by a further EUR 5,400 thousand to EUR 10,400 thousand in the financial year.

Depreciation, amortisation and impairment losses as well as reversals of impairment losses on investments, shares in affiliated companies and securities treated as fixed assets resulted in net income of EUR 327 thousand in the reporting year (previous year: EUR -1,239 thousand).

The result from ordinary activities amounts to EUR 22,506 thousand (same period of the previous year: EUR 25,443 thousand) and is therefore above the earnings forecast from September 2023 (EUR 15-20 million before taxes) and below the adjusted forecast from October 2023 (EUR 25-30 million before taxes) despite all extraordinary charges.

The tax burden fell from EUR 16,386 thousand in the previous year to EUR 7,983 thousand in absolute terms and relative to the result from ordinary activities. Compared to the previous year, significantly fewer expenses were treated as non-tax-deductible in the financial year.

Taking into account taxes on income and earnings and other taxes, the net profit for the year totalled EUR 14,523 thousand (previous year: EUR 9,057 thousand).

The return on capital in accordance with Section 26a of the German Banking Act (KWG), calculated by dividing net income for the year by total assets, is 1.0% after 0.6% in the previous year.

3.2 Financial position

Following an increase in previous years, total assets fell slightly by 4.7% from EUR 1,421.4 million to EUR 1,353.9 million in the financial year.

The assets side is characterised by the cash reserve of EUR 789.6 million (previous year: EUR 788.5 million), loans and advances to customers of EUR 383.3 million (previous year: EUR 432.9 million) and shares and other variable-yield securities of EUR 92.3 million (previous year: EUR 100.3 million). Overall, these three items account for 93.4 % (previous year: 93.0 %) of total assets.

At EUR 1,115.4 million or 82.4 % (previous year: EUR 1,145.2 million or 80.6 %), customer deposits continue to be the dominant item on the liabilities side. These deposits are made up of current account balances of EUR 608.9 million (previous year: EUR 683.9 million), term deposits of EUR 386.9 million (previous year: EUR 299.9 million), overnight deposits of EUR 84.5 million (previous year: EUR 135.5 million) and security deposits of EUR 35.2 million (previous year: EUR 26.0 million).

The core capital ratio (TIER 1) as at 31 December 2023 was 20.34% (previous year: 17.93%). Varengold

Bank has an orderly asset and capital structure.

3.3 Financial position

At EUR 795.6 million or 58.8% (previous year: EUR 797.7 million or 56.1%) of the balance sheet total, regulatory cash and cash equivalents represent a large proportion of the assets side of the balance sheet.

As in the previous year, the regulatory liquidity ratio of 253.5% as at the reporting date was therefore well above the regulatory requirements. The bank's liquidity situation was not jeopardised at any time.

Irrevocable loan commitments change depending on new customer business or due to limit adjustments for existing customers. They amounted to EUR 48.0 million as at 31 December 2023 after EUR 46.0 million in the previous year.

3.4 Financial and non-financial performance indicators

The key performance indicator is earnings before taxes (EBT).

Despite the significant decline in commission income, income only fell from EUR 84,327 thousand in the previous year to EUR 66,682 thousand in the financial year. Other operating expenses fell by EUR 9,346 thousand from EUR 9,996 thousand in the previous year to EUR 650 thousand in the financial year. In the previous year, additions to provisions for impending fines of EUR 4,000 thousand and for potential legal risks from the Caceis case (see section C.1) of EUR 3,868 thousand were recognised. The cross-compensation resulted in around EUR 6,448 thousand less expense than in the previous year.

In addition, an allocation of EUR 5,400 thousand (previous year: EUR 5,000 thousand) was made to the fund for general banking risks. The fund for general banking risks was endowed with EUR 10.4 million as at the reporting date.

Despite a sharp fall in income, earnings before taxes totalled EUR 22,506 thousand (previous year: EUR 25,443 thousand). The earnings before taxes performance indicator is therefore down EUR 2,937 thousand or 11.5% on the previous year. It is therefore between the forecast from September 2023 (EUR 15-20 million before taxes) and the forecast from October 2023 (EUR 25-30 million before taxes). The original forecast from 2022 for the 2023 financial year (EUR 40-50 million before taxes) was missed by a significant margin due to the effects of regulatory measures and the associated lower commission income.

Another financial performance indicator is the cost-income ratio, which deteriorated from 52.7% in the previous year to 56.1% in the financial year, due in particular to the loss of commission income. The cost-income ratio is therefore at the level of the forecast of approx. 55%. In 2024, the ratio based on the preliminary annual financial statements is 69.4%, which is slightly better than the forecast of approx. . The deviation is mainly due to lower additions to risk provisions in the lending business. The cost-income ratio is calculated as the ratio of administrative expenses (personnel expenses, operating expenses and depreciation and amortisation) to income (net interest income less additions to provisions for loan losses), Net commission income, net trading income and balance of other operating income and expenses) in per cent.

Varengold Bank has also dealt with non-financial performance indicators in the past. This also includes the topics of the Bank's "6-pillar concept" (Culture, Work Environment, Leadership, Digital Transformation, Empowerment and Corporate Social Responsibility - see also the explanations in the management report under C.2.).

At the beginning of 2025, the Executive Board declared the following non-financial performance indicators from this topic area:

- Employee satisfaction
- Corporate social responsibility projects

Over the coming months and years, targets and benchmarks will be defined for these non-financial performance indicators and development paths will be developed. The Executive Board will include the selected non-financial performance indicators in its reporting to the Supervisory Board.

Including the financial year, non-financial performance indicators were not used to manage the bank.

C. Risk, opportunity and forecast report

1. Risk report

Generating income in the banking business is generally not possible without taking risks. In this respect, the conscious handling, active management and ongoing identification and monitoring of risks are core elements of Varengold Bank's economically sustainable business management.

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

The business strategy must set out the main objectives of Varengold Bank for each business activity and the measures to achieve these objectives.
The risk strategy must include, among other things, the material risks arising from the business strategy, the risk management objectives of the material business activities and the measures to achieve these objectives. This also includes the handling of ESG risks and concentration risks as well as the definition of risk appetite.
In addition to the risk strategy, the central instruments of Varengold Bank's risk management are the risk-bearing capacity concept, the limit system and monitoring processes, which are aligned with the business activities.

Every potential future risk should be as transparent as possible before a decision is made on its management. Only with sufficient knowledge of the potential impact on the bank can it be assessed whether a risk should be authorised. This decision is made by the Management Board, taking into account whether the risk in question can generate appropriate income and whether the risk is likely to be sustainable. If a risk is taken, this is done within defined risk tolerances, which are primarily derived from the risk-bearing capacity potential and compliance with which is reviewed regularly or on an ad hoc basis.

Risk-bearing capacity is analysed by the Risk Controlling department on a monthly basis and as required. The appropriateness of the methods and procedures used to assess risk-bearing capacity is regularly validated.

The risk controlling and risk management system used by the Bank is based on the provisions of the current "Minimum Requirements for Risk Management" (MaRisk) of the German Federal Financial Supervisory Authority (BaFin).

Risk is understood as the negative deviation of occurring events from the expected events. The basis of the risk management system is the regular and event-driven performance of a risk inventory to assess the significant risks for Varengold Bank. According to the risk inventory valid as of 31 December 2023, these are counterparty default risk, liquidity risk, market price risk, operational risk, sustainability risks and other risks, which include reputational risks and strategic risks. Sustainability risks do not represent a separate type of risk, but have a risk-increasing effect on other risk types.

The entire risk management and controlling process comprises the following consecutive steps:

- Risk identification
- Risk measurement and assessment
- Risk control by the management
- Management support through risk controlling and risk reporting

The Executive Board determines the amount of the permissible overall risk and its distribution across the individual material risk types. In this context, ongoing monitoring and evaluation ensures that the various business activities are adequately backed by risk coverage potential.

The Risk Controlling department at Varengold Bank AG is responsible for monitoring compliance with the risk strategy and assessing the risk situation of the Bank. The results in this regard are regularly reported to the management in a comprehensible, meaningful manner and within an appropriate time frame in order to enable adequate control.

On 24 May 2018, BaFin and the Deutsche Bundesbank published the guideline "Supervisory assessment of bank-internal risk-bearing capacity concepts and their procedural integration into overall bank management ("ICAAP") - realignment". It contains principles and criteria that are used by the supervisory authority when assessing the internal risk-bearing capacity concepts of institutions that are subject to German banking supervision as "Less Significant Institutions (LSIs)". The risk-bearing capacity concept as a central component of the ICAAP in accordance with Section 25a (1) sentence 3 no. 2 KWG in conjunction with AT 4.1 para. 1 (and para. 2) MaRisk comprises two perspectives: a normative perspective and an economic perspective. Both serve the long-term continuation of the institution from its own current substance and earning power. The normative perspective explicitly pursues the goal of continuing the institution as a going concern, while the economic perspective pursues the goal of protecting creditors from losses from an economic perspective.

For the normative perspective, the risk coverage potential (RDP) and the risks are determined for both the current and future planning periods. At the time of preparation, the capital planning covers a period of three years and includes the plan scenario and an adverse scenario required by the supervisory authorities. In addition, the Bank utilises the option contained in point 35 of the RBC guidelines to use the "severe economic downturn" cross-risk-type stress test developed in accordance with AT 4.3.3 point 3 MaRisk as an additional adverse scenario. The capital planning scenarios take into account risks from an economic perspective that have an impact on the available capital.

All regulatory and supervisory requirements must be taken into account in the normative perspective; the risk coverage potential in the normative perspective therefore consists of regulatory own funds and other capital components, insofar as these are recognised by the supervisory authorities to cover regulatory capital requirements, and is made up of regulatory own funds, the special item "Fund for general banking risks" in accordance with Section 340g HGB and the eligible contingency reserves in accordance with Section 340f HGB. The risk quantification methods used in the normative perspective for counterparty default risks, market price risks and operational risks are derived from the legal requirements of the currently applicable CRR, which are used to calculate risk-weighted exposure amounts. In the plan scenario, the

In the adverse scenarios, it can be assumed that the combined capital buffer requirement pursuant to Section 10i KWG will not be met. For these cases, the Bank has developed options for action to restore compliance with all regulatory and supervisory requirements and targets.

The regulatory capital requirements amount to EUR 71,794 thousand as at 31 December 2023. The bank has EUR 73,199 thousand in own funds available to cover these requirements.
As at 31 December 2023, all capital requirements were met as at the reporting date. In the planning scenario, the total capital ratio (incl. capital recommendation) for the 3-year planning horizon will not be met in 2024 until the time the net profit for 2023 is added to equity. The Common Equity Tier 1 capital ratio and the Tier 1 capital ratio are complied with throughout the planning period. The same applies to the adverse scenario. In the stress scenario, there is also a shortfall in the total capital ratio without the capital recommendation from January to December 2026. The Tier 1 capital ratios are also complied with here throughout the entire planning period.

From an economic perspective, the Bank uses a present value-based calculation of its risk-bearing capacity. The risk coverage potential of EUR 97.5 million is made up of regulatory capital, contingency reserves in accordance with Sections 340f and g HGB, the profit for the current financial year, the profit for the previous year and hidden reserves.
In principle, the maximum tolerated utilisation is limited to 100%. Utilisation in excess of 90% of the overall limit and utilisation in excess of 100% within the individual risk types require an immediate response from the Executive Board.
The utilisation of risk coverage potential as at 31 December 2023 was 53.1%, of which 44.6% was attributable to counterparty default risk, 31.2% to market price risk, 17.9% to operational risk, 1.9% to liquidity risk and 4.4% to strategic and reputational risks.

For quantification purposes within the scope of risk-bearing capacity, counterparty default risk is made up counterparty default risk in the narrower sense (AAR in the narrower sense) and migration risk. The two risk amounts are added together.
In addition to traditional default risk (credit risk), counterparty risk also includes issuer risk, counterparty risk and investment risk. Country risks are not backed by risk coverage potential in the risk-bearing capacity calculation. These risks are taken into account in both the external and internal rating categorisation and are thus included in the rating grade and therefore in the probability of default and thus the risk amount. The collateralisation risk is not explicitly taken into account in the RBC calculation. If the LtV agreed with the customer is not reached, the LGD (loss given default) of the exposures is scaled up accordingly, resulting in an increased risk amount.

To limit country risks, the Bank has implemented a country limit system based on the registered office of the debtor's parent company.

The counterparty default risk in the narrower sense is quantified using the risk indicators "expected loss" (EL) and "unexpected loss" (UL). The EL is calculated on the basis of the probabilities of default, taking LGDs into account. The UL is quantified using a credit risk model for a confidence level of 99.9% and a time horizon one year. The Bank uses the "ic.risk-view" software from the provider ICnova AG to quantify the counterparty default risk.

The underlying measurement model for measuring counterparty risk (CVaR) is based on the well-known and widely used CreditMetrics™ model from the RiskMetrics Group™. The model divides the portfolios for the simulation analysis into a sub-portfolio that is particularly relevant due to the size of its positions and portfolios that are smaller and homogeneous ("Large Homogenous Portfolio" approach; LHP approach). These two portfolios are modelled in varying degrees of detail:

- Portfolio 1: Simulation of the individual positions with CreditMetrics™
- Portfolio 2: Simulation of credit rating clusters (per rating system) based on the special case of the Gordy model (this is the basis for the IRB approaches in the CRR)

The probabilities of default (PDs) derived from the external (if available) or internal ratings and the transaction-specific loss given default (LGD) are used. In addition to the probabilities of default and loss ratios, the correlations of the counterparties with the systematic risk factor. Only the unexpected loss of the portfolio is included in the risk-bearing capacity. The expected loss is already included via the general loan loss provision (LLP). In the event that the expected loss of the entire risk exposure exceeds the general loan loss provision, which was only recognised for loans and advances to banks and customers, the difference is also included in the calculation of risk-bearing capacity.

In addition, the migration risk of the portfolio is determined for a time horizon of one year. External migration matrices are used for this. The increased default rates determined from this used to recalculate the EL; the difference between the EL determined in this way and the EL AAR in the narrower sense results in the risk amount for the migration risk in the economic perspective.

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

The price risk (general price risk) is quantified using the "value at risk". This is measured for both the trading book and the banking book with a confidence level of 99.9%, a holding period of 250 days and a lookback of 21 years by means of historical simulation of changes in prices or the swap or money market rates appropriate to the maturity and currency. The price risk is calculated and limited for the overall portfolio as well as separately for the banking book, trading book and foreign currency futures (as far as possible in the look-through). In addition to securities and precious metal investments that are exposed to price risk, this open foreign currency positions and foreign currency futures held for hedging purposes. The price risk recognised in the risk-bearing capacity is calculated by adding the VaR of the sub-portfolios. This means that existing correlations between the sub-portfolios are not taken into account, which leads to a higher risk total.

Interest rate risk is measured on a quarterly basis by the Risk Controlling department. This involves analysing the change in the present value of the interest rate book for ad-hoc interest rate changes of +200 basis points and -200 basis points as well as six other scenarios in accordance with RS 06/2019 (BA) - "Interest rate risks in the banking book". The larger negative change in these eight interest rate change scenarios is included as a risk value in the risk-bearing capacity calculation.

The Bank defines credit spread risk as the negative changes in the market value of bonds in its own portfolio as a result of a deterioration in the creditworthiness of issuers that has not yet been reflected in a rating downgrade (special price risk). The credit spread risk is quantified using the "value at risk". This is calculated for both the trading book and the banking book with a confidence level of 99.9%, a holding period of 250 days and a lookback of 21 years by means of historical simulation of changes in the rating-dependent asset swap spreads of the bonds.

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

The Bank quantified the liquidity risk for the first time as at 31 December 2023 and included it in the risk-bearing capacity. To determine the risk value, a bank-run scenario is assumed in which all deposits are called in by customers and banks at their contractually agreed maturity. This represents a possible (but very unlikely) risk case.
The AMM report (Additional Monitoring Metrics for Liquidity Reporting), specifically sheet C 66.01 (contractual liquidity maturity statement), forms the basis for calculating the level of risk. The difference to the daily liquidity development report prepared by the Treasury department (see below) is that no assumptions are made regarding the prolongation of deposits.

In addition, the cumulative refinancing gap and the cumulative liquidity coverage potential are analysed. The refinancing gap is supplemented by the revocable and irrevocable loan commitments (as an outflow in "due on demand").

Based on this data, the cumulative contractual refinancing gap is determined for each maturity band "due on demand" to "greater than five years".

These refinancing gaps must be refinanced by borrowing money. The following steps are carried out to determine the interest rate to be paid for this:

- Spot: Determination of the EURIBOR or swap rate with matching maturities
- Delta Spot: Change in interest rates within one year (99.9 % confidence level, history 21 years)
- Spread: Current maturity-matched spread BBB vs. swap (source: Bloomberg)
- Delta spread: Spread changes within one year (99.9 % confidence level, history 21 years)
- Risk interest: Spot+ Delta Spot+ Spread+ Delta Spread
- Forward interest: determination of the forwards from the risk interest

The forwards calculated in this way are used to determine the interest expense for refinancing the contractual gaps for each maturity band. As the economic perspective of risk-bearing capacity is based on a time horizon of one year, the risk is calculated by adding the interest expenses expected in the event of risk for the maturity bands from "due on demand" to "up to 12 months".
The bank uses this procedure to calculate the refinancing and call risk. Both subtypes of liquidity risk were identified as material in the risk inventory.

To monitor liquidity risk, the Treasury department also prepares a daily liquidity development report. It is managed on the basis of the "distance to illiquidity" (at least three months), a daily "minimum liquidity" in t+1 (EUR 20 million) and the liquidity coverage requirement. Monitoring is carried out by the Risk Controlling department. In addition, the liquidity management concept defines an emergency plan, which is preceded by an early warning system.

Operational risks are quantified on a quarterly basis by the Risk Controlling department in collaboration with the department heads and the Executive Board using a scenario analysis for all identified operational risks. The scenarios represent possible "bad case" scenarios for the risk type and are assessed in terms of potential annualised loss amounts and probability of occurrence.

These two parameters for the identified partial risks are included in a Monte Carlo simulation. From the 200,000 simulations performed, the risk is read off as a 99.9 % quantile value. This calculation is performed three times and the worst result represents the loss amount for operational risks.

As part of the risk inventory, the Bank has identified the following sub-risks of operational risk as being material:

- Legal risk,
- Service risk,
- Failure of critical IT,
- external events,
- Money laundering/terrorist financing,
- Accounting/financial reporting,
- external fraud,
- Insider trading

ESG risks are included via the "external events" sub-risk.

In connection with share transactions around the respective dividend record dates of the years 2010-2016, the Cologne public prosecutor's office is conducting investigations against (former/current) employees and executive bodies of Varengold Bank AG and Varengold Verwaltungs AG i.L. (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) on the initial suspicion of tax evasion.
Varengold Bank could be considered as a possible secondary party and, in a worst-case scenario, could possibly be subject to a fine and/or profit skimming, which would theoretically result in significant expenses for Varengold Bank.

In this context, external consultants were commissioned to (continuously) review and analyse the public prosecutor's files.

Based on the opinion of external consultants, the Board of Directors considers the risk of a claim against the subsidiary Varengold Verwaltungs AG i.L. to be conceivable, but the risk of liability for Varengold Bank to be rather low.

Varengold Bank, together with 19 other natural and legal persons, is a defendant in civil proceedings ("Caceis case"). The subject matter of the dispute is a possible claim for reimbursement relating to an additional tax demand in relation to transactions of an independent sub-investment fund of the former Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, now Varengold Verwaltungs AG i.L. from 2010. The former investment stock corporation is the first defendant in the above proceedings. Varengold Bank was a minority shareholder of this investment stock corporation in 2010. The action is aimed at the joint and several reimbursement of refunded capital gains tax including solidarity surcharge totalling around EUR 92 million (plus any interest and other losses incurred by the plaintiff), which was paid to the sub-fund (Caerus II) in 2010 and which the Munich tax office had reclaimed from the plaintiff's legal predecessor. The Caerus II Equity Fund (hereinafter referred to as "Caerus II") is an investment fund launched under the umbrella of Varengold Investmentaktiengesellschaft (now Varengold Verwaltungs AG i.L.) on 31 March 2010 in the form of a sub-fund. Varengold Bank has filed a response with the competent court to dismiss the action. The Board of Directors and the external experts involved have so far the probability of occurrence of the risk from these proceedings as not predominantly probable. The criminal proceedings against the bank's former CEO, Yasin Qureshi, regarding Caerus II have not yet led to a different conclusion. However, a different assessment is conceivable, which could help the lawsuit to succeed. For this reason, Varengold Bank AG has recognised a provision for this legal risk as a precautionary measure assuming that the bank will to pay a proportional settlement. In this context, payments to Varengold Verwaltungs AG i.L. are also taken into account, as well as the corresponding interest. The total amount of this provision is EUR 4.1 million. This amount was calculated using estimates. Estimates from external consultants were consulted and findings from comparable constellations in the banking and other business environment were analysed.

If Varengold Bank AG alone were to be utilised, the amount to be paid would exceed the balance sheet equity.

As already known since its initial publication in an ad hoc announcement on 2 June 2023, the special audit of business operations currently underway at Varengold Bank AG by the German Federal Financial Supervisory Authority (BaFin) in accordance with Section 44 (1) sentence 2 of the German Banking Act (KWG) has led to initial interim results and consequently also to supervisory measures such as the restriction of the payment transaction business. It appears possible that fines will be imposed in addition to the supervisory measures required by BaFin. The bank has recognised a corresponding provision based on information made available to it by experts. It cannot be ruled out that the fines will be higher than the provisions recognised. In addition, fines could also be imposed if the BaFin decision 27 June 2023 regarding the prohibition of individual transactions is violated. BaFin imposed a penalty payment of EUR 500 thousand on 26 February 2025. The decision is not yet legally binding.

The strategic and reputational risk is taken into account by analysing declines in earnings as part of the risk-bearing capacity. In the economic perspective, a risk amount of the planned profits for the next 12 months is recognised (minimum EUR 400 thousand). As part of the special audit described above, supervisory measures were taken that are currently leading to a significant loss of commission income and therefore to a deterioration in the Bank's earnings situation, contrary to previous business planning. In this context, the Bank also sees risks in the form claims for damages from customers due to non-executed payment orders as well as risks arising from the deterioration in reputation as a result of the special audit in the form of increased refinancing costs and loan transactions that did not materialise.

In order to limit concentration risks, the Executive Board has set additional limits and early warning thresholds that are monitored on an ongoing basis.

- Largest position in the credit portfolio: maximum share of 10% of the total portfolio of positions at risk of default,
- Position with the highest risk: ratio to liable equity <10%,
- Largest position in the credit portfolio: Increase in the Herfindahl-Hirschmann Index by a maximum of 50 basis points,
- Largest Collateral position: Share of max. 10 % of the total portfolio of the positions at risk of default.

All risk mitigation measures are generally implemented in an economically sensible manner that takes appropriate account of the size of the institution, its capitalisation and its particular business model.

Based experience since 2022, neither Russia's invasion of Ukraine nor the war between the militant Palestinian organisation Hamas and Israel, which has been raging since October 2023, are expected to have any significant impact on Varengold Bank's future business development.

2. Opportunity report

At the time of preparing this report, the focus is increasingly on recalibrating the business model and implementing key activities in the areas of digitalisation and sustainability, in addition to stabilising and focusing as a result of developments since the middle of the 2023 financial year.

The banking sector has been undergoing constant change for years. Topics such as digital transformation and innovation dominate the agenda, flanked by the requirements of ESG criteria. While good risk management is considered an essential core competence and a decisive competitive advantage, Varengold Bank pursues a clear mission to provide uncomplicated access to capital and financial services. With its offerings, the bank addresses niche markets in particular, in which it can create high added value for its customers and help to realise innovative business ideas.

In 2024, the European Central Bank responded to the stabilisation of core inflation in the eurozone by cutting interest rates again. This led to corresponding adjustments in deposit interest rates by market participants. Against this background, Varengold Bank will have to continue to adjust its offer in the overnight and fixed-term deposit business in order to achieve the targeted quotas for new contracts and renewals. The deposit business is an integral part of the Bank's refinancing strategy. The aim of this strategy is to keep the volume of fixed-term and overnight deposits stable, to further diversify the maturity structures and to manage deposits in close coordination with opportunities from the Marketplace Banking and Commercial Banking business areas.

The Marketplace Banking and Commercial Banking divisions rely on a network of partners and customers. The bank operates here on the basis of its regulatory expertise and draws on many years of experience, particularly in the lending business, which serves as the central anchor product of its offering.

The demand for services and products in Marketplace Banking remains high. Varengold Bank is working on expanding its loan portfolio and integrating new customers. The aim to set itself apart from the competition by implementing projects quickly and efficiently - both in Germany and in the EU. The targeted growth of platform customers in Marketplace Banking will additional equity as well as debt capital. Through its subsidiary VARP Finance GmbH, Varengold Bank has the opportunity to invest directly selected customer projects (Equity Capital Markets, ECM). This allows the Bank to tap into additional potential in the area of venture capital, which needs to be intensified.

In the Commercial Banking segment, the complete withdrawal from payment transactions relating to Iran marks a significant strategic reorientation. The initial basis for this decision was BaFin's prohibition on carrying out incoming and outgoing transactions with payment agents as well as transactions relating to Iran as a high-risk third country or involving natural and legal persons based in Iran. The recent decline in volume, risks and regulatory and operating expenses in this business area proved to be disproportionate in the further course of time under the given framework conditions, although the Bank still humanitarian transactions to be necessary. In future, the Bank will focus on the interest rate business in the Commercial Banking segment with a focus on ESG financing. In addition to existing access within the existing network, the bank sees potential in sectors such as energy and healthcare, for example in BESS (Battery Energy Storage System) battery storage projects, electricity infrastructure, factoring of invoices in intensive care and property projects in the care/assisted living sector.

To ensure its long-term competitiveness, Varengold Bank relies on a consistently customer-orientated business model, a motivated and qualified team and measures to reduce its ecological footprint. Clear framework conditions should ensure that the Bank's ESG strategy and the associated categorisation of the customer portfolio with regard to ESG criteria are in line with both its own vision of sustainable development and external expectations.

Digital transformation also remains a key factor in providing meaningful support to the Bank's business areas and ultimately ensuring the Bank's success. Following the interruption of numerous projects as a result of the cost-cutting programme in June 2023, the first initiatives, including a brand refresh and the redesign of the website, were resumed in 2024. At the same time, the bank is currently implementing regulatory projects such as DORA and CRR III, which require a higher degree of system and data integration.

The use of artificial intelligence (AI) is also playing an increasingly important role for the bank. AI technologies offer a wide range of opportunities to organise internal processes more efficiently and improve the customer experience. There will be increased market integration in the coming months and years - Varengold Bank will monitor these developments, test them and, if the trials are successful, implement them if necessary in order to secure competitiveness and increase efficiency.

However, the aforementioned strategic initiatives - from digital and cultural transformation to growth projects - are still being held back in some areas by the effects of the ongoing special audit. In June 2023, several projects were discontinued in order to reduce costs and focus resources on process optimisation in Commercial Banking and the expansion of internal control systems. In addition, unforeseeable political and economic developments at a global level could have a negative impact on the Bank's results in the coming years. Varengold Bank will continue to develop all promising business areas in equal measure, taking market conditions into account, and drive forward the strategic realignment in a targeted manner.

3. Forecast report

Economic conditions after the balance sheet date

The geopolitical situation remained tense in 2024 and early 2025. The war between Russia and Ukraine continued with no of an imminent end. The war between the militant Palestinian organisation Hamas and Israel continued to be characterised by ongoing military clashes in the Gaza Strip over the course of 2024, until a ceasefire came into force for the first time on 19 January 2025, enabling the first exchange of hostages and prisoners between Israel and Hamas. The ceasefire agreed between Israel and Hezbollah in November 2024 also led to a calming of the situation in Lebanon. In December 2024, the Syrian ruler was also overthrown and the Islamist group Hai'at

Tahrir ash-Sham (HTS) then took power, leading to an unstable situation in which the country's future remains uncertain. Added to this were the presidential elections in the USA, which led to uncertainty with Trump's re-election, among other things.

The German economy stagnated in the first half of 2024, with price-adjusted gross domestic product falling by 0.8 % in the first quarter of 2024 compared to the same quarter of the previous year. In the second and third quarters, however, price-adjusted gross domestic product rose by 0.1 % year-on-year.[10] In the eurozone, real gross domestic product rose by 0.4 % year-on-year in the first quarter of 2024. This trend continued in the second quarter of 2024 (0.5 % compared to the same quarter of the previous year) and even recorded an increase of 0.9 % in the third quarter of 2024 compared to the same quarter of the previous year.[11]

Inflation rates in the eurozone and in Germany fell steadily over the course of 2024 and finally fell below the European Central Bank's (ECB) target of [2%12] for the first time in the third quarter. In December 2024, the inflation rate in Germany was 2.6%, meaning that consumer prices rose more sharply year-on-year than in the previous [months13].

This development is partly due to the measures taken by the ECB, which lowered its key interest rates for the first time in almost five years in June 2024. The interest rate for main refinancing operations was last to 2.[9%14] in February 2025. The deposit rate for banks was finally to 2.[75%15] in February 2025.

The stock markets continued to perform positively in 2024. In September 2024, the DAX topped 19,000 points for the first time in its history and ended October 2024 at 19,077.54 points.[16] Donald Trump's election victory as the new US president on 6 November 2024 initially caused the DAX to fall and resulted in more losers than winners on the German capital market, while the major US indices Dow Jones, Nasdaq and S&P all posted gains.[17] The appointment of the new US Treasury Secretary Scott Bessent at the end of November 2024 led to a renewed upswing in the US indices, which this time also benefited the DAX.[18] In December 2024, the DAX finally closed at 19,909.14 points.[19]

A closer look at the fintech sector reveals that global fintech financing has stagnated at a low level so far in 2024.[20] Although there was a positive trend in Europe in the first quarter of 2024 with an increase in slightly larger financing [rounds21] , overall fintech financing remained almost unchanged compared to the quarters of previous years.[22]

Forecast

In particular, the forward-looking statements contained in this section are based on estimates and conclusions made by Varengold Bank at the time this report was prepared. The statements contained therein are based on assumptions and, unless stated otherwise, are based on internal estimates. The Bank expressly points out that

10 https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/11/PD24_438_811.html
11 https://de.statista.com/statistik/daten/studie/158133/umfrage/entwicklung-des-bip-in-der-eurozone-und-der-eu-gegenueber- the-previous-quarter/
12 https://de.statista.com/statistik/daten/studie/72328/umfrage/entwicklung-der-jaehrlichen-inflationsrate-in-der-eurozone/
13 https://de.statista.com/statistik/daten/studie/1045/umfrage/inflationsrate-in-deutschland-veraenderung-des-consumer-price-index-for-the-month-previous-year/
14 https://de.statista.com/statistik/daten/studie/201216/umfrage/ezb-zinssatz-fuer-das-hauptrefinanzierungsgeschaeft-seit-1999/
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16 https://de.statista.com/statistik/daten/studie/162176/umfrage/monatliche-entwicklung-des-dax/
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20 https://www.der-bank-blog.de/fintech-aktivitaeten-starten-verhalten-ins-jahr-2024/studien/37710259/
21 https://financefwd.com/de/das-comeback-der-grossen-fundingrunden/
22 https://financefwd.com/de/fintech-funding-q2-2024/

points out that all forward-looking statements are subject to known or unknown risks and uncertainties and are based on conclusions concerning future events that are beyond the bank's control. A number of important factors could cause actual results to differ materially from forward-looking statements.

The global economy is likely to continue to characterised by moderate expansion and falling inflation rates in 2025. At the same time, however, geopolitical uncertainties .

According to the ifo Institute's current winter forecast[23] , the German economy will remain weak. Now that the German economy has been stagnating for almost five years, the question arises as to whether these are temporary and therefore cyclical fluctuations or a permanent reorganisation of production capacities and therefore a structural adjustment. For these reasons, the ifo Institute analyses two different scenarios in its winter forecast:

The baseline scenario assumes that the economic weakness of recent years was primarily caused by structural challenges and that the ongoing structural change has already had a noticeable impact on production potential. More and more industrial companies are relocating their production and investments abroad, which is also slowing momentum. In this scenario, the economic recovery will remain muted over the next two years, with an increase in price-adjusted gross domestic product of just 0.4 % in 2025 and 0.8 % in 2026.

The alternative scenario paints a more optimistic picture: Here it is assumed that structural change will not only displace existing production technologies, but also create new ones. However, this that economic policy creates reliable framework conditions and that location factors are rapidly improved. Under these conditions, price-adjusted gross domestic product could grow by 1.1 % and 1.6 % in the next two years and thus be significantly more dynamic than in the base scenario.

Private consumption should continue to recover in both scenarios. In the base scenario, however, the development of the savings rate remains a factor of uncertainty. Although real disposable income and thus purchasing power would continue to increase, the savings rate would high against the backdrop of persistently high uncertainty. In the alternative scenario, on the other hand, private consumption is likely to gain momentum as the savings rate falls.

Despite the different economic dynamics in the two scenarios, from an economic perspective, a recovery is expected in both cases in the coming year. In the course of this development, the underutilisation of overall economic capacity is expected to be reduced at a comparable rate by the end of the forecast period.

With regard to the development of inflation, the ifo Institute expects inflationary pressure to ease in both scenarios. However, the inflation rate in 2025 is likely to remain roughly at the previous year's level at 2.3% (2024: 2.2%) and only fall further to 2.0% in 2026. The stagnation in 2025 is due to a number of special effects such as the increase in the price of the Deutschlandticket, letter postage and private health insurance.

In view of the improved inflation outlook and the persistently weak economic development, the ifo Institute expects the ECB to lower its key interest rates further. However, it is likely to proceed cautiously due to the continuing high inflation in the services sector. Following an interest rate cut of 0.25 percentage points in December 2024, there could be four further cuts of the same amount in the first half of 2025, meaning that the deposit rate is likely to fall to 2.0% by summer 2025. The main refinancing rate would be lowered accordingly to 2.15% and the marginal lending rate to 2.40%.

In the banking sector, the assessment of short and medium-term as well as structural development trends remains fundamentally unchanged. It remains crucial to assert oneself in a persistently complex and challenging environment and to actively manage the credit portfolio. In doing so, banks must pay greater attention to their cost structure and continue to adapt it to the demanding market and regulatory environment. In addition, structural changes such as the ongoing digitalisation of business processes must not neglected. Overall

[23] https://www.ifo.de/publikationen/2024/aufsatz-zeitschrift/ifo-konjunkturprognose-winter-2024

However, the banking sector is in a stable position and is well prepared for possible economic downturns or rising loan defaults.

ESG issues will continue to gain in relevance for banks, particularly with regard to reporting. The most important aspects here are

1. Corporate Sustainability Reporting Directive (CSRD): From 2025, the CSRD will also extend the disclosure requirements for smaller institutions to include qualitative and quantitative key sustainability indicators (KPIs), such as carbon footprint, environmental targets and social aspects. Banks must report in accordance with the European Sustainability Reporting Standards (ESRS). Although the transposition of the CSRD into German law has been delayed and is not expected until after the new elections in February 2025, preparations must be made to adequately fulfil the future requirements.
2. EU taxonomy: The taxonomy sets out strict criteria for sustainable economic activities, which banks must integrate into their reports. They must disclose how and to what extent their financing and investments fulfil the defined environmental objectives. These reports are intended to create transparency about how sustainable a bank's business actually is.
3. Integration of ESG into risk management: Since 2024, banks have had to integrate ESG risks, particularly climate and environmental risks, into their risk management systems. This concerns, for example, the consideration of these risks in the Internal Capital Adequacy Assessment Process (ICAAP) and in stress tests.

Another focus in future will the Digital Operational Resilience Act (DORA), which came into force on 17 January 2023 and must be implemented by Varengold Bank by 17 January 2025. The focus here is on topics such as IT security, cyber risks, outsourcing and business continuity management. In view of the increase in cyber attacks on critical infrastructures during international conflicts, DORA and the Network and Information Security Directive (NIS2) set uniform EU standards that will have a significant impact on information security and will point the way forward for the banking sector in particular.

In addition, the new Capital Requirements Regulation (CRR III) and Basel IV (postponed due to Covid-19) came into force in January 2025. In addition to these regulatory changes, the industry is expecting new requirements from BaFin regarding the governance and monitoring of banking products, which are currently being consulted on. The aim is to extend the control and monitoring activities of the compliance function to other banking products and the associated processes and instructions. In addition, the regulation on real-time transfers (instant payments) is being driven forward as a key step towards the digitalisation of the financial system. This requires a reorganisation and expansion of the bank's payment transaction structure, which Varengold Bank welcomes as a positive and forward-looking step.

In view of the as yet unforeseeable end to the war in Europe and the sanctions imposed in this context, as well as the conflict in the Middle East, Varengold Bank does not assume that its business activities will significantly affected directly. The higher trade tariffs to be expected with the election of the new US president, which will increase existing trade diversions, are also unlikely to come into force immediately after the new US president takes office, but only in the course of the coming year. However, ongoing indirect effects harbour potential risks. Against this backdrop, Varengold Bank believes that the existing loan portfolio is well positioned due to the general diversification across sectors, countries and size classes as well as appropriate collateralisation. The new focus on ESG financing, which further diversifies the portfolio, also contributes to this.

In the European market for alternative financing in particular (e.g. online marketplaces, revenue-based financing, online lenders and peer-to-peer lending), stagnation was observed in the first half of 2024. [24] By the end of the year, however, there were an increasing number of larger financing rounds again. The growth market is also likely to look more optimistic again in 2025. Companies are currently focussing less on growth at any price and more on profitability. As a result, fewer but larger funding rounds are to be expected. Experts even assume that

[24] https://financefwd.com/de/fintech-funding-q2-2024/

The European fintech market will be strongly characterised by upcoming IPOs in the coming years.[25]

Despite the recent interest rate cuts by the ECB, the interest rate business will continue to offer a solid income component in the future. Varengold Bank has already taken the lower interest margins into account in its strategic planning. The Bank's primary goal in the coming months is to reorganise the Commercial Banking division following the withdrawal from the Iran-related payment transaction business and to expand the new focus in the area of ESG financing. In addition, business activities in the Marketplace Banking segment are to be intensified. The Bank anticipates additional charges in connection with this restructuring and reorganisation.

In 2024, Varengold Bank's net income totalled EUR 47.3 million according to the preliminary annual financial statements (previous year: EUR 66.7 million). Administrative expenses reduced by EUR 7.6 million to EUR 30.4 million in the same period, resulting in earnings before taxes (EBT) of EUR 11.3 million with a cost-income ratio of 69.4%. The result includes an allocation to the contingency reserve in accordance with Section 340g HGB totalling EUR 4.3 million.
In 2025, the bank expects earnings before taxes of between EUR 3 million and EUR 5 million and a cost-income ratio of around 87%.

Hamburg, 03 March 2025

Varengold Bank AG

Dr Bernhard Fuhrmann Board of Directors	Frank Otten Board of Directors

[25] https://financefwd.com/de/fintech-funding-2024/

Report of the Supervisory Board on the 2023 financial year

Dear ,

Even though the newly constituted Supervisory Board has a clear and focussed view of the future, in March 2025 we will also look back the past and review the year 2023. Although the Supervisory Board was operating in a different constellation at that time, the current members and the Chairman of the Supervisory Board in particular have gained a comprehensive picture of the company's development at the time, extraordinary events and measures taken.

In terms of the economic environment in 2023, the geopolitical situation continued to deteriorate considerably compared to the previous year. The war between Russia and Ukraine continued with no end in sight. In addition, the conflict between the Palestinian organisation Hamas and Israel escalated in October 2023. In addition to the wide-ranging consequences of these conflicts, persistent inflation and the effects of key interest rate hikes by central banks such as the European Central Bank (ECB) and the US Federal Reserve (Fed) contributed to the global economy losing further momentum in 2023. Nevertheless, the financial markets remained stable and European banks were largely spared major defaults. At the same time, regulatory requirements increased. In addition to the previous focus on interest rate risks as well as IT and cyber security, ESG criteria (environmental, social and corporate governance) increasingly came to the fore. Sustainability and climate neutrality are becoming increasingly important in the financial sector.

For Varengold Bank AG, 2023 was a particularly challenging year, characterised by the ongoing special audit in accordance with Section 44 of the German Banking Act (KWG) and delays at various levels. An interim result of the special auditors involved led to restrictions and restructuring measures in the payment transaction business at the beginning of June 2023 due to possible compliance violations, resulting in a significant deterioration in the earnings situation due to a lack of commission income. This was ultimately followed by short-term restructuring measures and the development of restructuring parameters at overall bank level. For further details of the special audit, please refer to the explanations in the management report for the 2023 financial year. In this context, the Supervisory Board itself independently commissioned a law firm to conduct additional forensic investigations into the Executive Board based on a data review and data audit.

These turbulent events also meant that the audit of the financial statements for the 2023 financial year by PricewaterhouseCoopers GmbH could only begin in June 2024 after receipt of the unqualified audit opinion for 2022. These timing effects will continue to be reflected in the development of the current year and led, among other things, to the new auditors of PKF Treuwerk AG not being able to start the main audit for the 2024 financial year until March 2025.

However, these long-lasting circumstances did not change the will of the Executive Board and Supervisory Board to set the course for the future, and so the committees decided at the Supervisory Board meeting on 10 September 2024 to adjust the bank's current business model. In order to sharpen its profile and adapt to changing conditions, it was also decided to immediately discontinue payment transactions with Iran for the processing of humanitarian imports. The bank's focus will be on the already established Lending division in Marketplace Banking and the expansion of business in the ESG

Financing with a special focus on energy transition. The bank's strategy profile is currently being sharpened and operationalised with the support of external expertise.

Cooperation between the Supervisory Board and the Executive Board in 2023

The entire Varengold team jointly kept the company on course in 2023 through great commitment and the immediate and consistent implementation of safeguarding measures. The Supervisory Board closely monitored this development in its independent exercise of its duties.

In the 2023 financial year, the Supervisory Board fulfilled its duties as defined by law and the Articles of Association. It dealt intensively with the business and strategic development of the bank and monitored the Executive Board in the performance of its management activities as part of its advisory and supervisory function. The monitoring objectives were based on the statutory requirements and were to internal and external developments as required. The criteria for this monitoring included the legality, regularity, expediency, strategic relevance, sustainability and economic efficiency of the Executive Board's management. In addition, the rules of procedure for the Executive Board contain a catalogue of transactions and measures for which the Executive Board must obtain the approval of the Supervisory Board. Such transactions and measures were discussed in detail between the two boards and examined by the Supervisory Board. The Supervisory Board was always informed about business activities and received, among other things, monthly written information on the financial situation as well as quarterly reports on the bank's risk situation. In addition, all internal audit reports and compliance reports and, depending on the individual case, additional documents were made available to the Supervisory Board.

The information provided was explained and discussed in detail at the Supervisory Board meetings, as part of circular resolutions and in individual discussions. The regular, comprehensive and timely written and verbal reports from the Management Board to the Supervisory Board complied with the requirements of Section 90 AktG. The members of the Supervisory Board and the Executive Board also maintained a close dialogue outside of the meetings in order to discuss strategic options and current business policy issues. The Executive Board always answered the Supervisory Board's questions in detail and to its satisfaction. Over the course of 2023, the Supervisory Board also satisfied itself of the suitability and reliability of the individual members of the Executive Board through regular dialogue and targeted questions.

In order to expand the information base and gain its own impressions of the company's development, the Supervisory Board also obtained information from the bank's managers, Internal Audit, external consultants and the responsible supervisory authorities.

Audit Committee

The Supervisory Board of Varengold Bank AG established an Audit Committee on 1 January 2022, based on the Financial Market Integrity Strengthening Act (FISG). This committee is automatically composed of the three members of the Supervisory Board. The responsibilities of the Audit Committee are derived from those of the Supervisory Board and, in accordance with Section 100 (5) AktG, two financial experts are represented on this committee - one for accounting and one for auditing. The Audit Committee is primarily responsible for monitoring the quality of the audit of the annual financial statements and reviewing the independence of the auditors. The Audit Committee also has the right to receive information directly from the bank's middle management. In the 2023 reporting year, the Supervisory Board refrained from forming further committees due to the size of the company and the fact that it only consists of three members.

Supervisory Board meetings 2023

A total of four ordinary and one extraordinary Supervisory Board meeting were held in the past financial year, which took place on 6 January 2023, 28 March 2023, 7 June 2023, 9 August 2023 and 30 November 2023. All meetings were attended by all members of the Supervisory Board, both members of the Executive Board, the Chief Operating Officer/general representative and depending on the topic, by guest speakers from the respective specialist areas. At each ordinary meeting, the Executive Board reported to the Supervisory Board on the current development of the financial and economic situation and provided a status update, in particular on risk controlling and compliance matters.

The Supervisory Board meeting on 6 January 2023 focused on the preliminary results for the 2022 financial year and the forecast for the 2023 financial year prepared at that time. The main items on the agenda of the meeting on 28 March 2023 were the prepared annual financial statements for the 2022 financial year, the business plan for the years 2023-2025, the approval of the 2023 business strategy and the 2023 risk strategy and an update on the ongoing regulatory audits. In addition to a review of business performance in the first half of 2023, the meeting on 7 June 2023 focused in particular on the progress of the special audit in accordance with Section 44 KWG. Among other things, the Executive Board reported to the Supervisory Board on the restructuring measures taken, cost savings and necessary project stops. At the meeting on 9 August 2023, the events surrounding the special audit and the cooperation with the special auditor KPMG were again primarily discussed, an update on the delayed audit of the 2022 annual financial statements was provided and the current business development was presented. The appointment of suitable forensic experts to evaluate the results of the special auditors to date was also discussed and resolved without the presence of the Executive Board. The last meeting on 30 November 2023 mainly covered the agenda items of business development, the course of the special audit, IT security and the possible use of artificial intelligence.

In addition to these joint meetings of both boards, the Supervisory Board also met for occasional telephone and video conferences to follow up on topics from the joint meetings and to prepare topics for upcoming joint meetings. In addition, further resolutions were passed by circular resolution in accordance with Section 12 (2) of the Articles of Association of Varengold Bank AG.

Award of the audit engagement to PricewaterhouseCoopers GmbH

Based on a resolution passed by the Supervisory Board on 4 June 2024, the Chairman of the Supervisory Board in office at the time commissioned the auditing company PricewaterhouseCoopers GmbH (PwC), Hamburg, to conduct the legally required audit of the annual financial statements of Varengold Bank AG for the financial year from 1 January to 31 December 2023, including the accounting and the management report in accordance with Section 340k in conjunction with Sections 316 et seq. §§ 316 ff. German Commercial Code (HGB). The engagement itself contained, among other things, clear regulations on the scope of the audit, the performance of the audit and the targeted cooperation. Due to the subsequent election as auditor by the Annual General Meeting on 13 August 2024, PwC's position as "statutory auditor" for the 2023 financial year was strengthened. Prior to the Supervisory Board's recommendation regarding the election proposal to the Annual General Meeting, the auditor also declared that there were no business, financial, personal or other relationships that could give rise to doubts about its independence.

In a letter dated 22 August 2024, the Supervisory Board also commissioned PwC with an additional audit focus. Based on the audit findings still outstanding as at 31 December 2023 with regard to the
"Measures to prevent money laundering, terrorist financing and criminal offences" should PwC

examine and assess whether the processes defined by Varengold Bank and newly implemented by 31 August 2024 on the basis of the defined measures are appropriate to remedy these complaints.

PricewaterhouseCoopers GmbH, Hamburg, audited the annual financial statements as at 31 December 2023 (consisting of the balance sheet, income statement and notes) and the management report for the 2023 financial year, which were prepared in accordance with the provisions of the German Commercial Code. In preparation for the Supervisory Board meeting on
05 March 2025, the Supervisory Board received the draft audit report on the 2023 annual financial statements for review and examination. On 3 March 2025, the final discussion of the audit report on the 2023 annual financial statements took place between the Executive Board and the auditors, in which the Chairman of the Supervisory Board also actively participated. All open questions finally clarified at the Supervisory Board meeting on the financial statements with the Executive Board and the auditors from PricewaterhouseCoopers GmbH in attendance. Following its own review, the Supervisory Board concurred with the results of the audit.

By unanimous resolution of the Supervisory Board on 5 March 2025, the audited annual financial statements of Varengold Bank AG as at 31 December 2023, which were issued with an unqualified audit opinion by the auditor, were thus approved in accordance with Section 12 in conjunction with Section 22 of the Articles of Association. § 22 of the Articles of Association of Varengold Bank AG after the final review by the Supervisory Board and are thus deemed adopted. In addition, the Supervisory Board approved the proposal of the Board of Directors to carry forward the balance sheet profit in full and not to distribute a dividend for the 2023 financial year.

Personal details

By resolution of the Hamburg Local Court dated 6 February 2023, Mr Florin Isac was as a member of the Supervisory Board with effect from 26 February 2023. He thus succeeded the previous member Francesco Filia. Mr Isac had to resign prematurely for personal reasons with effect from 5 July 2023. At the request of the Executive Board, Mr Marcus Columbu was then appointed by court order as a member of the Supervisory Board with effect from 6 July 2023 until the end of the company's next Annual General Meeting. By resolution of the Annual General Meeting on 13 August 2024, the position was finally filled by Mr Dirk Auerbach. On the same day, the Supervisory Board also elected Mr Auerbach as Chairman of the Board from among its members.

Tobias M. Weitzel was also appointed as a member of the Supervisory Board of Varengold Bank AG with effect from 20 January 2025 at the request of the Board of Directors to the Hamburg District Court. Mr Weitzel thus succeeded Dr Karl-Heinz Lemnitzer, unfortunately resigned his mandate in January 2025. The Board of Directors and Supervisory Board would like to sincerely thank Dr Lemnitzer for his many years of cooperation and the dedicated and competent performance of his mandate, with which he has actively accompanied the further development of Varengold Bank since 2015.

The Supervisory Board would like to take this opportunity to express its special appreciation to the employees and the Board of Directors of Varengold Bank for their personal commitment. In addition, we would like to thank the shareholders, business partners and customers for the trust they have placed in Varengold Bank AG, whose business focus will be further concretised in the coming months. The focus will initially be on Varengold Bank's recognised strengths in marketplace lending for fintechs, the financing of innovative, medium-sized companies and projects in the area of energy transition. Business associated high-risk countries has been discontinued and will no longer a role in the future. The Board of Directors and Supervisory Board of the bank are looking forward to positioning the bank much more strongly in the relevant markets in the future together with the entire Varengold team.

05.03.2025

For the Supervisory Board:

Dirk Auerbach Chairman of the
Supervisory Board

OPINION OF THE INDEPENDENT AUDITOR

To Varengold Bank AG, Hamburg

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

Audit judgements

We have audited the annual financial statements of Varengold Bank AG, Hamburg, which comprise the balance sheet as at 31 December 2023 and the income statement for the financial year from 1. the financial statements from 1 January to 31 December 2023 and the notes to the financial statements, including the presentation of the accounting policies. In addition, we have the management report of Varengold Bank AG for the financial year from 1 January to 31 December 2023.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit judgements

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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) (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 annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion, the following matters were of most significance in our audit:

❶ Risk provisioning in the customer lending business

❷ Mapping of commission income from payment transactions

❸ Illustration of a legal dispute due to possible repayment of refunded capital gains tax

❹ Provision for the risk of impending fines

We have structured our presentation of these key audit matters as follows:

① Facts and problem definition

② Audit approach and findings

③ Reference to further information

We the key audit matters below:

❶ **Risk provisioning in the customer lending business**

① In the company's annual financial statements, customer loans totalling € 383.3 million (28% of total assets) are reported under the balance sheet item "Loans and advances to customers". As at 31 December 2023, risk provisions consisting of specific and general loan loss provisions were recognised for this loan portfolio. The measurement of risk provisions in the customer lending business is determined in particular by the structure and quality of the loan portfolio as well as macroeconomic factors and the estimates of the legal representatives with regard to future loan defaults. The amount of the specific valuation allowances for customer receivables corresponds to the difference between the outstanding loan amount and the lower value to be attributed to it on the reporting date. Existing collateral is taken into account.
The general loan loss provisions are calculated on the basis of expected losses. The valuation allowances in the customer lending business are highly significant for the company's net assets and results of operations in terms of their amount and also involve considerable discretionary judgement on the part of the legal representatives. In addition, the valuation parameters applied, which are subject to considerable uncertainty, have a significant influence on the recognition and amount of any necessary valuation allowances. Against this background, this matter was of particular significance in the context of our audit.

② As part of our audit, we first assessed the design of the company's relevant internal control system and, based on this, tested the effectiveness of the controls. In doing so, we considered the business organisation, the IT systems and the relevant valuation models. In addition, we assessed the valuation of receivables from customers, including the appropriateness of estimated values, on the basis of samples of credit exposures. In doing so, we assessed, among other things, the company's available documentation regarding the economic circumstances and the recoverability of the corresponding collateral. In the case of property collateral for which the company provided us valuation reports, we obtained an understanding of the underlying initial data, the valuation parameters applied and the assumptions made, critically assessed these and evaluated whether they were within a reasonable range. Furthermore, we assessed the calculation methods applied by the company and the underlying assumptions and parameters in order to evaluate the specific and general valuation allowances recognised. On the basis of the audit procedures we performed, we were able to ourselves overall of the reasonableness of the assumptions made by the executive directors when testing the recoverability of the loan portfolio and the appropriateness and effectiveness of the controls implemented by the company.

③ The company's disclosures on the recognition and measurement of risk provisions in the customer lending business are contained in section 2 "Accounting policies" of the notes.

❷ Illustration of commission income from payment transactions

① Commission income of€ 22.5 million is recognised in the company's annual financial statements, of which€ 17.8 million is attributable to commission income from payment transaction services (79% of commission income). Various payment transaction services provided by the company are taken into account when recognising and deferring these significant amounts of income. Due to the heterogeneity of these services, the different remuneration scales and the large number of transactions to be processed, this matter was of particular significance in the context of our audit.

② As part of our audit, we first obtained an understanding of the processes and controls in place at the Company to recognise commission income. Based on this, we assessed, among other things, the appropriateness and effectiveness of the relevant controls of the internal control system for the recognition and realisation of commission income, including the IT systems used. In addition, we examined, among other things, the calculation and accounting treatment of the various income components on a sample basis using the documents provided to us. In this context, we also compared the commission rates charged with the contractually agreed fee rates and verified the arithmetical accuracy of the commission statements on a sample basis. Furthermore, we assessed the consistency of the procedures applied for the accrual of commission income.
We were able to satisfy ourselves that the systems, processes and controls in place are appropriate overall and that the estimates and assumptions made by the executive directors for the appropriate recognition and deferral of commission income are sufficiently documented and substantiated.

③ The company's disclosures on commission income are included in the notes to the income statement (section 5.3 Net commission income).

❸ Illustration of a legal dispute due to possible repayment of refunded capital gains tax

① In the company's annual financial statements, the item "Other provisions" includes a provision for legal risks due to the possible repayment of reimbursed
Capital gains tax in the amount of € 4,061 thousand was recognised. Varengold Bank AG, together with 19 other natural and legal persons, is a defendant in civil proceedings. The subject of the dispute is a possible refund claim relating to an additional tax claim in relation to transactions of an independent sub-investment fund of Varengold Verwaltungs AG i.L. in the form of a public investment fund from 2010. The claim is for the joint and several repayment of refunded capital gains tax incl. tax on investment income.
solidarity surcharge totalling around € 92 million (plus any interest), which was paid to Varengold Verwaltungs AG i.L. in 2010, as the plaintiff assumed that the fund, as a tax-exempt investment fund, entitled to a tax refund in this amount. The action is pending in the first instance at the Regional Court and Varengold Bank AG has filed a statement of defence with the competent court.

Provisions must be recognised for uncertain liabilities in accordance with Section 249 (1) sentence 1 HGB. For this, there must be an external obligation that has arisen legally or been caused economically and it must be seriously expected that it will be utilised. If the necessary recognition criteria are met, it is necessary to recognise a provision for legal risks. The legal representatives of Varengold Bank AG consider it conceivable that the claim could be successful and have recognised a provision for legal risks. The risk assessment to be carried out on the course of the legal dispute and the assessment of whether the recognition of a provision to cover the risk is necessary as a result of this legal dispute is characterised to a large extent by the estimates and assumptions of the legal representatives. Against this background and due to the amount of the claims asserted, we consider this matter to be of particular significance for our audit.

② As part of our audit, we analysed the content of the existing legal dispute with the involvement of internal lawyers and assessed whether and to extent a provision should be recognised. Our assessment took into account the information obtained in the course of our regular discussions with the Bank's legal representatives as well as the assessment of the legal representatives provided to us in writing. We analysed the reasons for the recognition of the provision and the determination of the amount of the provision.
We also evaluated the assessment of an external legal advisor obtained by Varengold Bank AG and other documents provided by Varengold Bank AG. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates made by the legal representatives for the recognition and measurement of a provision for legal risks are adequately documented and substantiated.

③ The company's disclosures on the provision for legal risks are contained in sections 4.2.13 and 5.7 the notes and in the risk report as part of the management report.

❹ Provision for the risk of impending fines

① A provision for impending fines of € 4.0 million is recognised in the company's annual financial statements under "Other provisions". In 2023, the German Federal Financial Supervisory Authority (BaFin) has recognised a provision in connection with
In a special audit in accordance with Section 44 (1) sentence 2 of the German Banking Act (KWG), which has been ordered but not yet completed, the bank has asserted possible compliance violations relating to the observance and implementation of money laundering requirements, particularly in connection with the bank's Iran business.

As a result of these findings, the company is at risk of being fined in accordance with Section 30 of the German Administrative Offences Act in conjunction with the relevant provisions of the German Money Laundering Act and the German Banking Act. The provision is measured at the settlement amount required according to prudent business judgement. The assessment of whether and, if so, to what extent a provision is required to cover the risk of violations of money laundering regulations is characterised by a high degree of uncertainty and requires a high degree of discretion on the part of the legal representatives. Against this background, we consider this matter to be of particular significance for our audit.

② As part of our audit, we examined, among other things, the content of the impending fines and assessed whether and in what amount a provision should be recognised. Our assessment took into account the information obtained in the course of our regular discussions with the legal representatives of the company as well as the assessment of the legal representatives provided to us in writing. We have verified the reasons for recognising the provision and determining the amount of the provision. In order to estimate the amount of potential fines, we also obtained confirmation from an external lawyer as at the balance sheet date, which supports the risk assessment made by the company. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates made by the executive directors for the recognition and measurement of a provision for the risk of potential fines are sufficiently documented and substantiated.

③ The company's disclosures on the provision for the risk of impending fines are contained in section "4.2.13 Other provisions" of the notes and in the risk report as part of the management report.

Other information

The legal representatives are responsible for the other information.

The other information comprises the annual report - excluding cross-references to external information - with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our opinions on the annual financial statements and on the 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 referred to above and, in doing so, consider whether the other information

- are materially inconsistent with the annual financial statements, with the audited management report information or our knowledge obtained in the audit, or

- otherwise appear to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going . In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there are factual or legal circumstances to the contrary.

Furthermore, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a 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 management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent the annual 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 annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with Section 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 annual financial statements and management report.

During the audit, we professional judgement and professional scepticism. In addition

- Identify and assess the risks of material misstatement of the annual financial statements and of the 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 opinions. The risk of not detecting material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty related to events or conditions that may cast significant doubt on the Company'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 annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. Future events or developments

However, circumstances may that the company is no longer able to continue its business activities.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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 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 thought to bear on our independence, and where applicable, the actions taken or safeguards applied to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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 STATUTORY AND OTHER LEGAL REQUIREMENTS

Other information pursuant to Article 10 EU-APrVO

We were elected as auditor by the annual general meeting on 13 August 2024. We were engaged by the Supervisory Board on 6 June 2024. We have been the auditor of Varengold Bank AG, Hamburg, without interruption since the 2015 financial year.

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 (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Lutz Meyer.

Hamburg, 4 March 2025

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Lutz Meyer	ppa. Maximilian Hockenberger
Certified Public Accountant	Certified Public Accountant