



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 915 448 526
Organisasjonsform: Norskreg. utenlandsk foretak
Foretaksnavn: GRENKE BANK AG BRANCH NORWAY
Forretningsadresse: Martin Linges vei 25
1364 FORNEBU

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Ray Werschky
Dato for fastsettelse av årsregnskapet: 13.04.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 16.08.2024



Resultatregnskap

Beløp i: EUR	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Positive interest on deposits	3	36 179 000	40 324 000
Leasing income	3	8 165 000	6 408 000
Commission income	3	-564 000	552 000
Other operating income	3	2 493 000	23 229 000
Sum inntekter		46 273 000	70 513 000
Kostnader			
Wages and salaries		7 081 000	5 267 000
Social security contributions		1 447 000	1 067 000
Other administrative expenses		13 879 000	12 151 000
Depreciation, amortisation and impairment of intangible		5 062 000	4 534 000
Write-downs and valuation allowances on receivables		12 367 000	17 166 000
Depreciation, amortisation and impairment of investments, interes			3 225 000
Other operating expenses		11 735 000	433 000
Sum kostnader		51 571 000	43 843 000
Driftsresultat		-5 298 000	26 670 000
Netto finans			
Ordinært resultat før skattekostnad		-5 298 000	26 670 000
Skattekostnad på ordinært resultat	3	133 000	
Ordinært resultat etter skattekostnad		-5 431 000	26 670 000
Profits transferred under a profit pooling, profit and		-19 000	
Årsresultat		-5 450 000	26 670 000



Balanse

Beløp i: EUR	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Paid concessions, commercial property rights	2	135 000	479 000
Sum immaterielle eiendeler		135 000	479 000
Varige driftsmidler			
Property, plant and equipment	2	310 000	296 000
Other assets	2	10 054 000	7 829 000
Sum varige driftsmidler		10 364 000	8 125 000
Finansielle anleggsmidler			
Trust assets	2	39 632 000	43 981 000
Investments		0	0
Sum finansielle anleggsmidler		39 632 000	43 981 000
Sum anleggsmidler		50 131 000	52 585 000
Omløpsmidler			
Varer			
Fordringer			
Receivables from customers	2	1 352 361 000	1 388 712 000
Receivables from banks	2	47 470 000	22 518 000
Prepaid expenses	2	266 000	784 000
Sum fordringer		1 400 097 000	1 412 014 000
Investeringer			
Lease assets	2	19 260 000	14 666 000
Sum investeringer		19 260 000	14 666 000
Bankinnskudd, kontanter og lignende			
Balances with central banks	2	246 614 000	581 251 000
Sum bankinnskudd, kontanter og lignende		246 614 000	581 251 000
Sum omløpsmidler		1 665 971 000	2 007 931 000



Balanse

Beløp i: EUR	Note	2022	2021
SUM EIENDELER		1 716 102 000	2 060 516 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Equity	2	280 000 000	285 450 000
Sum innskutt egenkapital		280 000 000	285 450 000
Sum egenkapital		280 000 000	285 450 000
Gjeld			
Langsiktig gjeld			
Deferred income			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner		78 510 000	142 127 000
Trust liabilities		39 632 000	43 981 000
Liabilities to customers		1 235 992 000	1 489 930 000
Instruments qualifying as Additional Tier 1 regulatory capital		50 000 000	50 000 000
Sum annen langsiktig gjeld		1 404 134 000	1 726 038 000
Sum langsiktig gjeld		1 404 134 000	1 726 038 000
Kortsiktig gjeld			
Tax provisions		129 000	0
Other liabilities		12 382 000	40 900 000
Deferred income		2 660 000	2 096 000
Other provisions		15 184 000	4 498 000
Provisions for pensions and similar obligations		1 613 000	1 534 000
Sum kortsiktig gjeld		31 968 000	49 028 000
Sum gjeld		1 436 102 000	1 775 066 000
SUM EGENKAPITAL OG GJELD		1 716 102 000	2 060 516 000



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 712659

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Brønnøysundregistrene, 24.08.2023



Organisasjonsnr: 915 448 526
GRENKE BANK AG BRANCH NORWAY

RESULTATREGNSKAP

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RESULTATREGNSKAP			
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Organisasjonsnr: 915 448 526
GRENKE BANK AG BRANCH NORWAY

BALANSE

Beløp i: EUR	Note	2022	2021
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BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Innskutt egenkapital			
Equity	2	280 000 000	285 450 000
Sum innskutt egenkapital		280 000 000	285 450 000
Sum egenkapital		280 000 000	285 450 000
Gjeld			
Langsiktig gjeld			
Deferred income			
Annen langsiktig gjeld			
Gjeld til			
kredittinstitusjoner		78 510 000	142 127 000
Trust liabilities		39 632 000	43 981 000
Liabilities to customers	1	235 992 000	1 489 930 000
Instruments qualifying as			
Additional Tier 1			
regulatory capital		50 000 000	50 000 000
Sum annen langsiktig gjeld		1 404 134 000	1 726 038 000
Sum langsiktig gjeld		1 404 134 000	1 726 038 000
Kortsiktig gjeld			
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Organisasjonsnr: 915 448 526
GRENKE BANK AG BRANCH NORWAY

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Regnskapsprinsipper

I. General information These annual financial statements were prepared in accordance with Sections 340 ff. of the German Commercial Code (HGB), the provisions of the German Stock Corporation Act (AktG), and the Ordinance on Accounting for Banks and Financial Services Institutions (RechKredV). The regulations for large corporations apply. The annual financial statements consist of the annual balance sheet, the income statement and the notes to the financial statements. In addition, a report on the situation of the company was prepared in accordance with Section 289 HGB in conjunction with Section 340a HGB. GRENKE BANK AG, Baden-Baden, is registered with the District Court of Mannheim in the Commercial Register, Department B, under number 710100. Pursuant to Section 265 (5) sentence 2 HGB, the classification scheme according to the RechKredV was expanded to include the balance sheet items "lease assets" and "instruments qualifying as Additional Tier 1 regulatory capital", as well as the income statement items "negative interest on lending and money market transactions", "positive interest on deposits" and "leasing income" and "leasing expenses". Accounting and valuation methods The accounting and valuation methods described below were used to prepare the annual financial statements. Cash reserves are recognised at their nominal value. Receivables from banks and receivables from customers are reported at the lower of nominal value or acquisition cost plus accrued interest. Specific valuation allowances, as well as lump-sum valuation allowances for acute risks and lump-sum valuation allowances for pending risks, are deducted from receivables from customers on the assets side. Receivables from customers resulting from the purchase of lease receivables within the Consolidated Group (purchase of receivables) are reported less the pro rata purchase price discount. In the case of defaults on loan receivables, specific valuation allowances are recognised. A default has occurred once the borrower has failed to make the contractual interest and/or redemption payments on time, and the deadline for the second reminder has passed without settlement. Depending on the product, deferred interest is capitalised as a receivable and recognised as interest income. Collateral in the form of pledged company shares was generally not taken into account due to a lack of objective market value. 2/15 On December 13, 2019, the Banking Committee (BFA) of the German Institute of Public Auditors (IDW) adopted the IDW Statement on Accounting: Risk provisioning for foreseeable, not yet individually specified counterparty risks in the lending business of credit institutions (lump-sum loan loss provisions)? (IDW Circular BFA 7). The new standard is mandatory for the first time for financial years beginning after December 31, 2021. The Bank however has voluntarily undertaken early application starting with the 2020 financial year. The lump-sum loan loss provision is recognised on the basis of the values determined from IFRS 9 Level 1 and Level 2 without deducting the credit-rating premiums received. Investments are capitalised at acquisition cost plus incidental acquisition costs. If an impairment exists that is expected to be permanent, the valuation is reduced to the lower fair value. Lease assets, intangible assets and property, plant and equipment are recognised at cost and, if subject to wear and tear, are reduced using straight-line depreciation and amortisation. Low-value assets up to a net individual value of EUR 410.00 are written off in full and recognised as an expense in the year of acquisition; their immediate disposal was assumed. Trust assets and trust liabilities are reported at nominal value. Other



assets are stated at the lower of nominal or fair value. Prepaid expenses are expenses incurred prior to the reporting date and represent expenses for a certain period after that date. Liabilities are recognised at the settlement amount. Provisions for pensions and similar obligations are calculated according to the present value method on the basis of actuarial principles using the "2018 G mortality tables" and recognised at the amount of the obligation permitted under commercial law. Discounting is conducted in accordance with Section 253 (2) HGB. A flat rate is used that is equal to the average market interest rate of the last 10 years with a residual term of 15 years with 1.78 percent (previous year: 1.87 percent) in accordance with the German Regulation on the Discounting of Provisions of November 18, 2009. Expected pension increases are taken into account at 2.10 percent (previous year: 1.70 percent). Other provisions take into account all uncertain liabilities, identifiable risks and contingent losses from pending transactions. They are recognised at the settlement amount required according to prudent business judgement. Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years that corresponds to their residual term. For the general interest rate risk within the framework of the loss-free valuation of the banking book, a provision is recognised according to the present value method when the present value of the entire interest book is less than the carrying amount of the interest book and, thereby, there are net unrealised losses in the interest book. The discounted future cash flows expected from the contract portfolio from the interest book are compared to the carrying amount of the interest-bearing assets and liabilities. In addition, any risk costs incurred must be taken into account. 3/15 Negative interest is shown as a separate item on the income statement. Positive interest on deposits is shown in a separate item on the income statement. The expense from disposals of lease assets of EUR 1,040k (previous year: EUR 1,417k) is reported in lease expenses as in the previous year and not under depreciation of lease assets. Derivative financial instruments are measured at fair value using recognised methods based on swap rates as of December 31, 2022. In cases where receivables (underlying transactions) are combined to offset opposing changes in value from the occurrence of comparable risks from forward exchange transactions (valuation unit), the general valuation principles do not apply to the extent and for the period in which the opposing changes in value offset each other in accordance with Section 254 HGB. The balance sheet is presented in accordance with the net hedge presentation method. Assets and liabilities denominated in foreign currencies are translated at the mean spot exchange rate on the reporting date in accordance with Sections 340h and 256a HGB. If the remaining term is more than one year, the realisation principle (Section 252 [1] no. 4 half-sentence 2 HGB) and the acquisition cost principle (Section 253 [1] sentence 1 HGB) are observed.

Note

1

Note

4

Antall årsverk i regnskapsåret

80.00

Note

4

Spesifisering av resultatregnskapet

Lønnskostnader



<u>Lønn</u>	<u>Årets</u>	<u>Fjorårets</u>
	7081000.00	5267000.00
<u>Andre ytelser</u>	<u>Årets</u>	<u>Fjorårets</u>
	1447000.00	1067000.00

Note

Ekstraordinære inntekter og kostnader

<u>Sum</u>	<u>Beløp</u>
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Note

2

Varige driftsmidler og immaterielle eiendeler

<u>Balanseført verdi 31.12.</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
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Anskaffelseskost - balanseførte lånekostnader, egentilvirkede anleggsmidler

Goodwill spesifisert for hvert enkelt virksomhetskjøp

Avskrivningsplan for goodwill som er lenger enn fem år - begrunnelse

Mer om varige driftsmidler/immaterielle eiendeler

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

<u>Samlet beløp - tilknyttet selskap</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - felles kontrollert virksomhet</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Pantstillelse</u>	<u>Beløp</u>
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Note

2

Fordringer

Fordringer som forfaller senere enn ett år etter regnskapsårets slutt
1352361000.00

Mer om fordringer

Note

2

<u>Beholdning av egne aksjer</u>	<u>Antall</u>	<u>Pålydende</u>	<u>Andel av aksjek.</u>
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Erverv

Endringer i beholdning av aksjer i løpet av regnskapsåret

Avhendelse

Endringer i beholdning av aksjer i løpet av regnskapsåret

Samvirkeforetak

Vedtektsbestemmelser/årsmøtevedtak/forslag til vedtak om medlemskapskonti

Mer om aksjer



GRENKE BANK AG
Baden-Baden

Annual financial statements,
management report and
auditor's report
for the financial year from January 1, 2022 to
December 31, 2022







GRENKE BANK AG
Baden-Baden

Annual financial statements,
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December 31, 2022

BDO





GRENKE BANK AG, Baden-Baden Balance sheet as of December 31, 2022

Assets

	€	€	Previous year €k
1. Cash reserves			
a) Cash in hand	0.00		0
b) Balances with central banks of which € 246,614,280.39 (previous year: € 581,252k) held at Deutsche Bundesbank	246,614,280.39	246,614,280.39	581,251
2. Receivables from banks			
a) Due on demand	47,336,483.33		22,518
b) Other receivables	<u>132,926.40</u>	47,469,409.73	0
3. Receivables from customers of which € 0.00 (previous year: € 0k) secured by mortgages € 0.00 (previous year: € 0k) in municipal loans		1,352,361,281.94	1,388,712
4. Investments of which € 0.00 (previous year: € 0k) in banks € 0.00 (previous year: € 0k) in financial services institutions		50.00	0
5. Trust assets - of which € 39,631,970.77 (previous year: € 43,981k) in trust loans		39,631,970.77	43,981
6. Lease assets		19,259,896.93	14,666
7. Intangible fixed assets: b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses in such rights and assets		135,158.16	479
8. Property, plant and equipment		310,117.59	296
9. Other assets		10,053,593.16	7,829
10. Prepaid expenses		265,770.89	784
Total assets		<u>1,716,101,529.56</u>	<u>2,060,516</u>

GRENKE BANK AG
Neuer Markt 2
76532 Baden-Baden

Helge Kramer Dr. Oliver Recklies






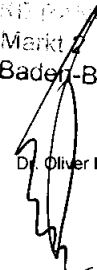
GRENKE BANK AG, Baden-Baden Balance sheet as of December 31, 2022

	€	€	Previous year €k
1. Liabilities to banks			
a) due on demand	180,691.37		4,101
b) with agreed term or period of notice	<u>78,329,403.21</u>	78,510,094.58	138,026
2. Liabilities to customers			
Other liabilities			
a) due on demand	251,548,178.77		363,720
b) with agreed term or period of notice	<u>984,444,156.42</u>	1,235,992,335.19	1,126,210
3. Trust liabilities		39,631,970.77	43,981
of which: Trust loans € 39,631,970.77 (previous year: € 43,981k)			
4. Other liabilities		12,382,066.68	40,900
5. Deferred income		2,659,594.24	2,096
6. Provisions			
a) Provisions for pensions and similar obligations	1,612,955.00		1,534
b) Tax provisions	128,665.85		0
c) Other provisions	<u>15,183,847.25</u>	16,925,468.10	4,498
7. Instruments qualifying as Additional Tier 1 regulatory capital		50,000,000.00	50,000
8. Equity			
a) Subscribed capital	10,000,000.00		10,000
b) Capital reserve	269,000,000.00		269,000
c) Retained earnings			
ca) Legal reserve	1,000,000.00		1,000
cd) Other retained earnings	0.00		5,450
d) Unappropriated profit/loss	<u>0.00</u>	280,000,000.00	0
Total equity and liabilities		<u>1,716,101,529.56</u>	<u>2,060,516</u>

	€	Previous year T€
1. Contingent liabilities		
Liabilities from guarantees and from indemnity agreements	212,463.82	215
2. Other obligations		
Irrevocable loan commitments	6,392,195.13	6,892

GRENKE BANK AG
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Helge Kramer


Dr. Oliver Recklies





GRENKE BANK AG, Baden-Baden Income statement for the period from 1 January 2022 to December 31, 2022

	EUR	EUR	EUR	Previous year EUR
1. Interest income from				
Lending and money market transactions		49,080,602.42		58,291
2. Negative interest from				
Lending and money market transactions		1,551,493.80		3,225
3. Interest expenses		11,398,495.86		14,742
4. Positive interest on deposits		<u>48,195.03</u>	36,178,807.79	0
5. Leasing income		9,204,589.56		7,825
6. Leasing expenses		<u>1,040,032.00</u>	8,164,557.56	1,417
7. Current income from investments			0.00	0
8. Commission income		3,118,692.60		3,279
9. Commission expenses		<u>3,683,110.53</u>	-564,417.93	2,727
10. Other operating income			2,493,459.23	23,229
11. General administrative expenses				
a) Staff costs				
aa) Wages and salaries	7,081,424.99			5,267
ab) Social security contributions and expenses for pensions and other employee benefits	1,446,778.71	8,528,203.70		1,067
of which: for pensions € 315,728.50 (previous year: € 165k)				
b) Other administrative expenses		<u>13,878,684.21</u>	22,406,887.91	12,151
12. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
a) on leased assets		4,752,085.56		4,122
b) on intangible assets and property, plant and equipment		<u>309,634.97</u>	5,061,720.53	412
13. Other operating expenses			11,735,358.32	433
14. Write-downs and valuation allowances on receivables and certain securities as well as additions to provisions for loan losses			12,366,735.89	17,166
15. Depreciation, amortisation and impairment of investments, interests in affiliated companies and securities treated as fixed assets			0.00	3,225
16. Result from ordinary activities			-5,298,296.00	26,669
17. Extraordinary income		0.00		0
18. Extraordinary expenses		<u>0.00</u>		0
19. Extraordinary result		0.00	0.00	0
20. Taxes on income and earnings		133,185.85		0
21. Other taxes not included in item 13		<u>0.00</u>	133,185.85	0
22. Income from loss transfer			0.00	0
23. Profits transferred under a profit pooling, profit and loss transfer agreement or partial profit and loss transfer agreement			18,629.23	26,669
24. Net profit/loss for the year			-5,450,111.08	0
25. Withdrawals from retained earnings				
a) from the legal reserve		0.00		0
b) from other retained earnings		<u>5,450,111.08</u>	5,450,111.08	0
26. Allocations to retained earnings				
a) to the legal reserve		0.00		0
b) to other retained earnings		<u>0.00</u>	0.00	0
27. Unappropriated profits	Helge Kramer		0.00	0

GRENKE
Neuer Markt 2
76532 Baden-Baden

Dr. Oliver Recklies





GRENKE BANK AG, Baden-Baden

Notes to the financial statements for the 2022 financial year

I. General information

These annual financial statements were prepared in accordance with Sections 340 ff. of the German Commercial Code (HGB), the provisions of the German Stock Corporation Act (AktG), and the Ordinance on Accounting for Banks and Financial Services Institutions (RechKredV). The regulations for large corporations apply. The annual financial statements consist of the annual balance sheet, the income statement and the notes to the financial statements. In addition, a report on the situation of the company was prepared in accordance with Section 289 HGB in conjunction with Section 340a HGB. GRENKE BANK AG, Baden-Baden, is registered with the District Court of Mannheim in the Commercial Register, Department B, under number 710100.

Pursuant to Section 265 (5) sentence 2 HGB, the classification scheme according to the RechKredV was expanded to include the balance sheet items "lease assets" and "instruments qualifying as Additional Tier 1 regulatory capital", as well as the income statement items "negative interest on lending and money market transactions", "positive interest on deposits" and "leasing income" and "leasing expenses".

Accounting and valuation methods

The accounting and valuation methods described below were used to prepare the annual financial statements.

Cash reserves are recognised at their nominal value.

Receivables from banks and **receivables from customers** are reported at the lower of nominal value or acquisition cost plus accrued interest. Specific valuation allowances, as well as lump-sum valuation allowances for acute risks and lump-sum valuation allowances for pending risks, are deducted from receivables from customers on the assets side.

Receivables from customers resulting from the purchase of lease receivables within the Consolidated Group (purchase of receivables) are reported less the pro rata purchase price discount.

In the case of defaults on loan receivables, specific valuation allowances are recognised. A default has occurred once the borrower has failed to make the contractual interest and/or redemption payments on time, and the deadline for the second reminder has passed without settlement. Depending on the product, deferred interest is capitalised as a receivable and recognised as interest income. Collateral in the form of pledged company shares was generally not taken into account due to a lack of objective market value.



On December 13, 2019, the Banking Committee (BFA) of the German Institute of Public Auditors (IDW) adopted the "IDW Statement on Accounting: Risk provisioning for foreseeable, not yet individually specified counterparty risks in the lending business of credit institutions (lump-sum loan loss provisions)" (IDW Circular BFA 7). The new standard is mandatory for the first time for financial years beginning after December 31, 2021. The Bank however has voluntarily undertaken early application starting with the 2020 financial year.

The lump-sum loan loss provision is recognised on the basis of the values determined from IFRS 9 Level 1 and Level 2 without deducting the credit-rating premiums received.

Investments are capitalised at acquisition cost plus incidental acquisition costs. If an impairment exists that is expected to be permanent, the valuation is reduced to the lower fair value.

Lease assets, intangible assets and property, plant and equipment are recognised at cost and, if subject to wear and tear, are reduced using straight-line depreciation and amortisation. Low-value assets up to a net individual value of EUR 410.00 are written off in full and recognised as an expense in the year of acquisition; their immediate disposal was assumed.

Trust assets and trust liabilities are reported at nominal value.

Other assets are stated at the lower of nominal or fair value.

Prepaid expenses are expenses incurred prior to the reporting date and represent expenses for a certain period after that date.

Liabilities are recognised at the settlement amount.

Provisions for pensions and similar obligations are calculated according to the present value method on the basis of actuarial principles using the "2018 G mortality tables" and recognised at the amount of the obligation permitted under commercial law. Discounting is conducted in accordance with Section 253 (2) HGB. A flat rate is used that is equal to the average market interest rate of the last 10 years with a residual term of 15 years with 1.78 percent (previous year: 1.87 percent) in accordance with the German Regulation on the Discounting of Provisions of November 18, 2009. Expected pension increases are taken into account at 2.10 percent (previous year: 1.70 percent).

Other provisions take into account all uncertain liabilities, identifiable risks and contingent losses from pending transactions. They are recognised at the settlement amount required according to prudent business judgement. Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years that corresponds to their residual term.

For the general interest rate risk within the framework of the loss-free valuation of the banking book, a provision is recognised according to the present value method when the present value of the entire interest book is less than the carrying amount of the interest book and, thereby, there are net unrealised losses in the interest book. The discounted future cash flows expected from the contract portfolio from the interest book are compared to the carrying amount of the interest-bearing assets and liabilities. In addition, any risk costs incurred must be taken into account.



Negative interest is shown as a separate item on the income statement.

Positive interest on deposits is shown in a separate item on the income statement.

The expense from disposals of lease assets of EUR 1,040k (previous year: EUR 1,417k) is reported in lease expenses as in the previous year and not under depreciation of lease assets.

Derivative financial instruments are measured at fair value using recognised methods based on swap rates as of December 31, 2022.

In cases where receivables (underlying transactions) are combined to offset opposing changes in value from the occurrence of comparable risks from forward exchange transactions (valuation unit), the general valuation principles do not apply to the extent and for the period in which the opposing changes in value offset each other in accordance with Section 254 HGB. The balance sheet is presented in accordance with the net hedge presentation method.

Assets and liabilities denominated in foreign currencies are translated at the mean spot exchange rate on the reporting date in accordance with Sections 340h and 256a HGB. If the remaining term is more than one year, the realisation principle (Section 252 [1] no. 4 half-sentence 2 HGB) and the acquisition cost principle (Section 253 [1] sentence 1 HGB) are observed.

II. Notes to the balance sheet

Receivables and other assets

Balances with central banks are due on demand and solely include credit balances with Deutsche Bundesbank. Of this amount, EUR 0.5 million (previous year: EUR 1.5 million) is pledged as collateral to a development bank due to the accreditation of the promotional lending business. With the discontinuation of the promotional lending business, the provision of collateral for a development bank also ended.

Receivables from banks are divided into receivables **due on demand** in the amount of EUR 47,336k and **other receivables** with the following residual terms:

Other receivables from banks with residual terms of	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
a) Up to three months	17	0
b) Between three months and one year	48	0
c) Between one year and five years	68	0
d) More than five years	0	0



Receivables from customers are broken down by residual terms as follows:

Receivables from customers with residual terms	Dec. 31, 2022	Dec. 31, 2021
	EURk	EURk
a) Up to three months*	218,566	192,784
b) Between three months and one year	369,368	406,058
c) Between one year and five years	757,819	784,241
c) More than five years	6,608	5,629
	4,075	5,576

* Of which receivables from customers with an indefinite term

Receivables from customers include primarily purchased lease receivables of EUR 1,145,980k (previous year: EUR 1,187,163k). This item includes amounts including accrued interest of EUR 48,728k (previous year: EUR 45,642k) due from affiliated companies and EUR 1,650k (previous year: EUR 1,800k) due from investments. Furthermore, subordinated loans in the amount of EUR 1,200k (previous year: EUR 1,200k) are included. In the 2022 financial statements, the pro rata temporis purchase price discount of EUR 40.8 million (previous year: EUR 37.0 million) is deducted from the purchased lease receivables.

Other assets mainly include receivables from payment clearing accounts amounting to EUR 8,610k (previous year: EUR 4,974k) and from VAT clearing amounting to EUR 442k (previous year: EUR 2,334k). Also included are EUR 333k (previous year: EUR 0k) in receivables from affiliated companies.

Development of fixed assets

	Acquisition/ manufacturing costs				Depreciation/ amortisation Accumulated	Carrying amounts		Depreciation/ amortisation Financial year	Write- ups Financial year
	Jan 1, 2022	Additions	Disposals	Re- classifications		Dec 31, 2022	Dec 31, 2021		
	EURk	EURk	EURk	EURk	EURk	EURk	EURk	EURk	EURk
Lease assets	25,288	10,386	5,093	0	11,320	19,260	14,666	4,752	0
Intangible assets	1,541	38	203	0	1,241	135	479	178	0
Property, plant and equipment (incl. low-value assets)	1,096	146	1	0	931	310	296	131	0
Investments	3,225	0	0	0	3,225	0	0	0	0
Total	31,150	10,569	5,297	0	16,717	19,705	15,441	5,061	0

Property, plant and equipment are used entirely within the scope of the company's own business activities.



Investments

In 2016, GRENKE BANK AG acquired a 15 percent interest in the capital of Finanzchef24 GmbH, headquartered in Munich, Germany. The acquisition cost amounted to EUR 3,000k. The share in the capital was reduced to 13.71 percent within the scope of a capital increase in 2021. The carrying amount of EUR 3,225k (previous year: EUR 3,225k) was already fully written down in 2021 due to a permanent impairment and, as a result, the investment is not reported on the balance sheet. The equity of Finanzchef24 GmbH amounted to EUR -1,880k as of December 31, 2021 (previous year: EUR -1,637k), and the net loss for the year amounted to EUR 2,747k in 2021 (previous year: EUR 1,393k). This investment is not listed on the stock exchange.

Trust business

Trust assets and liabilities consist of the following:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
Trust assets		
Trust loans	39,632	43,981
Trust liabilities		
Trust loans	39,632	43,981

Trust loans are fast-track loans for companies sponsored by the Kreditanstalt für Wiederaufbau (KfW) in the wake of the corona pandemic, which are provided with a 100 percent release from liability, so that the corresponding disclosure is also made under trust liabilities.

Prepaid expenses

GRENKE BANK AG has concluded guarantee agreements with GRENKE FINANCE PLC and GRENKE AG to hedge the counterparty default risk of the purchased German, Irish, Spanish and Portuguese lease receivables. As part of the hedging of purchased lease receivables, the premium paid in advance is reported under prepaid expenses. As of the reporting date, an amount of EUR 6k (previous year: EUR 341k) related to premiums paid to hedge lease receivables. The reduction can be attributed to the decrease in guaranteed lease receivables. Since the second quarter of 2018, all lease receivables have been purchased without a guarantee model.



Liabilities

The following balance sheet items are broken down by residual terms as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
Liabilities to banks with agreed maturities or notice periods		
Residual terms of		
a) Up to three months	22,160	24,826
b) Between three months and one year	30,687	48,579
c) Between one year and five years	24,753	63,554
d) More than five years	729	1,067

Liabilities to banks consist of global loans from NRW.BANK, Düsseldorf; Thüringer Aufbaubank, Erfurt; and KfW, Frankfurt am Main; in an amount totalling EUR 60,895k (previous year: EUR 117,918k). The loans have an original term of three or four years and are repaid regularly. Refinancing from KfW and L-Bank also existed for business start-up financing and amounted to EUR 17,372k (previous year: EUR 20,108k).

Liabilities to customers with agreed maturities or notice periods

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
a) Up to three months	166,872	150,095
b) Between three months and one year	488,777	430,996
c) Between one year and five years	316,278	538,086
d) More than five years	12,517	7,033

Liabilities to customers consist of customer deposits due on demand in the amount of EUR 251,548k (previous year: EUR 363,720k) and customer time deposits in the amount of EUR 984,444k (previous year: EUR 1,126,210k). The line item "liabilities to customers" includes amounts of accrued interest of EUR 85,308k (previous year: EUR 77,956k) to affiliated companies and EUR 0k (previous year: EUR 3k) to investments.

Other liabilities consist primarily of the following items:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
From valuation units (forward exchange transaction accounts)	4,694	4,104
To third parties	4,418	6,121
To affiliated companies	2,938	30,266
To tax authorities	332	409

Other liabilities to affiliated companies contain interest in the amount of EUR 2,771k (previous year: EUR 2,771k) and other intergroup clearing accounts in the amount of EUR 166k (previous year: EUR 826k). Also included in the previous year was a profit transfer in the amount of EUR 26,669k.



Deferred income

Deferred income of EUR 2,660k (previous year: EUR 2,096k) includes lease instalments already received and commission income from our Norwegian branch, which will not be recognised in income until 2023.

Provisions

Pension provisions are discounted at the average market interest rate from the past ten financial years. The amount of the provision as of December 31, 2022, discounted at the average market interest rate of the past seven financial years, exceeds the reported amount by EUR 66k (previous year: EUR 98k). This difference is subject to a distribution ban in accordance with Section 253 (6) HGB.

Other provisions break down as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
Risks from trust transactions	11,318	0
Legal and consulting fees	1,128	990
Annual financial statement and audit costs	768	1,037
Commissions for lease contracts	744	523
Deposit guarantee	250	440
Provisions for contingent losses	234	694
Other	231	207
	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	EURk	EURk
Outstanding invoices	230	535
Supervisory Board remuneration	206	0
Archiving costs	75	73
Total	15,184	4,498

The increase in other provisions resulted mainly from the increase in provisions for risks from the incorrect processing of trust transactions.

The business activities of GRENKE BANK AG do not generally allow for the direct allocation of individual asset- and liability-related interest rate financial instruments to each other. Irrespective of this, due to the objective of the transactions (generating a margin from the interest business), there is an economic connection between these transactions recognised by law (known as a refinancing connection). For all financial instruments in the interest book, the principle of imparity under commercial law is taken into account by recognising a provision for any excess liability arising from the valuation of the entire interest book in accordance with Section 340a in conjunction with Section 249 (1) sentence 1, 2nd alternative HGB. The Bank uses the present value method to determine the provision for contingent losses. The recognition of a provision for contingent losses in accordance with Section 249 (1) sentence 1 HGB for the general interest rate risk within the framework of the loss-free valuation of the bank book (see IDW RS BFA 3) is not necessary due to the positive net present value of the interest book as of December 31, 2022.



Instruments qualifying as Additional Tier 1 regulatory capital

On July 22, 2015, GRENKE BANK AG issued an unsecured, subordinated hybrid bond (non-cumulative, perpetual Additional Tier 1, known as an AT1 bond or hybrid capital) with a minimum volume of EUR 30,000k and an initial interest coupon of 8.25 percent. The interest payments for this bond are based on its nominal amount and fixed for the period starting with the issue date to the first possible early repayment date. Thereafter, the interest rate is reset for a period of five years each time. Interest payments may be waived in whole or in part and are not cumulative. Interest payments in subsequent years will not be increased to compensate for any omitted interest payments occurring in prior years. The bond has an indefinite maturity. It can be called by GRENKE BANK AG as of the first possible early maturity date. This date was March 31, 2021 for the first tranche of EUR 30 million and December 20, 2021 for the second tranche of EUR 20 million. With the first early repayment dates reached, both tranches can now be called annually as of March 31 of each year. The bond can also be called early under certain conditions. The bond is subject to the regulations set out in the bond terms and conditions that stipulate, among other things, that GRENKE BANK AG can only call the bond in full and not in part if certain regulatory or tax reasons exist. Any premature call requires the prior consent of the competent supervisory authority. This bond was increased by EUR 20,000k on December 20, 2016. The interest rate was adjusted to 7.33 percent for the next five years, effective March 31, 2021.

The redemption and nominal amount of the bond may be reduced if a triggering event occurs. Such a triggering event occurs when the Tier 1 capital ratio of GRENKE BANK AG or the GRENKE Group falls below 5.125 percent. The bond may also be written up when a triggering event exists under certain conditions.

Equity

The Bank's subscribed capital amounts to EUR 10,000,000.00 and is divided into 10,000,000 no-par value registered shares. Capital reserves amount to EUR 269,000k (previous year: EUR 269,000k). The withdrawals from other retained earnings amounting to EUR 5,450k were used in full to offset the net loss for the year.

Contingent liabilities

Contingent liabilities consist solely of guarantee commitments of EUR 212k (previous year: EUR 215k). The risk that the guarantees will be drawn down is currently not foreseeable due to the good credit rating of the contractual partners.



Other commitments

Additionally, irrevocable loan commitments amounted EUR 6,392k (previous year: EUR 6,892k).

Other financial obligations

Financial obligations from continuing obligations amounted to EUR 280k p.a. (previous year: EUR 126k p.a.) due to long-term tenancies. This resulted in a total of EUR 1,263k (previous year: EUR 336k) for the remaining terms of the individual obligations (up to 78 months).

Derivative financial instruments

Derivative financial instruments are concluded in the form of interest rate swaps and forward exchange transactions, insofar as a hedging transaction is required. Interest rate swaps are used exclusively to hedge interest rate risks, and forward exchange transactions are used exclusively to cover exchange rate fluctuations. Forward exchange transactions were concluded in the financial year. The following forward exchange transactions were held as of the reporting date:

A total of 263 transactions (previous year: 233) for a nominal amount of NOK 195,130k (previous year: NOK 149,170k) with a market value of EUR -234k (previous year: EUR -694k).

Provisions for contingent losses in the amount of EUR 234k (previous year: EUR 694k) were recognised for the negative market values.

Forward exchange transactions are concluded in Turkish lira, Croatian kuna and Hungarian forint to hedge currency risks.

The risk arising from the different changes in value (currency) of the underlying transactions (receivables from customers in Turkish lira, Croatian kuna and Hungarian forint) is managed using forward exchange contracts. For this purpose, GRENKE BANK AG combines an underlying transaction with a hedging instrument as a valuation unit (micro hedge), whereby a resulting coverage gap (net risk position) is hedged. As of December 31, 2022, the nominal volume of financing in Turkish lira, Croatian kuna and Hungarian forint amounted to EUR 39,061k (previous year: EUR 39,483k).

The valuation unit for the underlying transaction (loan) and hedging transaction (forward exchange transaction) is generally effective (currency-induced), as both transactions were concluded on the same day at the spot rate, and the assessment of effectiveness was based on the spot rate. Due to the effectiveness of the valuation unit, the provision for contingent losses for the forward exchange transaction (net hedge presentation method) and the write-up of the loan are not recognised. The maximum residual term of the financing in Turkish lira, Croatian kuna and Hungarian forint is one year.

There is a documented, appropriate and functional risk management system in place for these transactions.



Foreign currencies

Assets denominated in foreign currencies amounted to a total of EUR 43,394k (previous year: EUR 43,296k). These consisted primarily of foreign currency loans to affiliated companies in Turkish lira, Croatian kuna and Hungarian forint that are hedged by corresponding forward exchange transactions.

Liabilities in foreign currencies amounted to EUR 3,982k (previous year: EUR 2,895k) and relate exclusively to liabilities in Norwegian kroner.

III. Notes to the income statement

A breakdown of revenue by geographical markets is not provided, as the pricing is not country-specific and revenues therefore do not differ significantly with regard to geographical factors.

Interest income

Interest income includes mainly income from lease receivables in the amount of EUR 42,260k (previous year: EUR 50,897k). Currency effects from the formation of valuation units in the amount of EUR 3,744k (previous year: EUR 2,429k) were deducted from interest income. Interest income also includes interest income from affiliated companies in the amount of EUR -280k (previous year: EUR 556k).

Negative interest

Negative interest of EUR 1,551k (previous year: EUR 3,225k) was significantly lower due to its discontinuation by the Deutsche Bundesbank as of July 2022.

Interest expenses

Interest expenses consisted of interest on global and refinancing loans of EUR 302k (previous year: EUR 397k), interest on customer deposits of EUR 7,432k (previous year: EUR 10,568k) and interest on instruments qualifying as Additional Tier 1 regulatory capital of EUR 3,665k (previous year: EUR 3,777k).

Leasing expenses

Leasing expenses of EUR 1,040k (previous year: EUR 1,417k) resulted from the disposal of lease assets.



Other operating income

Other operating income of EUR 2,493k (previous year: EUR 23,229k) includes income from currency valuation of EUR 1,221k (previous year: other operating expenses of EUR -264k), which in turn includes reversals of provisions for contingent losses due to the change in market values for forward exchange transactions in Norwegian kroner amounting to EUR 459k (previous year: EUR 0k), income from the reversal of other provisions amounting to EUR 853k (previous year: EUR 530k), income from the refund of value added tax for previous years amounting to EUR 159k (previous year: EUR 120k) and income from the intragroup reimbursement of staff costs of EUR 27k (previous year: EUR 117k). The previous year's figure also included the gain from the sale of the stake in viafintech GmbH in the amount of EUR 22,289k.

General administrative expenses

General administrative expenses consisted of staff costs in the amount of EUR 8,528k (previous year: EUR 6,333k) and other administrative expenses of EUR 13,879k (previous year: EUR 12,151k). The development of costs was significantly influenced by the special audit and associated measures and was in line with the Bank's planned development.

Other operating expenses

Other operating expenses of EUR 11,735k (previous year: EUR 433k) included mainly extraordinary allocations to other provisions of EUR 11,318k (previous year: EUR 0k) for risks from the incorrect processing of trust transactions. Also included are expenses from the disposal of intangible assets in the amount of EUR 203k (previous year: EUR 0k) and non-deductible expenses from foreign branches amounting to EUR 150k (previous year: EUR 99k). In addition, other operating expenses included discounting for provisions in the amount of EUR 28k (previous year: EUR 34k).

Write-downs and valuation allowances on receivables and certain securities as well as additions to provisions for loan losses

Write-downs and valuation allowances on receivables and certain securities as well as additions to provisions for loan losses were as follows:

	As of Jan. 1, 2022	Utilisation	Releases	Additions	Currency effects	As of Dec. 31, 2022
	EURk	EURk	EURk	EURk	EURk	EURk
Specific valuation allowances	11,129	141	582	5,766	0	16,172
Lump-sum specific valuation allowances	9,373	2,158	4,384	3,884	-18	6,697
<i>Of which purchased lease receivables</i>	<i>4,071</i>	<i>2,158</i>	<i>305</i>	<i>1,208</i>	<i>0</i>	<i>2,816</i>

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	As of Jan. 1, 2022	Utilisation	Releases	Additions	Currency effects	As of Dec. 31, 2022
	EURk	EURk	EURk	EURk	EURk	EURk
<i>SME and promotional loans</i>	2,600	0	2,600	2,470	0	2,470
Total specific valuation allowances	20,502	2,299	4,966	9,650	-18	22,869
Lump-sum valuation allowances	16,241	0	937	1,990	0	17,294
<i>Of which purchased lease receivables</i>	<i>14,609</i>	<i>0</i>	<i>0</i>	<i>1,990</i>	<i>0</i>	<i>16,599</i>
Total lump-sum valuation allowances	16,241	0	937	1,990	0	17,294
Loan loss provisions	10	0	10	0	0	0

The increase in specific loan loss provisions was primarily a result of the additions to specific loan loss provisions for the SME lending business at own risk (EUR 5.1 million).

The decrease in specific lump-sum valuation allowances was mainly due to the reversal of specific lump-sum valuation allowances for deferred receivables (EUR 1,408k).

The increase in the lump-sum valuation allowances results from the changes in purchased lease receivables.

In addition, immediate write-offs are made, particularly for purchased lease receivables.

Taxes on income and earnings

Since April 1, 2009, a corporate and trade tax group has been in place with GRENKE AG, Baden-Baden.

Taxes on income and earnings amounting to EUR 133k (previous year: EUR 0k) were related to our foreign branches.

Withdrawals from other retained earnings

In accordance with a resolution passed by the Board of Directors, with the approval of the Bank's Supervisory Board, other retained earnings will be released in full to offset the net loss for the year.



IV. Other information

Governing bodies

The members of the **Board of Directors** are:

Helge Kramer, graduate in business mathematics, Hattersheim am Main, Germany

Dr Oliver Recklies, graduate in business administration, Rüsselsheim am Main, Germany

The members of the Board of Directors do not hold any other mandates on supervisory boards or in other supervisory bodies.

The members of the Bank's **Supervisory Board** are listed below:

Dr Ljiljana Mitic (Chair), independent management consultant, Munich, Germany
(Chair since January 4, 2023, previously held position as Deputy Chair)

Jens Rönnberg (Deputy Chair), independent auditor/tax consultant, Mainz, Germany
(Chair until January 4, 2023)

Moritz Grenke, graduate statistician, Baden-Baden, Germany

Dr Martin Paal, graduate in business administration, Oberursel (Taunus), Germany (since January 1, 2023)

Isabel Rösler, graduate in business administration, Stuttgart, Germany (until December 31, 2022)

The Supervisory Board has formed an audit committee.

Dr Ljiljana Mitic is Managing Director of Venture Value Partners GmbH, Munich, a member of the Supervisory Board of GRENKE AG, Baden-Baden, and a non-executive director of Computacenter plc, Hatfield, United Kingdom.

Jens Rönnberg is Managing Director of Roennberg UG, Mainz, and Deputy Chair of the Supervisory Board of GRENKE AG, Baden-Baden.

Moritz Grenke is Managing Director of GRENKE-Stiftung Verwaltungs GmbH, Baden-Baden.

Isabel Rösler is a member of the Board of Directors of GRENKE AG, Baden-Baden, Deputy Chair of the Supervisory Board of GRENKE Service AG, Baden-Baden, and Managing Partner of iconel GmbH, Stuttgart.

Total remuneration of the members of governing bodies

The Bank makes use of the protective clause pursuant to Section 286 (4) HGB with regard to the disclosure of the Board of Directors' remuneration as well as of former members of governing bodies pursuant to Section 285 no. 9a and 9b HGB.

The Supervisory Board received remuneration of EUR 196k (previous year: EUR 58k) for the past 2022 financial year.



Advances and loans to members of governing bodies

Loans to members of the Board of Directors amounted to EUR 1k (previous year: EUR 1k).

These loans are related to the non-interest-bearing provision of credit cards with a credit card limit totalling EUR 3k (previous year: EUR 3k).

Loans to members of the Supervisory Board amounted to EUR 0k (previous year: EUR 0k).

These loans are related to non-interest-bearing provision of credit cards with a credit card limit totalling EUR 0k (previous year: EUR 25k).

Transactions with related parties

In the course of its ordinary business activities, GRENKE BANK AG offers services to related parties in key positions and their close family members, as well as to related companies that are controlled or jointly managed by these persons. As of the reporting date, the Bank had received deposits of EUR 7,648k (previous year: EUR 17,709k) from persons in key positions and their close family members and related companies. The related interest expense amounted to EUR 25k (previous year: EUR 48k). As of the reporting date, credit card accounts to related persons in key positions that were not yet settled showed a balance of EUR 8k (previous year: EUR 36k) with a credit card limit of EUR 103k (previous year: EUR 314k). No further loans were extended to this group of persons during the reporting period.

Liabilities to associated companies result from the Bank's deposit business. As of the December 31, 2022 reporting date, the Bank had received deposits of EUR 12k (previous year: EUR 1,438k) from associated companies. Interest expenses arose in the amount of EUR 0k (previous year: EUR 0k). There were no longer any receivables from loans (previous year: none) and no interest income (previous year: EUR 46k).

Receivables from loans granted in connection with the refinancing of GRENKE AG franchise companies amounted to EUR 6,300k (previous year: EUR 3,790k); interest income amounted to EUR 117k (previous year: EUR 65k). Liabilities in the amount of EUR 623k (previous year: EUR 358k) and receivables of EUR 654k (previous year: EUR 124k) resulted from accounts payable on demand. The related income from commissions and interest equalled EUR 87k (previous year: EUR 93k).

Receivables from related parties in accordance with IAS 24.10 from current account credit balances due on demand amounted to EUR 802k (previous year: EUR 793k). Interest income totalled EUR 31k (previous year: EUR 31k).

GRENKE BANK AG had a right of first refusal with the shareholders of the sales agency in Norway that GRENKE BANK AG works with, which granted GRENKE BANK AG the right to acquire the shares on a specific date (February 28, 2022). This pre-emptive right was not exercised and therefore lapsed.

Employees

The average number of employees (excluding members of the Board of Directors) was 80 full-time employees (previous year: 60) and 21 part-time employees (previous year: 18).



Group affiliations

Since February 18, 2009, the Bank has been an entity of the GRENKE AG Group, Baden-Baden, which holds all shares in the Bank. The Bank's annual financial statements are included in the consolidated financial statements of GRENKE AG. The consolidated financial statements are published in the German Federal Gazette.

Auditor's fee

The information on the auditor's fee in accordance with Section 285 sentence 1 no. 17 HGB is provided in the consolidated financial statements of GRENKE AG, Baden-Baden.

Baden-Baden, March 9, 2023

GRENKE BANK AG

THE BOARD OF DIRECTORS

Helge Kramer

GRENKE BANK AG
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Management report

for the 2022 financial year

1. Business and economic environment

The macroeconomic environment in 2022 was characterised by numerous challenges. After a focus on the pandemic at the start of the reporting year, the outbreak of Russia's war of aggression against Ukraine in February 2022 increasingly placed the war and the economic consequences at centre stage. Negative factors for the economy, above all, were the shortage of energy sources and energy price increases. The Brent spot oil price, for example, temporarily reached values of over USD 120 per barrel in March and June 2022. This compares to a price per barrel of around USD 80 at the beginning of 2022. At the end of 2022, the oil price dropped again somewhat to USD 85 per barrel. Rising energy prices resulted in a marked increase in the rate of inflation in the eurozone, pushing it well above the 2 percent threshold that the ECB considers compatible with price stability. Inflation peaked at 10.6 percent in October 2022. In light of the progressive loss of purchasing power, in July 2022, the ECB began to raise the key interest rate in the course of four interest rate hikes. As a result, the key refinancing rate in the eurozone rose from 0 percent at the beginning of 2022 to 2.5 percent at the end of the year. The US Federal Reserve tightened monetary policy even more, raising key interest rates in the course of seven interest rate hikes from a range of 0 percent to 0.25 percent at the beginning of 2022 to a range of 4.25 percent to 4.5 percent at the end of 2022.

Supply bottlenecks also continued to occur in the first three quarters of the reporting year. In the fourth quarter, there was a noticeable ease in the shortage of industrial materials, as shown in a survey conducted by the German ifo Institut. The acute threat of the pandemic dissipated in 2022, despite a continued latent concern that the pandemic could flare up again and renewed lockdowns, such as in China, could slow down the global economy.

According to estimates of the International Monetary Fund (IMF), the global economy grew 3.4 percent in 2022. At 3.5 percent, growth in the euro area as a whole was higher than in the USA, which grew 2.0 percent. Great Britain was able to record relatively high growth of 4.1 percent.



Compared to the previous year, growth had weakened significantly, mainly due to the interest rate hikes of central banks and the war in Ukraine. Within the euro area, the southern countries Spain and Italy with growth of 5.2 percent and 3.9 percent, respectively, performed better than France with growth of 2.6 percent and Germany with 1.9 percent.

Amid this environment, GRENKE BANK AG recorded a decrease of 16.8 percent in total assets in 2022. The reduction in total assets was due primarily to the lower volume of liabilities to customers (-17.0 percent). The customer time deposits included in this amount (-12.6 percent) accounted for a smaller share. This development had a particular impact on the liquidity reserve (-51.3 percent) held at the Deutsche Bundesbank and other correspondent banks. The purchase of intra-group lease receivables stagnated, so that the corresponding receivables portfolio fell slightly below the previous year's level (-3.6 percent).

The Bank's result from ordinary activities shows a net loss for the year, in particular, due to the recognition of provisions for the trust loan business.

GRENKE BANK AG is an integral part of the GRENKE Group and acts as a significant source of refinancing for the GRENKE Group. GRENKE BANK AG is also involved in the processing of the GRENKE Group's payment transactions. As a specialist financing partner, GRENKE BANK AG offered short- and medium-term financing products exclusively for SMEs in the form of microcredit loan financing during the reporting year. In 2021, GRENKE BANK AG was again awarded the sole contract for the German government's microcredit fund under the auspices of the German Federal Ministry of Labour and Social Affairs for a further three years and has been offering the product on the market again since September 2021. After the launch of the programme in 2015 and the extension three years later, GRENKE BANK AG assumed the role of lender of government microcredits of up to EUR 25,000 for micro, small and medium-sized enterprises (SMEs) for the third time.

Another focal point of activity is the traditional deposit business, mainly for private customers and, to a lesser extent, for commercial customers. This business primarily serves the refinancing of purchased lease receivables as well as the processing of the Bank's own SME lending business. Serving as a financial performance indicator is the change in the portfolio of receivables from customers (EUR -36,350k), and particularly the change in the portfolio of intragroup purchases of receivables (EUR -49,848k), together with corresponding refinancing through customer deposits (EUR -253,938k) and global loan partnerships with development banks (EUR -63,617k). Other financial performance indicators include the net profit for the year and the cost-income ratio (CIR) as a ratio of staff costs and other administrative expenses to gross profit (before risk result and other operating income/expenses). The CIR was 58 percent in 2022 (previous year: 44 percent) and is expected to be below 50 percent in the medium term.

A gender-specific quota at the first management level of GRENKE Bank was defined as a non-financial performance indicator. With regard to the equal participation of women and men in management positions, we were able to achieve our target of 30 percent for both genders in the first management level in 2021 and 2022.

Total assets decreased as planned to EUR 1,704.3 million (planned: EUR 1,721.9 million), particularly as a result of a significant reduction in customer deposits. The result from ordinary activities of EUR -5.3 million (planned: EUR 4.1 million) did not meet expectations due solely to the recognition of an extraordinary provision of EUR 11.3 million.



GRENKE BANK AG's customer deposits fulfil an important refinancing function for the GRENKE Group. The management of new deposit business is therefore largely based on the GRENKE Group's refinancing requirements and the planned and realised receivables purchase volumes, which are coordinated at the Group level. Therefore, the development of average interest rates is important for other refinancing sources, as is the general development of conditions for deposits of private and commercial customers in the banking sector. During the past financial year, the development of the general level of interest rates also affected conditions in the deposit business. The effects of the interest rate increases however are not yet visible in the current income statement, as there were no higher-interest time deposits made until the final quarter of 2022. GRENKE BANK AG continues to benefit from the generally high demand for safe investments. GRENKE BANK AG's deposit business is considered such a safe investment as a result of the statutory deposit protection and the security provided by the deposit protection fund in Germany within the scope of statutes. The maximum amount of deposit protection per customer of GRENKE BANK AG is not relevant due to the high level of diversification and low deposit volume per customer. In 2022, the deposit volume decreased 17.0 percent to EUR 1,235,992k.

GRENKE BANK AG was able to further expand its small-scale lending business in terms of its loan portfolio in the area of microcredit loan financing in 2022. GRENKE BANK AG handles the processing and refinancing of microcredit loans on behalf of the Federal Republic of Germany without taking on any default risk and receives an appropriate interest margin in return. As of December 31, 2022, the loan value for this product amounted to EUR 94,365k (previous year: EUR 76,109k) and was distributed across 8,052 existing loans (previous year: 6,693). Active sales of business start-up loans outside of the microcredit loan area was discontinued in the course of 2019. The Bank continues to service the remaining portfolio.

Furthermore, prior to 2021, GRENKE BANK AG extended credit lines and particularly smaller operating and investment loans to SME customers in Germany in view of its SME focus at the time. The Bank's new business activity in these credit products however was significantly reduced as of the second quarter of 2020 due to the corona pandemic and entirely discontinued as of mid-2021. The loan value of this loan portfolio amounted to EUR 16,226k as of December 31, 2022 (previous year: EUR 32,893k). Current account loans and refinancing funds for the lease and factoring businesses were made available to GRENKE Group companies, with GRENKE AG customarily providing a guarantee as collateral. As of December 31, 2022, the utilisation amounted to EUR 46,051k (previous year: EUR 43,397k).

As planned, the total volume of purchased German and European lease receivables decreased slightly to EUR 1,142.3 million (previous year: EUR 1,185.0 million) as of the reporting date. The lease receivables not guaranteed by a Group company were recognised as of the reporting date at a total volume of EUR 1,142.1 million (previous year EUR 1,177.9 million). Lease receivables continue to be purchased at risk-adjusted prices.

A cooperation exists between NRW.BANK, Düsseldorf, and GRENKE AG and GRENKE BANK AG. Through this cooperation, small and medium-sized enterprises and self-employed professionals in North Rhine-Westphalia can take advantage of promotional funds when they finance new business purchases through leasing. In 2022, a new contract for a volume of EUR 20 million was concluded, of which EUR 10 million has already been utilised. As a result, four global loan tranches totalling EUR 23,125k (previous year: EUR 30,625k) with NRW.BANK in Düsseldorf were outstanding as of December 31, 2022.



At the end of 2022, 6,792 (previous year 9,752) lease contracts from these promotional programmes were in place. The refinancing of the lease contracts, which are exclusively available for investment projects in North Rhine-Westphalia by commercial enterprises and self-employed professionals with annual sales of up to EUR 500 million, is carried out through the purchase of receivables by GRENKE BANK AG.

We also cooperate with the Kreditanstalt für Wiederaufbau (KfW) in Frankfurt am Main, with which we have concluded three global loan agreements that also involve our parent company, GRENKE AG. This cooperation enables small and medium-sized enterprises throughout Germany to take advantage of development funds when they finance new business acquisitions through leasing. GRENKE BANK AG also handles the processing via the purchase of receivables. As of December 31, 2022, seven global loan tranches amounted to EUR 36,740k (previous year: EUR 84,633k). As of the end of 2022, a total of 21,067 leases (previous year: 31,076) with funding from KfW in Frankfurt am Main were in place and amounted to EUR 114,963k (previous year: EUR 212,454k).

In addition, there are two global loan tranches with Thüringer Aufbaubank (TAB) in Erfurt, originally amounting to EUR 5.0 million and valued at EUR 1,029k (previous year: EUR 2,206k) as of December 31, 2022. At the end of 2022, a total of 676 lease contracts from this programme (previous year: 954) were in place and amounted to EUR 2,933k (previous year: EUR 5,491k). The global loan with Investitionsbank des Landes Brandenburg (ILB) in Potsdam was repaid as scheduled.

The cooperation with NRW.BANK in Düsseldorf resumed in 2022 with the conclusion of a new global loan. The cooperation with the other development banks mentioned above was resumed through bilateral talks in 2022 and is expected to lead to joint agreements in 2023.

GRENKE BANK AG has a branch in Lysaker, Norway, that operates the leasing business in Norway. The Bank acts as the lessor for the GRENKE Group and uses its EU passport for this purpose. Since the start of business activities in Norway, 4,320 lease contracts (previous year: 2,860) have been concluded, with commitments of EUR 19,260k (carrying amount of lease assets) as of the reporting date (previous year: EUR 14,666k). After stagnating in 2021 due to the COVID-19 pandemic, the leasing business of the Norway branch grew significantly again in 2022. The average net acquisition value of newly concluded lease contracts equalled EUR 7k (previous year: EUR 10k) and was thereby in the range of the GRENKE Group's "small-ticket leasing".

Since 2017, GRENKE BANK AG has had a branch office in Milan, Italy, from which it offers factoring services in Italy. By the end of 2022, a total of 229 factoring agreements (previous year: 202) had been concluded, and purchased receivables amounted to EUR 15,969k at year-end (previous year: EUR 14,174k).

In the first half of 2019, GRENKE BANK AG established a branch in Portugal to offer factoring services. By the end of 2022, a total of 78 factoring framework agreements (previous year: 58) had been concluded, and purchased receivables were amounted to EUR 9,767k at year-end (previous year: EUR 7,180k). The branch in Portugal was able to significantly increase the number of new customers as well as the purchasing volume.



The Bank does not expect the current war between Russia and Ukraine to have any direct impact on the business development of GRENKE AG's lease purchases or on the factoring business. GRENKE AG has analysed the energy sensitivity of the customers in its existing portfolio relative to their dependence on Russian gas in the respective European countries affected. A significant reduction in new business in the Leasing segment is not foreseeable. GRENKE BANK AG's planning for 2023-2025 includes only just under one-third of the potential new business volume in each of the European countries refinanced by GRENKE BANK and therefore the economic effects of the war are not material for GRENKE BANK AG.

2. Results of operations

GRENKE BANK AG's result from ordinary activities amounted to EUR -5,298k in 2022 (previous year: EUR 26,669k).

The result is particularly affected by the recognition of provisions for risks from the trust loan business and the absence of the one-off effect of the previous year's income from the sale of an investment.

At the end of the 2022 financial year, net interest income amounted to EUR 36,179k (previous year: EUR 40,323k). Significant interest income of EUR 42,260k (previous year: EUR 50,897k) was generated from purchased lease receivables. This accounted for 86.0 percent of the Bank's total interest income of EUR 49,129k (previous year: EUR 58,291k) and thus continued to provide a stable foundation for the Bank's income. The factoring business contributed EUR 2,130k (previous year: EUR 1,295k) to interest income.

Leasing income from the leasing business in Norway increased to EUR 9,205k (previous year: EUR 7,825k). Commission income fell to EUR 3,119k (previous year: EUR 3,279k), particularly as a result of lower income from trust loans. Commission expenses of EUR 3,683k (previous year: EUR 2,727k) included EUR 1,677k (previous year: EUR 662k) in commissions for the brokering of lease contracts in Norway and EUR 649k (previous year: EUR 516k) in commissions for the brokering of factoring framework agreements in Italy and Portugal.

Staff costs in the past financial year amounted to EUR 8,528k (previous year: EUR 6,333k). The higher staff costs were related to the recruitment of new specialists, particularly to cope with increased administrative and supervisory tasks. Other administrative expenses in the financial year totalled EUR 13,879k (previous year: EUR 12,151k). The cost development was primarily related to the continued external support in processing the findings of the special audit and the associated adjustments and further development of business processes.

Depreciation/amortisation and impairment of intangible assets and property, plant and equipment amounted to EUR 310k (previous year: EUR 412k). Scheduled depreciation of leased assets amounted to EUR 4,752k (previous year: EUR 4,122k). Write-downs and valuation allowances on receivables and certain securities equalled EUR 12,367k (previous year: EUR 17,166k).



Other operating expenses largely include expenses from the addition to provisions for processing risks in trust transactions in the amount of EUR 11,318k (previous year: EUR 0k). Other expenses relate to the non-deductible value-added taxes of the foreign branches in the amount of EUR 151k (previous year: EUR 91k) and the compounding of non-current provisions in the amount of EUR 28k (previous year: EUR 34k).

Other operating income consists of the result from foreign currency gains and losses of EUR 1,221k (previous year: EUR -264k) arising from the settlement of forward exchange transactions concluded to hedge our foreign currency risks in connection with the Norwegian leasing business and the granting of intragroup foreign currency loans. This amount includes the reversal of provisions for contingent losses resulting from the change in the market value of forward exchange transactions in Norwegian kroner amounting to EUR 459k (previous year: EUR 0k). Also included are EUR 27k (previous year: EUR 116k) from the reimbursement of staff costs and VAT refunds of EUR 159k (previous year: EUR 120k). Other operating income additionally includes EUR 853k (previous year: EUR 530k) from the release of other provisions and EUR 68k (previous year: EUR 64k) from rental income in Norway and Portugal.

The result from ordinary activities was EUR -5,298k (previous year: EUR +26,669k). After taking into account the profit transfer of EUR 18k (previous year: EUR 26,669k), as well as the income taxes incurred in Norway of EUR 133k (previous year: EUR 0k), the net loss for the year amounted to EUR 5,450k (previous year: EUR 0k). This loss was offset by the entire release of other retained earnings amounting to EUR 5,450k, so that no unappropriated profit or loss is reported.

As a result, the return on capital in accordance with Section 26a (1) sentence 4 of the German Banking Act (ratio of net profit to total assets) amounted to -0.31 percent (previous year: 1.29 percent) before taxes.

At EUR -5,298k, instead of a planned net profit for the year of EUR 4,056k, the planning for 2022 adopted in December 2021 was not achieved, as the recognition of risk provisions for trust transactions in the amount of EUR 11,318k represented an extraordinary burden in the financial year. Excluding this one-time effect, the planned net profit for the year would have been significantly exceeded.

3. Financial position, net assets and liquidity

GRENKE BANK's total assets decreased by 16.8 percent to EUR 1,716,102k compared to December 31, 2021. This was due, in particular, to the decline in customer deposits and refinancing with public credit institutions. This was accompanied by a reduction in liquidity in the form of credit balances at Deutsche Bundesbank.

Receivables from banks as of the reporting date amounted to EUR 47,469k (previous year: EUR 22,518k), and credit balances at central banks totalled EUR 246,614k (previous year: EUR 581,252k). These funds are used to manage and secure liquidity and fell by a total of 51.3 percent compared to the previous year.



Nevertheless, the Bank continues to find itself in a comfortable liquidity situation as of the reporting date, as reflected by the credit balances held at the Deutsche Bundesbank. The Bank complied with the liquidity coverage ratio (LCR) at all times.

Receivables from customers consist of purchased lease receivables, microcredit loans, business start-up financing and other financing (e.g. overdraft facilities and investment loans). As of the reporting date, receivables from customers amounted to EUR 1,352.4 million (previous year: EUR 1,388.7 million). Of this amount, EUR 1,142.3 million (previous year: EUR 1,192.1 million) was attributable to purchased lease receivables, which accounted for 84.5 percent of the Bank's total portfolio of receivables from customers as of the December 31, 2022 reporting date. The granting of microcredit loans was further expanded. As of the reporting date, these totalled EUR 94,365k (previous year: EUR 76,109k).

The investment in Finanzchef24 GmbH, Munich, was fully impaired in 2021.

Leasing transactions in Norway resulted in leased assets with a carrying amount of EUR 19,260k (previous year: EUR 14,666k) as of the reporting date. In the course of the year, the volume of business increased significantly by more than 30 percent.

Liabilities to customers as of the reporting date decreased by 17.0 percent compared to December 31, 2021 and amounted to EUR 1,236.0 million (previous year: EUR 1,489.9 million). Of this amount, EUR 984.4 million resulted from deposits with a contractually agreed term or notice period (previous year: EUR 1,126.2 million).

As of the reporting date, liabilities to banks included calls on the global loans with the development banks Kreditanstalt für Wiederaufbau (KfW) in Frankfurt am Main, NRW.BANK in Düsseldorf, and Thüringer Aufbaubank (TAB) in Erfurt, as well as the refinancing of start-up business financing through KfW in Frankfurt am Main, and Landeskreditbank Baden-Württemberg (L-Bank) in Karlsruhe. As a result, the total amount as of the reporting date, including the accrued interest on the above-mentioned items, was EUR 78,510k (previous year: EUR 142,127k).

Provisions as of the reporting date amounted to EUR 16,925k (previous year: EUR 6,032k). This amount includes provisions for pension obligations of EUR 1,612k (previous year: EUR 1,534k) and tax provisions of EUR 129k (previous year: EUR 0k) for the Norwegian branch. In addition, there are provisions of EUR 11,318k (previous year: EUR 0k) for trust loans, EUR 1,128k (previous year: EUR 990k) for legal and consulting costs, EUR 768k (previous year: EUR 1,037k) for annual financial statements and audit costs, EUR 744k (previous year: EUR 523k) for commission obligations, EUR 250k (previous year: EUR 440k) for deposit insurance contributions and EUR 234k (previous year: EUR 694k) for contingent losses on forward exchange transactions. There were also provisions of EUR 230k (previous year: EUR 535k) for outstanding invoices and EUR 75k (previous year: EUR 73k) for archiving obligations.



In the context of the issue of a hybrid bond at the Group level, GRENKE BANK AG issued a subordinated bond in the amount of EUR 30 million on July 22, 2015, which was purchased by GRENKE AG. This represents what is referred to as Additional Tier 1 regulatory capital (AT 1). On December 20, 2016, this subordinated bond was increased by EUR 20 million, which was also purchased by GRENKE AG.

Contingent liabilities from guarantees amounted to EUR 212k as of the reporting date (previous year: EUR 215k). In addition, there are irrevocable loan commitments for unused credit lines in the amount of EUR 6,392k (previous year: EUR 6,892k).

Due to the release of other retained earnings in 2022, EUR 18k was transferred to GRENKE AG on the basis of the profit and loss transfer agreement. GRENKE BANK AG possess sound net assets, financial position and results of operations.

4. Report on risks and opportunities

GRENKE BANK's strategic focus is on providing targeted support to the parent company and its subsidiaries and particularly to the latter's target customers. In its function as a captive bank, GRENKE BANK AG plays an important role in the refinancing of the GRENKE Group. It creates the technical, organisational and regulatory framework for acquiring low-volume customer deposits and making them reliably available at market conditions for the refinancing of the GRENKE Group, even in times of crisis.

Transaction costs are decisive for the profitability and attractiveness of the products offered for both the Bank and its customers. The Bank strives to make the settlement of transactions simple and therefore cost-effective for the customer and to keep process costs low through the use of modern technology.

The business and risk strategies are defined by the Board of Directors and form the basis for the risk management system. The Board of Directors bears overall responsibility for monitoring the risks of GRENKE BANK AG.

The Risk Control function informs the Board of Directors and Supervisory Board of the overall risk situation and the utilisation of the defined limits within the framework of regular reporting. The main tasks of the Risk Control function include the following:

- Implementing the risk measurement methods applicable at GRENKE BANK AG and their further development.
- Independently controlling the market parameters used to measure risk and results.
- Aggregating the individual risks into an overall risk for the Bank and comparing with the risk-bearing capacity.



- Informing management about the risk situation of the company by providing management-relevant information, such as the risk report.

GRENKE BANK AG's risk strategy is based on its business strategy.

4.1. Strategic opportunities

The Bank represents a significant additional refinancing pillar for the GRENKE Group. For this purpose, the Bank purchases lease receivables from GRENKE Group companies and uses its time deposits, mainly from private and commercial customers, to make these purchases. With a consistent business focus, the Bank's planning provides for replacing the high level of repaid and expired lease receivables in 2023. It also facilitates a continuous expansion in the business volume in subsequent years by including additional European countries from the GRENKE Group in lease purchases each year. At the same time, development depends to a large extent on the GRENKE Group's future new business figures and the economic circumstances in Europe, as the intragroup purchases shape the Bank's balance sheet structure. The Bank also has the option to directly extend loans to GRENKE Group companies in order to finance their new business. The Bank's role as a payment transaction service provider within the GRENKE Group is also very important. Various companies in the GRENKE Group process direct debits for the leasing business via the Bank, which has established a direct payment channel to the Deutsche Bundesbank for this purpose. As intended with the cooperation with viafintech GmbH (formerly Cash Payment Solutions GmbH), GRENKE BANK AG assumed the operator function for the "viacash" payment system (formerly BARZAHLEN) in February 2017. As a result, GRENKE BANK AG's customers can also use this payment network for payments and withdrawals. This system will continue to be operated together with viafintech GmbH, while the sales cooperation was fully discontinued in 2021 following the sales of the strategic investment in Finanzchef24 GmbH.

In the field of SME financing, going forward, the Bank will concentrate on small-scale standardised transactions (bank loans and overdrafts of up to EUR 25k and, if necessary, state-sponsored microcredit loans of up to EUR 25k). Work is currently underway to expand the further credit offering for leasing customers of GRENKE AG in the area of "supplemental lease loans", also in connection with "ESG loans". There is no current plan to extend beyond these thresholds for new lending business with customers outside of the GRENKE Group. However, there are still loan commitments from the past related to promotional loans, bank loans and overdraft facilities where the loan commitments exceed the aforementioned amounts. The Bank will gradually reduce this portfolio through ongoing repayments.

Business in the three bank branches is intended to be expanded further, whereby a strategic review of the branch concept at GRENKE BANK is to take place in 2023 due to the complete takeover of all franchise companies by GRENKE AG.



4.2. Markets

The Bank's business activities are centred on the purchase of intragroup lease receivables from selected European countries. The focus here is exclusively on countries where the GRENKE Group is already operating and has many years of experience. In addition, complementary banking products continue to be mainly offered in the domestic market.

In addition to the purchase of lease receivables, other types of financing are offered in Germany, with a focus on small loans for SMEs up to EUR 25k. In line with the GRENKE Group's orientation, the Bank does not offer consumer loans on the market. It also offers loans to companies in the GRENKE Group. In deposit-taking business, the Bank continues to offer traditional deposit business for private and corporate customers. In addition, there are payment transaction services associated with these transactions, particularly for GRENKE Group companies and as part of the viafintech cooperation. GRENKE BANK AG has offered the leasing business in Norway since September 2015 and the factoring business in Italy since August 2017. The operational launch of the factoring business in Portugal took place in July 2019.

4.3. Risk management

In generating income, risks are taken only to the extent permitted by the Bank's risk strategy. The foundation for their management is the Bank's risk-bearing capacity calculation in the normative and economic perspectives. This is supplemented by a liquidity view and regulatory-compliant liquidity planning.

The Bank's risk management distinguishes between the main risk types of credit risk, market risk, liquidity risk and operational risk. In addition, the other risks and the risks to be considered cross-sectionally (model risk, reputational risk and sustainability risk) are examined for their relevance and materiality as part of the risk inventory. The risk policy guidelines for managing these risks are set out in GRENKE BANK AG's risk strategy.

The essential elements of this strategy include the following:

- Risk diversification to avoid cluster risks
- Business and internal work processes are consistently automated and standardised in order to reduce operational risks
- Liquidity and risk-bearing capacity management are elementary levers of operating management
- Maintaining reputation is of very high strategic importance for the company
- Financing solutions must be in line with ESG criteria
- Sufficient equity and liquidity are to be maintained to meet regulatory requirements



The responsibilities within the risk management process are clearly defined. The entire Board of Directors is responsible for the proper establishment, organisation and effectiveness of the risk management system. The Board is supported by the Risk Control function in accordance with the German minimum requirements for risk management (MaRisk). Based on the goals of the business strategy for the Bank as a whole, the Bank's Board of Directors defines the risk strategy, which sets the strategic framework for risk management. Within this framework, the overarching risk objectives, the risk appetite and the use of standards, methods, procedures and instruments to achieve them are defined. The risk management process encompasses all organisational regulations and measures for the systematic handling of risks in their entirety.

Ensuring the functionality and effectiveness of control and monitoring systems in risk management is one of the responsibilities of the Internal Audit department.

4.4. Risk-bearing capacity

To ensure risk-bearing capacity, the Bank has implemented management concepts from a capital (Internal Capital Adequacy Assessment Process – ICAAP) and liquidity standpoint (Internal Liquidity Adequacy Assessment Process – ILAAP).

4.4.1 Internal Capital Adequacy Assessment Process (ICAAP)

The regular risk-bearing capacity assessment (RBC assessment) ensures that the material risks according to the risk inventory are continuously covered by risk coverage potential (RCP). Applying a normative perspective (NP), planned compliance with regulatory capital requirements and thus the Bank's regulatory ability to continue as a going concern must be demonstrated. Applying an economic perspective (EP), the coverage of all risks by the enterprise value and thus the protection of creditors against losses must be proven.

The normative perspective distinguishes between a plan scenario and adverse scenarios in which different capital requirements are set. In the plan scenario, the regulatory requirement is 20.1 percent, and the regulatory minimum requirement is 17.35 percent. Over the planning period, the capital ratios in the plan scenario will decrease slightly to 25.5 percent in 2025.

Applying the economic perspective, the Bank generally chooses a present-value quantification approach. If suitable methods and procedures are available, both the components of the risk coverage potential and the material risks are quantified at present value.

The risk coverage potential consists of the enterprise value as the difference between assets and liabilities, including off-balance sheet items (existing business) at the time of valuation. The present value risk coverage potential is calculated after deducting future expenses, particularly those associated with the existing business, and a risk buffer.



Applying the economic perspective, the limit system set up on the basis of the risk coverage potential provided as of December 31, 2022 for the next 12-month risk horizon is as follows:

Risks	Limit	Risk 12/22	Utilisation
Counterparty default risks	125.0	80.0	64.0%
+ Market price risks	35.0	21.7	62.1%
+ Operational risks	5.0	3.3	65.5%

4.4.2 Counterparty default risk

Credit risks are controlled within the framework of the risk-bearing capacity calculation by means of a limit system, and there are also limits at the level of the individual exposures. To reduce credit risks, collateral with a standard bank valuation is agreed upon if necessary. Risk concentrations are limited as much as possible through small-scale business and diversification.

In addition to the overall bank strategy, these processes are based on the risk-bearing capacity model and corresponding process specifications for the lending business, which are used to implement the legal and supervisory requirements. The written regulations for the credit division contain all essential qualitative and quantitative specifications for lending, above all the strict separation of functions between the front office and the back office at all hierarchical levels. The Bank has opted for the Credit Risk Standard Approach (CRSA) to implement the capital requirements according to the Capital Requirements Regulation (CRR). For the business area of purchasing lease receivables, which is significant in terms of its amount, there is a purchasing strategy contained in a guideline issued by the Bank's Board of Directors.

The GRENKE Group's purchased lease receivables, which accounted for 68.9 percent of the Bank's total risk volume as of the December 31, 2022 reporting date, excluding the volatile item of bank balances, are broadly diversified and characterised by a relatively low volume per individual receivable.

In the case of **credit risk**, only the unexpected loss (UL) is taken into account, since the expected loss (EL) is already deducted in determining the RCP. The UL is quantified in the ADR interim solution on the basis of the IRB formulas in accordance with Article 153 f. CRR. For lease purchases and the Bank's own leasing business, values for the probability of default (PD) and loss given default (LGD) determined by the GRENKE Group are used. For the Bank's own lending business, the PD is essentially derived on the basis of the viability rating (VR) rating.

The risk provisions in the financial year increased from EUR 41,243k to EUR 46,688k.



Counterparty default risks in the proprietary business are of minor significance. Cash investments are made with Deutsche Bundesbank, DZ BANK AG, Commerzbank AG, Deutsche Bank AG and SEB AB. The counterparty risks of these transactions are assessed using external ratings. The one-year probabilities of default (PD) are derived from the default histories of the Standard & Poor's and Fitch rating agencies.

The country risks are tracked in the risk report; no special country risks can be identified at present; rather, the portfolio is diversified across countries. As of the reporting date, the risk volume was distributed mainly among Germany (-43.1 percent), France (21.0 percent), Spain (-11.1 percent), Portugal (6.5 percent), the Netherlands (6.4 percent), Ireland (5.4 percent) and Finland (1.6 percent). As of the reporting date, there were no investments with a carrying amount greater than zero.

The Board of Directors and the Supervisory Board are kept informed about the lending business, particularly through the quarterly risk reports. The Board of Directors is also involved in the planning and implementation of purchases of lease receivables.

4.4.3 Market price risk

Interest rate risk is considered a significant market price risk. Its risk content is low due to the strategy, as (i) the balance sheet structure has matching maturities and (ii) the hedging of open foreign currency positions is provided for.

In present value terms in accordance with the BaFin circular dated 06/2019, the interest rate risk coefficients (present value loss relative to regulatory capital) are ± 200 bps within the internal upper limit of ± 5 percent.

Reported figures (Amounts in EURk)	Dec. 31, 2022	
	Change in present value	Interest rate risk coefficient
Interest book present value as of the reporting date	406,030	
Interest rate increase of + 200 bps	-13,126	-3.94
Interest rate cut by - 200 bps	13,968	4.19
Steepening of the yield curve	2,941	0.88
Flattening of the yield curve	-5,143	-1.54
Short-term shock upwards	-8,698	-2.61
Short-term shock downwards	9,169	2.75

In addition, the present value of the interest rate risk is quantified internally by means of historical simulation based on a mirrored 10-year history of the 3-month tenor swap curve, a holding period of 250 days, and a confidence level of 99.9 percent). The VAR determined in this manner amounts to EUR 21,723k.



One of the Bank's strategic goals is to achieve a broad matching of maturities between the asset and liability side of the balance sheet, thereby making the entire Bank largely immune to interest rate risks.

Forward exchange contracts have been introduced to manage currency risk. Various forward exchange transactions have been currently concluded that maintain the open positions in foreign currencies at the strategically defined level.

The Bank strategically positions itself as a non-trading book institution and does not engage in any proprietary trading. The use of derivatives as trading transactions is only intended to reduce risk. Such hedging transactions were also entered into in the 2022 financial year. As of the reporting date, the nominal amount of forward exchange contracts equalled EUR 55,238k (previous year: EUR 50,277k) and is related to the Bank's growing leasing business in Norway and foreign currency loans to individual companies within the GRENKE Group.

The Bank is also integrated into the GRENKE Group's refinancing and market price risk management system. Active risk management of market price risks plays an important role in the Bank's strategic orientation and international growth.

4.4.4 Operational risk

Operational risk (OpRisk) is defined in Article 4 no. 52 CRR as the risk of losses caused by the inadequacy or failure of internal procedures, people, systems or by external events. OpRisk includes legal risks but not business and strategic risks (failure to achieve strategic goals) or reputational risks. In addition, all separately considered risk types, especially credit, market and liquidity risks, are not included in OpRisk, even if their causes lie in external events such as credit default, market price changes, or deposit withdrawals.

Operational risk is quantified based on the Bank's own loss database. For this purpose, the standard deviation of the rolling annual average of the actual losses is scaled up to the confidence level of 99.9 percent using the Z-value of the standard normal distribution. Since this symmetrical distribution assumption can understate the operational risk, the resulting value is also multiplied by a safety factor of 2. If the Bank receives risk reports during the year that exceed the risk value calculated in this manner, it would be necessary to adjust the risk value accordingly for the purposes of risk calculation.

A systematic review of expected risk is carried out within the framework of AT 8 of MaRisk prior to the introduction of new products or services, as well as for projects related to changes in operational processes or



structures. The process encompasses all of the Bank departments involved as well as the Risk Control, Compliance and Internal Audit functions. In the case of IT-relevant issues, the information security officer is also involved as part of his or her duties. The final approval is given by the Board of Directors. A database for the systematic recording of losses due to operational risks has also been installed.

4.4.5 Other risks

Other risks include potential losses that may arise from fundamental business activities and the risk of insufficient or delayed implementation of strategic goals.

4.4.6 Stress tests

Sensitivity analyses of the stress assessment are model calculations. In addition to the ongoing risk assessment, stress tests serve to simulate special stress situations.

For risk-type-related stress tests, a distinction is made between historical and hypothetical stress tests. Historical stress tests are based on the intensification of risk factors observed in the past, while hypothetical stress tests are abstracted from history and go beyond this. Networked stress tests are used to simultaneously intensify several risk parameters/types. GRENKE BANK AG simulates both a severe economic downturn and a stagflation scenario. This scenario also takes into account the possible effects of Russia's war of aggression against Ukraine (e.g. low purchases of receivables of GRENKE AG). In addition, inverse stress tests are used to determine the degree of risk parameter intensification that will utilise or exceed the risk coverage potential.

4.4.7 Internal Liquidity Adequacy Assessment Process (ILAAP)

The Bank's strategic orientation affects its liquidity risk. Refinancing with matching maturities means that the Bank does not need any follow-on financing for its existing business in normal market phases. According to the business strategy, the risk appetite is determined with regard to short-term liquidity management by internally adding an additional buffer of 25 percent to the currently binding minimum liquidity coverage ratio (LCR). For the medium and long-term liquidity view, a survival horizon of 12 months is defined as the target in the normal scenario in each case with and without new business. Target achievement is reviewed monthly as part of liquidity risk reporting and communicated to the Board of Directors.



The LAAP is the internal process that ensures the adequacy of liquidity resources. Within the defined survival horizon, the Bank has several months of room to manoeuvre to implement liquidity measures if necessary. The Bank has payment claims and liquidity coverage potential (LCP) at its disposal to service its payment obligations. The latter consists of the Bank's credit balances and lines of liquidity with the Deutsche Bundesbank and credit institutions. Most of the Bank's business positions have a set capital commitment, which is used for the calculation of the scenarios. For the remaining positions without an established capital commitment, assumptions are made on the basis of historical data. As of December 31, 2022, both scenarios, without new business and with planned new business, complied with the risk-bearing capacity for 12 months and beyond. In addition, stress scenarios were implemented on the basis of the identified risk factors, which are primarily intended to show the vulnerability to the most important risk factors in the Bank's individual and/or market-wide phases of stress.

Additionally, the Treasury team compares short-term cash and cash equivalents with short-term payment obligations at least once a week and reports the resulting liquidity situation and liquidity ratios to the Board of Directors. A liquidity contingency plan has also been implemented that describes the triggers, processes and measures to be taken in the event of a liquidity emergency. Compliance with the regulatory minimum requirements according to the German Banking Act was ensured at all times during the reporting year. The mandatory LCR was consistently complied with by the Bank and amounted to 531.9 percent as of December 31, 2022; the internally specified LCR, including a minimum buffer, is 125 percent. Regulatory requirements are 100 percent outside of stress phases. In addition, a net stable funding ratio (NSFR) is determined and controlled according to the preliminary known specifications.

4.4.8 Overall assessment of risks and opportunities

According to the Board of Directors, counterparty/market price risks have the most significant impact on GRENKE BANK AG. This assessment is based on the Bank's business model, in particular, as well as on the plan for new business in Europe in GRENKE AG's leasing business. Overall, GRENKE BANK is exposed to a reasonable degree of uncertainty, which it can only partially influence itself. Nevertheless, the Bank has not identified any risks that, individually or in combination with other risks, would pose a threat to the Bank's existence.

5. Forecast

For the coming 2023 financial year, the Board of Directors expects a slight decline in the portfolio of purchased intragroup lease receivables in the double-digit million euro range, as high volume of maturing receivables need to be compensated for in 2023. Total assets however are expected to be slightly higher, as they will increase by EUR 60 million, primarily due to the planned strategic liquidity buffer of approximately EUR 400 million (cash reserves). This liquidity buffer is held for stress situations as part of GRENKE AG's liquidity provision.



The assumptions for GRENKE Bank's new business planning in the context of purchases of receivables of GRENKE AG provide for a cap of EUR 100 million for the purchase of German receivables. The Bank plans to refinance 20 percent of GRENKE AG's expected new business in France and 80 percent of GRENKE AG's new business in each of the Bank's other countries of purchase.

In the future, the Bank will place a stronger focus on complementary asset financing in the form of short- and medium-term standard financing solutions that support GRENKE AG's core activities and competitive position in leasing. In 2023, supplemental lease loans (a complementary product to the leasing business) will be tested with promotional loans offered again of up to EUR 25k to GRENKE AG and GRENKE Bank customers. In the future, ESG aspects will be given greater consideration in the financing of supplemental lease loans. The Bank also intends to offer microcredit loan financing, the latter with the assumption of risk by the Federal Republic of Germany as part of the cooperation with the Federal Ministry of Labour and Social Affairs. The Bank also offers payment transaction services to these clients, primarily in connection with the abovementioned products.

GRENKE BANK AG's payment transactions concentrate primarily on acting as a payment service provider for GRENKE Group companies and the continuing operator of the "BARZAHLEN/VIACASH" payment system in order to increase commission income.

On the refinancing side, the time deposit business with private customers is to be expanded significantly in the lower three-digit million range. In pursuing this, the Bank will cooperate with platforms and, at the same time, continue to expand its own application line. The Bank will also continue to refinance through global loans from development banks.

The Bank's business and control areas, as well as its structural and procedural organization, will be further strengthened in 2023 and any remaining findings from the Section 44 KWG audit will be remedied. As in the past, the Bank's equity will comply with the relevant regulatory requirements, and the Bank will not fall below the individual performance indicator of the modified balance sheet equity ratio of 16 percent.

As part of the regular Supervisory Review and Evaluation Process (SREP), the German Federal Financial Supervisory Authority (BaFin) has determined that the Bank must comply with increased capital requirements of 11.5 percent until GRENKE BANK AG has demonstrated that it has worked through the deficiencies, for example, in a follow-up audit by the supervisory authority. The Bank expects this audit to take place no later than the third quarter of 2023. The higher capital requirements will not adversely affect the activities planned on the asset and liability sides of the balance sheet in 2023 or beyond.

According to the planning, administrative expenses will increase again in 2023, mainly as a result of the anticipated finalisation of the banking, governance and personnel structures required by the regulator, before administrative costs will decrease again from 2024 onwards due to lower special items with a sustainable number of employees of 115.5 FTEs, including the foreign branches.



In the planning, the set-up of in-house expertise and better processes and procedures will have a significant positive effect on the high level of consulting costs to date in many areas, especially in business organisation and governance. This will also be reflected in the cost-income ratio (CIR), which is expected to fall from 58 percent in 2022 to below 50 percent over time.

Another goal of the Board of Directors was to select and further qualify the management team in accordance with the Bank's new requirements and give greater consideration to women in management positions. As of the end of 2022, 4 of the Bank's 12 management positions were held by women.

The Bank's Board of Directors expects a significantly more positive result in 2023 than in 2022, forecasting a level of around EUR 8.2 million. This result will also be significantly higher than the result of approximately EUR 6.0 million in 2022 adjusted for special items. The annual net profit in 2025 is planned to be in the lower double-digit million euro range. In addition to a sustained positive earnings outlook, the Board of Directors will focus primarily on finalising the restructuring work currently underway at the Bank by the end of 2024. These structural changes, mainly in the IT and governance areas, are intended to make GRENKE BANK more digital, more scalable and more stable from a regulatory perspective in order to meet the needs of our parent company GRENKE AG and the requirements of our customers. A focus will also be placed on closer cooperation with GRENKE AG, where reasonably appropriate. Overall, the Board of Directors is positive about the years to come.

Baden-Baden, March 9, 2023
GRENKE BANK AG

THE BOARD OF DIRETORS

Helge Kramer

GRENKE BANK AG
Neuer Markt 2
76532 Baden-Baden

Dr. Oliver Recklies



INDEPENDENT AUDITOR'S REPORT

To GRENKE BANK AG, Baden-Baden

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

AUDIT OPINION

We have audited the annual financial statements of GRENKE BANK AG, Baden-Baden, comprising the balance sheet as of December 31, 2022 and the income statement for the financial year from January 1, 2022 to December 31, 2022, and the notes to the financial statements, including a description of the accounting policies.

We have also audited the report on the situation of GRENKE BANK AG ("management report") for the financial year from January 1, 2022 to December 31, 2022.

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 as applicable to stock corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2022 and its results of operations for the financial year from January 1, 2022 to December 31, 2022 taking into account the German principles of proper accounting; and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with the German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the annual financial statements or the management report.

BASIS FOR AUDIT OPINION

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer - IDW). Our responsibility under these regulations and principles is further described in the section of our audit opinion entitled "AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT". We are independent of the Company in



accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements.

In addition, we declare pursuant to Article 10 (2) (f) EU-APrVO that we have not performed any non-audit services prohibited under Article 5 (1) EU-APrVO.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and 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 financial statements for the financial year from January 1, 2022 to December 31, 2022. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

We have identified the following matters as key audit matters to be disclosed in our audit opinion:

- Determination of specific valuation allowances and direct write-offs on non-performing receivables from the purchase of leases.
- Determination of the provisioning requirement for risks from the incorrect processing of trust transactions.

DETERMINATION OF SPECIFIC VALUATION ALLOWANCES AND DIRECT WRITE-OFFS ON NON-PERFORMING RECEIVABLES FROM THE PURCHASE OF LEASES

Description of circumstances

Receivables from customers amount to EUR 1,388.7 million in GRENKE BANK AG's annual financial statements. These relate primarily to purchased lease receivables. Specific valuation allowances and direct write-offs were recognised on the purchased lease receivables to account for default risks due to the occurrence of non-performance.

The specific valuation allowances as well as direct write-offs for these receivables were determined using loss rates and processing classes. In this context, discretionary decisions were to be made by the legal representatives. This includes, among others, the model used to



determine the loss rates of the terminated receivables, the other estimation parameters used in the model, the assumptions made for this and possible model adjustments based on the findings from model validations. The discretionary decisions are subject to uncertainties, which are exacerbated by the current macroeconomic factors. Furthermore, the determination of impairments is highly complex and depends on a high level of expertise and knowledge of the employees and decision-makers involved.

Against this background, this matter was of particular importance in the context of our audit.

For the accounting and valuation methods applied to non-performing purchased lease receivables, please refer to the information in the Notes in Chapter I "Accounting and Valuation Methods", Chapter II "Notes to the Balance Sheet - Receivables from Customers" and Chapter III "Notes to the Income Statement - Write-downs and valuation allowances on receivables and certain securities as well as additions to provisions for loan losses".

Audit response

As part of our audit approach, we first performed a risk assessment and evaluated the risk of material misstatements in relation to the specific valuation allowances and direct write-offs of non-performing purchased lease receivables.

Based on this risk assessment, we obtained an understanding of the process for determining specific valuation allowances and direct write-offs as part of the audit procedures on the internal control system. For this purpose, we assessed the methods, procedures and controls - including higher-level IT controls - on the basis of a review of guidelines and work instructions for the determination of specific valuation allowances and direct write-offs and traced their implementation. We also performed functional tests.

Based on this, we carried out the following statement-related audit procedures in particular, with the involvement of valuation specialists.

We have analysed the fundamental suitability of the valuation model for determining the specific valuation allowances and direct write-offs as well as the suitability of the estimation parameters used in the valuation.

In doing so, we examined whether the significant estimation parameters for the determination of the specific valuation allowances and direct write-offs are determined in a methodologically appropriate and mathematically correct manner and are correctly included in the model for the determination of the specific valuation allowances and direct write-offs on non-performing purchased lease receivables. We also verified the annual validation of key estimation parameters.



We inspected the determination of the significant estimation parameters on a sample basis and understood how these data relevant for the determination result from the cash flows and balances recorded in the accounting system. A reconciliation was performed with the cash flow and balance figures recorded in the accounting system for the underlying contract bases. The correctness of the allocation to the processing classes of the purchased lease receivables was checked in a risk-oriented sample.

Finally, we have satisfied ourselves of the arithmetical correctness of the valuation model used with regard to the calculated specific valuation allowances and direct write-offs on the non-performing purchased lease receivables.

DETERMINATION OF THE PROVISIONING REQUIREMENT FOR RISKS FROM THE INCORRECT PROCESSING OF TRUST TRANSACTIONS.

Description of circumstances

In the annual financial statements of GRENKE BANK AG as of December 31, 2022, the item other provisions includes provisions of EUR 11,318k (previous year: EUR 0k) for risks from the incorrect processing of trust transactions, which were recognised under other operating expenses.

In determining the provisions for risks from the incorrect processing of trust transactions, discretionary decisions are to be made by the legal representatives. These relate both to the probability of whether a loss is to be expected (accounting based on reasonableness) and to the amount of the loss itself (accounting based on amount). Complex estimation parameters used for this purpose are subject to uncertainties and therefore contain a high degree of discretion.

There is a risk to the financial statements that the determination of the provision requirement is not carried out in an appropriate manner or is based on inappropriate assumptions, an inappropriate data basis or an inappropriate valuation method and that the provision is subsequently reported in an inappropriate manner or at an inappropriate amount.

For the accounting and valuation methods applied to the provisions for risks from the incorrect processing of trust transactions, we refer to the information in the Notes in Chapter I "Accounting and valuation methods", Chapter II "Notes to the balance sheet - Provisions", and "Notes to the income statement - Other operating expenses".

Audit response

As part of our audit, we assessed the appropriateness of the valuation method applied and the material valuation assumptions used to derive the provision requirement.





For this purpose, we first performed a risk assessment with regard to the calculation performed by the Company. On the basis of this risk assessment, we evaluated, in particular, the method used by the Company for the valuation, the parameters used therein, and the assumptions made in this regard. We also verified that all relevant cases were included in the calculation.

For this purpose, we have included the opinions of experts commissioned by the Company in the assessment.

In order to ensure the mathematical accuracy of the valuation method used, we reconciled the Company's calculations on the basis of selected risk-oriented elements.

RESPONSIBILITY OF THE MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Management is responsible for the preparation of the financial statements that comply, in all material aspects, with the requirements of German commercial law as applicable to stock corporations and give a true and fair view of the net assets, financial position and results of operations of the Company taking into account the German principles of proper accounting. In addition, management is also responsible for such internal control as they have determined necessary in accordance with German principles of proper accounting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of the accounting system or misstatement of assets) or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for financial reporting on the basis of the going concern principle, unless this is precluded by factual or legal circumstances.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides an appropriate view of the Company's position and is consistent in all material respects 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) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the assertions made 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 RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and is consistent, in all material respects, with the annual financial statements and the audit findings, complies with German legal requirements and appropriately presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Section 317 HGB and EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the 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 exercise professional judgement and maintain professional scepticism. We also

- identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of the arrangements and measures 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 audit opinion on the effectiveness of the entity's systems.



- evaluate the appropriateness of accounting policies used and the reasonableness of estimates and related disclosures made by management.
- conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists 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 our auditor's report to the related disclosures in the annual financial statements and the management report or, if such disclosures are inadequate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Company being unable to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- assess the consistency of the management report with the annual financial statements, its compliance with the law and the view of the Company's position conveyed by it.
- perform audit procedures on the future-oriented disclosures made by management in the management report. On the basis of sufficient appropriate audit evidence, we in particular evaluate the significant assumptions underlying the future-oriented disclosures made by management and assess the appropriate derivation of the future-oriented disclosures from these assumptions. We do not express a separate opinion on the future-oriented disclosures or the underlying assumptions. There is a substantial unavoidable risk that future events may differ materially from the future-oriented disclosures.

With those charged with governance, we discuss, 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 a statement to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions or safeguards taken to address any threats to independence.



From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes their public disclosure.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION UNDER ARTICLE 10 EU APRVO

We were elected as auditors by the Annual General Meeting on May 23, 2022. We were engaged by the Chair of the Audit Committee of the Company on July 20, 2022. We have served as auditors of GRENKE BANK AG without interruption since the 2021 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee pursuant to Article 11 EU-APRVO (long-form audit report).

In addition to the audit of the financial statements of the audited entity or the entities controlled by it, we have performed the following services that were not disclosed in the annual financial statements or the management report of the audited entity:

- Other services in the form of examinations accompanying projects.

AUDITOR RESPONSIBLE FOR THE AUDIT

The auditor responsible for the audit was Dr Tobias Nickels.

Frankfurt am Main, March 12, 2023

BDO AG
Auditing firm

QES Qualifizierte elektronische Signatur - Deutsches Recht

Grunwald
German Public Accountant

QES Qualifizierte elektronische Signatur - Deutsches Recht

Dr Nickels
German Public Auditor



BDO