



**This English version of the prospectus for the capital increase of
Varengold Bank AG is for information purposes only.
Legally binding is solely the German version of the prospectus.**

Securities Prospectus

Of 16 November 2018

for

the public offering

of

3,105,211 new, ordinary bearer shares

with a calculated proportion of the share capital of EUR 1.00 per share and with full profit-sharing entitlement as of 1 January 2018

arising from the capital increase against cash contribution with shareholders' subscription rights resolved upon at the general meeting on 21 August 2018

('New Shares')

of

Varengold Bank AG

Hamburg

ISIN DE0005479307

WKN: 547930

Stock exchange symbol: VG8

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1. Summary

This section contains a summary of this prospectus (hereinafter 'Prospectus') of Varengold Bank AG, Große Elbstraße 14, 22767 Hamburg (hereinafter also 'Issuer' or 'Company' and, together with its direct and indirect subsidiaries, 'Varengold Group').

This Summary comprises the minimum information required that is referred to as 'information items'. These information items are divided into Sections A - E (A.1 – E.7).

This Summary contains all the information items that need to be included in a summary for this type of security and these issuers. As some information items do not need to be addressed, there may be some gaps in the outline numbering of the information items.

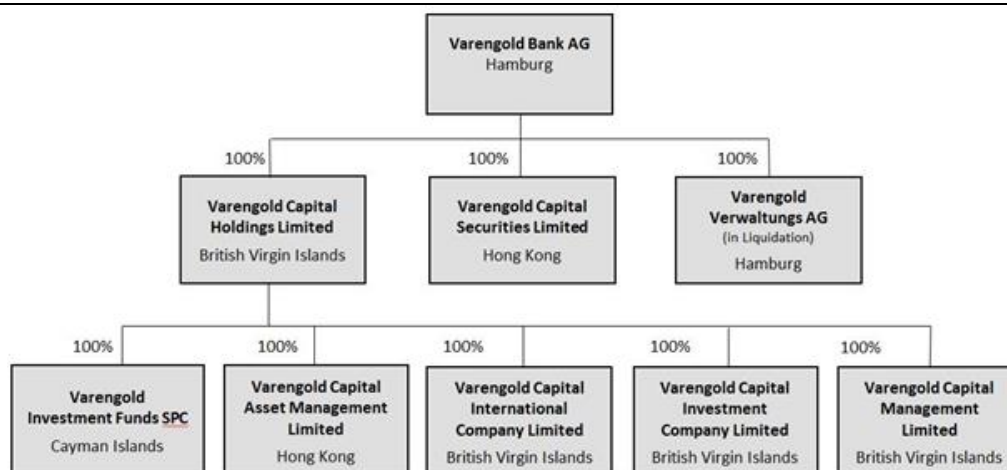
Even if information items need to be included in the Summary due to the nature of the security and the issuer, it is possible that no relevant information can be given regarding these information items. In this case, there is a brief description of the information items in the Summary with the designation 'not applicable'.

Section A – Introduction and Advisory Notices		
A.1	Advisory notices	<p>The Summary should be regarded as an introduction to the Prospectus.</p> <p>Potential purchasers should therefore base any decision to invest in the Company's shares on examination of the full Prospectus.</p> <p>In the event of legal claims being asserted based on the information contained in this Prospectus, the investor appearing as the plaintiff under application of the relevant national legal provisions of the Member States of the European Economic Area (EEA) may have to bear the cost of the translation of the Prospectus prior to the court case commencing.</p> <p>Varengold Bank AG, Große Elbstraße 14, 22767 Hamburg, accepts responsibility for this Summary in accordance with Section 5 (2b) 4) WpPG (German Securities Trading Act), including for any translations thereof. Those persons who have taken responsibility for the Summary, including any translations thereof, or who issue a waiver may be held liable, however only in the event that the Summary is misleading, incorrect or contradictory when read in conjunction with the other parts of this Prospectus, or does not, when read in conjunction with the other parts of the Prospectus, convey all the key information.</p>
A.2	<p>Consent of the Issuer or person responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities through financial intermediaries</p> <p>Details of the offering period in the event of subsequent resale or final placement through financial intermediaries</p> <p>All other terms and conditions to which consent is subject</p>	<p>The Issuer herewith gives its express consent to Small & Mid Cap Investmentbank AG, Barer Str. 7, 80333 Munich ('SMC Investmentbank AG') to use this Prospectus, including any amendments, for the subsequent resale or final placement of the New Shares in Germany.</p> <p>The Issuer states that it accepts liability for the content of the Prospectus, also with regard to a subsequent resale or final placement of the New Shares through financial intermediaries. The Issuer accepts no liability for actions or omissions on the part of financial intermediaries.</p> <p>Consent to use the Prospectus applies in each case until the end of the period for the public offering of the New Shares which is the subject of this Prospectus. The Issuer is entitled to amend or withdraw its consent at any time. The subsequent resale or final placement of the New Shares through financial intermediaries may only take place during the offering period, i.e. between 23 November 2018 and 07 December 2018 (24:00).</p> <p>The Prospectus may only be used in Germany. Consent does not grant exemption from compliance with applicable selling restrictions or any other applicable regulations. The financial intermediary is also not granted exemption from compliance with statutory provisions applicable to it. The financial intermediary must state on its website that it is using the Prospectus with consent and in accordance with the terms and conditions to which consent is subject.</p>

	<p>Information regarding submission obligations of a financial intermediary</p>	<p>If a financial intermediary offers the New Shares on which this Prospectus is based, it will inform investors of the offering terms and conditions when the offering is presented.</p> <p>Additional information in the event that one or more specific financial intermediaries are given consent:</p> <p>The following list gives details of the financial intermediaries with permission to use the Prospectus:</p> <p>Small & Mid Cap Investmentbank AG, Barer Str. 7, 80333 Munich.</p> <p>New information concerning financial intermediaries, which was not known at the time the Prospectus was approved, will be published without delay on the Issuer's website (www.varengold.de → About Varengold → Investor Relations → Capital Increase). If the Issuer gives other financial intermediaries consent to use the Prospectus, it will also publish details of this on its website without delay. Insofar as required by law, in such cases, the Issuer will also publish an amendment to the Prospectus in accordance with Section 16 WpPG.</p>
<p>Section B – Issuer</p>		
<p>B.1</p>	<p>Legal and commercial name of the Issuer</p>	<p>The name of the Company is Varengold Bank AG. The Company also uses the trade names 'Varengold Bank' and 'Varengold'. No other commercial names are used.</p>
<p>B.2</p>	<p>Head office, legal form, applicable legal system and country of incorporation of the Company</p>	<p>The Company has its head office in Hamburg and is entered in the commercial register of the Local Court of Hamburg (Amtsgericht Hamburg) under commercial register no. HRB 73684. The Company was established in the Federal Republic of Germany.</p> <p>The Company is an Aktiengesellschaft (public limited company) under German law. The applicable legal system is the law of the Federal Republic of Germany.</p>
<p>B.3</p>	<p>Nature of current business operations and main activities, including the essential factors for this</p>	<p>Varengold Bank AG is a German bank with its head office in Hamburg and other offices in London (UK) and Sofia (Bulgaria).</p> <p>Varengold Bank AG offers its customers and business partners a wide variety of products and services through its Marketplace Banking and Transaction Banking/Commercial Banking business areas.</p> <p>Marketplace Banking</p> <p>In the Marketplace Banking business area, Varengold Bank AG cooperates with marketplace lending platforms (online lending marketplaces) and financial technology companies (Fintechs). Marketplace lending platforms generally have alternative financing solutions for consumers or businesses, particularly in the area of lending, and require external partners for refinancing. In addition to the possibility of peer-2-peer lending, lending platforms acquire bigger refinancing facilities from banks and other institutional investors in order to reduce the associated acquisition costs and achieve higher volumes.</p> <p>The range of services offered by Varengold Bank AG in the Marketplace Banking business area covers the following areas:</p> <ul style="list-style-type: none"> ▪ In the <u>Lending</u> segment, loans are extended to platforms which conduct end customer business in the asset classes SME Finance (financing of small and medium-sized enterprises), Consumer Finance (private customer hire purchase loans), Trade Finance (trade financing), Receivable Finance (factoring; generally for SMEs) and Real Estate Finance (generally short-term bridging loans). In some cases, we also lend directly to end customers. In addition to lending, an equity upside – the possibility of direct investment – is also a goal. ▪ In the <u>Debt Capital Markets</u> segment, Varengold Bank AG supports its customers with the realization of debt capital solutions, if their financial requirements exceed the willingness to lend on the part of Varengold Bank AG.

		<ul style="list-style-type: none"> ▪ If the growth of online lending marketplaces requires both additional equity and the need for debt capital, Varengold Bank AG offers its customers in the <u>Equity Capital Markets</u> segment the acquisition of equity partners. ▪ In the <u>Fronting Services</u> segment, Varengold Bank AG provides marketplaces and Fintechs which have their own customers and a product concept, but do not have a banking licence, with services subject to banking licence obligations, such as account management/payment transaction services, lending and deposit business. These services are also offered as white label solutions. <p>Transaction Banking / Commercial Banking</p> <p>In the Transaction Banking/Commercial Banking business area, Varengold Bank AG offers its customers individualised products and solutions that enable them to manage their transactions and trading activities across national boundaries and provide banking services in support of their global goods and commodity trading.</p> <p>Transaction Banking/Commercial Banking comprises the following areas:</p> <ul style="list-style-type: none"> ▪ The <u>Deposit Business</u> segment includes instant-access and fixed-term products for private German customers. Varengold Bank AG uses fund marketing and its website for marketing purposes here. Customer service, i.e. the management and operational support of depositors, is carried out by an external service provider. The Deposit Business segment is subject to statutory deposit protection. ▪ The <u>International Payments</u> segment covers the processing of corresponding payment transactions. Varengold Bank AG is part of the SWIFT messaging system and also processes SEPA payments. ▪ In the <u>Lombard Loans</u> segment, Varengold Bank AG extends loans to its customers against the provision of loan guarantees in the form of securities pledging. ▪ The <u>Trade & Export Finance</u> segment covers the issue of bank guarantees for international trade activities (guarantee business) such as, for example, payment guarantees, export credit guarantees as well as delivery and service guarantees. Varengold Bank AG also issues letters of credit including associated hedging of international trading activities. ▪ In the <u>Structured Finance</u> segment, Varengold Bank AG supports investors with the financing of growth initiatives as well transactions relating to the acquisition of companies or parts of companies. <p>Strategy</p> <p>Varengold Bank AG is strategically aligned towards growth through the acquisition of new customers and corresponding expansion of its business volume. Customer satisfaction and efficient internal organisation play a significant role in this. Overall, the business strategy of Varengold Bank AG is aimed at servicing customer requirements in the two business areas of Marketplace Banking and Transaction Banking/Commercial Banking, both with niche products and tailored product and service quality, and not on acting as a provider of mass products. The opening of a branch office in Sofia, Bulgaria, in May 2018 will enable the Company to expand its business activities to South East Europe.</p> <p>In the Transaction Banking/Commercial Banking segment, the focus is on developing its positioning as a leading transaction bank in niche markets, particularly in the Middle East and in Central, Southern and Eastern Europe. The product focus is on the area of payment transactions and Trade Finance offers (in particular letters of credit and guarantees).</p>
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		<p>In the Marketplace Banking business area, the strategic goal of Varengold Bank AG is to become a key bank for the growing global marketplace lending industry. Against the backdrop of increasing digitisation, which the Company believes will create closer links between banks and Fintechs, the Fronting Services segment in particular will be expanded.</p>
B.4a	Most important recent trends which have an effect on the Issuer and the sectors in which it operates	<p>In the 2018 financial year to date, business development at Varengold Bank AG was again influenced by the sustained period of low interest rates, geopolitical factors, increasing regulatory requirements and the ongoing process of digitisation in the financial services sector. The Company assumes that these factors will continue to have an impact on the Company's business activities in the near future.</p> <p>Since the end of 2017, following the adaptation of its business strategy, Varengold Bank AG has built up its current Marketplace Banking business area. For the remainder of the second half of 2018, the Company will continue to expand this business area, particularly in the Fronting Services segment. Given the increasing digitisation of the financial services sector, the Board of Managing Directors expects significant growth and increased customer demand in this area over the next few years, as the networking of banks and Fintechs makes it possible to combine the regulatory framework and innovation.</p> <p>In the Commercial Banking segment, Varengold Bank AG has established a solid customer base for Trade Finance transactions and intends to continue to develop further as a specialist provider for business customers with a focus on trading in the regions of Eastern Europe and the Middle East. In this segment, also known as Transaction Banking, Varengold Bank AG will continue to concentrate on foreign trade-oriented customers in niche markets for the remainder of the second half of 2018, supplying them with basic Transaction Banking products and Trade Finance products. However, the new US sanctions against Iran, which entered into force on 5 November 2018, will result in restrictions on payment transactions regarding Iran-related businesses.</p> <p>The opening of an additional branch office in Sofia, Bulgaria, in May 2018 will enable the Company to expand its business activities to South East Europe. The branch in Sofia will carry out its business operations in two phases: in the first phase, currently ongoing, customers are being acquired whose product requirements are largely covered by Hamburg. Alongside this, the branch will set up the infrastructure required to be able to open Bulgarian accounts and handle payment transactions in phase two in 2019.</p> <p>To optimise customer engagement, the corporate identity was re-launched in October 2018, including the public launch of a new website designed in particular to position the 'Varengold' brand as modern and appealing.</p> <p>No other trends, uncertainties, requests, obligations or occurrences are known that could have a significant impact on the prospects of the Varengold Group over the remainder of the 2018 financial year.</p>
B.5	Organisational structure and status of the Issuer within the Group	<p>The Varengold Group consists of Varengold Bank AG as the parent company and the subsidiaries Varengold Capital Securities Limited, Varengold Verwaltungs Aktiengesellschaft (in liquidation) and Varengold Capital Holdings Limited, including their subsidiaries Varengold Capital Asset Management Limited, Varengold Capital Investment Company Limited, Varengold Capital Management Limited, Varengold Capital International Company Limited and Varengold Investment Funds SPC.</p> <p>The following chart shows the current structure of the Varengold Group:</p>



In addition, Varengold Bank AG has a 33% share in Hanseatic Brokerhouse Securities AG, Hamburg and shares in additional subsidiaries and various participating interests which, however, are of little significance to the business activities of Varengold Bank AG.

B.6 Name of each person who holds a direct or indirect participating interest in the equity capital of the Issuer or a portion of the voting rights and is required to be reported under the national legal provisions applicable to the Issuer, including the amount of the participating interests held by each person (if known to the Issuer)

Indication of whether different voting rights exist
Indication of whether direct or indirect participating interests or controlling relationships in the Issuer exist, who holds these participating interests and/or exerts this control and what is the nature of the control.

The following table shows the shareholder structure as known by the Company based on publicly accessible information:

Shareholder ¹⁾	Shares	% (rounded)
Elysium Global (Dubai) Limited, Dubai ²⁾	973,812	15.68
Euro-Finance AD, Sofia, Bulgaria ³⁾	619,500	9.98
GCP Invest GmbH, Vienna ⁴⁾	600,000	9.66
Dominique Victor Francois Bauduin, Sofia, Bulgaria ³⁾	485,025	7.81
Slovak Investment Opportunities Fund, a.s, Bratislava ²⁾	600,000	9.66
JUCLA Invest GmbH, Hamburg ⁵⁾	200,000	3.22
Arensburg Consult GmbH, Molfsee ⁶⁾	200,000	3.22
Free float (other shareholders each with less than 7%) ⁷⁾	2,532,086	40.77
Total number of shares	6,210,423	100.00

¹⁾ The table includes no details of direct or indirect shareholders for whom Varengold Bank AG acts as depositary bank and no publicly accessible information is available. This applies regardless of the amount of the respective participation.

²⁾ Based on the notification pursuant to section 20 AktG from 20 September 2016. According to this notification, Elysium Global (Dubai) Limited is a wholly owned subsidiary of Elysium Global Limited.

³⁾ As of 21 August 2018

⁴⁾ According to subscription register as of 24 January 2018

⁵⁾ The sole-shareholder-managing director of JUCLA Invest GmbH is Board member Dr Bernhard Fuhrmann.

⁶⁾ The sole-shareholder-managing director of Arensburg Consult GmbH is Board member Frank Otten.

⁷⁾ At the Annual General Meeting of Varengold Bank AG on 21 August 2018, another shareholder with approx. 6% was represented; current knowledge about its participation is not available to the company.

Each Varengold Bank AG ordinary share carries one vote.
The Company does not have different voting rights.

To the best of the Company's knowledge, Elysium Global (Dubai) Limited holds a number of shares (as of 20 September 2016) that – depending on the presence of other shareholders at the general meeting (based on usual attendance at the Company's general meeting) – may be sufficient to block resolutions that require a qualified majority of three-quarters of the share capital represented at the general meeting with their votes.

However, Elysium Global (Dubai) Limited has informed the Company and BaFin in writing, in the context of the ongoing owner control investigation according to Section 2c KWG, that it undertakes not to exercise voting rights arising from shares in Varengold Bank AG, which it owns

		directly or indirectly, not to authorise a third party to exercise these and not to exercise third party voting rights.
B.7	Selected key historical financial information of the Issuer, which is presented for each financial year of the period covered by the historical financial information;	The following overviews contain selected financial information relating to Varengold Bank AG from the annual financial statements audited in accordance with the HGB for the 2016 and 2017 financial years as well as the unaudited half-yearly report in accordance with the HGB for the period 1 January to 30 June 2018. In respect of the information from 1 January to 30 June 2017, these are comparable prior-year figures from the unaudited half-yearly report in accordance with the HGB for the period from 1 January to 30 June 2018.

Selected financial information from the profit and loss accounts

Period	1 January - 30/06/2018 (HGB) TEUR (<i>unaudited</i>)	1 January - 30/06/2017 (HGB) TEUR (<i>unaudited</i>)	1 January - 31/12/2017 (HGB) TEUR (<i>audited</i>)	1 January - 31/12/2016 (HGB) TEUR (<i>audited</i>)
Interest income	4,218.9	555.5	5,311.2	4,474.2
Interest expenses	-789.8	-1,203.0	-1,470.3	-2,896.4
Current income from shares and other variable-income securities	298.3	649.4	571.4	553.7
Commission income	9,303.2	14,072.8	19,607.3	20,927.3
Commission expenses	-1,195.0	-8,253.8	-9,485.0	-15,211.1
Net income from trading portfolio	105.2	35.7	148.8	5,684.7
Other operating income	96.9	143.9	267.4	2,065.5
General administrative expenses	-7,079.5	-6,675.5	-13,421.2	-15,546.9
Depreciation and write-downs of intangible and tangible assets	-66.2	-91.8	-173.4	-328.4
Other operating expenses	-388.5	-473.5	-1,077.5	-362.3
Depreciation and write-downs of receivables and certain securities and allocations to provisions in the lending business	-3,295.6	-335.5	0.0	-1,802.8
Depreciation and provisions against participating interests, shares in affiliated companies and securities treated as assets	0.0	-442.8	-340.2	-80.1
Result from ordinary business activities	1,208.0	675.4	555.6	-2,522.6
Extraordinary income	0.0	0.0	19.9	1,668.0
Extraordinary expenses	0.0	0.0	0.0	-605.8
Taxes on income and earnings	-1,671.7	-456.6	-551.9	-24.7
Other taxes	-0.4	-0.1	-0.8	-0.8
Annual net profit/loss	-464.1	218.7	23.5	-1,485.9
Loss carry-forward from previous year	-19,946.8	-19,970.3	-19,970.3	-18,484.3
Net loss	-20,410.9	-19,751.6	-19,946.8	-19,970.3

Selected financial information from the balance sheets

Reporting date	30/06/2018 (HGB) TEUR (<i>unaudited</i>)	31/12/2017 (HGB) TEUR (<i>audited</i>)	31/12/2016 (HGB) TEUR (<i>audited</i>)
Cash reserve	313,510.8	79,973.9	455,705.3
Loans and advances to banks	31,513.8	23,935.4	16,003.3
Due from customers	234,773.0	250,607.9	75,555.6
Debt securities and other fixed-income securities	17,544.8	22,333.7	29,153.7

Shares and other variable-income securities	58,397.8	57,663.2	29,775.2
Trading portfolio	3,864.3	3,774.1	137.3
Participating interests	698.0	698.0	668.2
Shares in affiliated companies	2,230.6	2,260.6	2,775.0
Intangible assets	82.4	116.4	213.0
Tangible assets	155.4	159.9	169.6
Other assets	1,633.5	1,744.8	1,399.0
Deferred income	326.0	91.3	42.0
Deferred tax assets	725.4	1,852.6	2,297.5
Total assets	665,455.1	445,211.6	613,894.5
Bank loans and overdrafts	32,442.9	30,366.6	1,237.3
Amounts due to customers	599,261.0	387,369.1	589,684.4
Trading portfolio	0.0	0.0	0.0
Other liabilities	1,010.5	747.9	921.7
Deferred income	428.8	679.8	590.3
Provisions	3,519.3	2,588.0	2,882.8
Instruments of additional regulatory core capital	5,000.0	5,000.0	5,000.0
Subscribed capital	6,210.4	4,140.3	2,922.6
Capital reserves	37,974.6	34,248.4	30,607.4
Revenue reserves	18.4	18.4	18.4
Net loss/Loss carry-forward	-20,410.9	-19,946.8	-19,970.3
Total liabilities	665,455.1	445,211.6	613,894.5
Liabilities arising from guarantees and warranty agreements	3,978.2	1,999.0	1,120.5
Irrevocable loan commitments	30,626.0	14,980.0	0.0
Significant change in the financial situation or operating result during or after the periods covered	<p>Significant changes in the financial situation or operating result during the periods 2017, 2016 and first half of 2018:</p> <ul style="list-style-type: none"> ▪ The earnings of the Company during the relevant period are characterised by an improvement in income from ordinary business activities. ▪ Net interest income (interest income less interest expenses) improved due to the expanded volume of credit and the resulting higher interest income generated with lower interest expenses, both in the 2017 financial year and in the first six months of 2018 compared with the same periods in the previous year. ▪ The increase in net commission income (commission income less commission expenses) is due in particular to higher income in Commercial Banking and the decline in commission expenses as a result of the lower volume of securities lending transactions. ▪ Other operating expenses increased in 2017 by TEUR 715 to TEUR 1,078 compared with 2016. This is due in particular to the tax adjustment charge for a fund investment made in 2015, provisions for the tax audit and external wage tax audit, and expenses arising from currency conversion. ▪ Extraordinary income of TEUR 1,668 was accrued in the 2016 financial year. This figure includes TEUR 851 from a successful legal dispute and a court settlement as well as a further TEUR 789 from claims made against a customer in previous years. ▪ Non-recurring extraordinary expenses totalling TEUR 606 were accrued in the 2016 financial year, TEUR 293 of this figure represented restructuring expenses for the closure of the Capital Markets Brokerage business area and TEUR 313 a one-off amount payable to the Entschädigungseinrichtung deutscher 		

		<p>Banken (German statutory compensation scheme for depositors and investors).</p> <ul style="list-style-type: none"> ▪ Depreciation and write-downs of receivables and certain securities and allocations to provisions in the lending business increased significantly in the first half of 2018 to TEUR 3,296 (HY 1 2017: TEUR 336). This increase is due mainly to the allocation of a provision for general banking risks pursuant to Section 340f HGB of EUR 3 million as a result of the expanded credit volume in Marketplace Lending. ▪ Depreciation and provisions against participating interests, shares in affiliated companies and securities treated as assets in 2017 include a partial write-down of the book value of Varengold Verwaltungs Aktiengesellschaft (in liquidation) (formerly Varengold Investment AG) of TEUR 514. ▪ The high tax expenses compared to earnings before taxes in the first half of 2018 is due mainly to the fact that allocations to provisions for general banking risks pursuant to Section 340f HGB of EUR 3 million are not tax deductible. <p>The following significant changes in the financial situation or operating result of Varengold Group have occurred since 30 June 2018.</p> <ul style="list-style-type: none"> ▪ The Company's general meeting on 21 August 2018 decided on a new authorised capital of EUR 3,105,211.00. ▪ By resolution of the Annual General Meeting on 15 August 2018, Varengold Verwaltungs Aktiengesellschaft was dissolved with immediate effect and is therefore currently in liquidation. ▪ On 5 November 2018, the new US sanctions against Iran entered into force. These result in restrictions on payment transactions related to Iran-related businesses.
B.8	Selected significant pro-forma financial information	Not applicable, as no pro-forma financial information exists.
B.9	Profit forecasts or estimates	Varengold Bank AG issued a profit forecast for the 2018 financial year as part of the 2017 annual financial statements in the audited management report. This profit forecast was prepared as of the reporting date of 30/03/2018. Due to business development and the associated reworking of the profit forecast, the Company decided to prepare an updated profit forecast as at 04/10/2018. This shows unchanged earnings before taxes on income and earnings ranging between EUR 1.7 million and EUR 2.2 million. This profit forecast was audited by auditors and tax advisers, NPP Niethammer, Posewang & Partner GmbH, which issued a certificate for this audit.
B.10	Restrictions in audit reports	Not applicable, as there are no restrictions in the audit reports.
B.11	Explanation in the case of insufficient business capital	As at the date of this Prospectus, Varengold Bank AG has adequate business capital to cover currently foreseeable business requirements for the next 12 months.
Section C - Securities		
C.1	Description of the type and class of securities offered, including any security identification	The subject of the offering is 3,105,211 ordinary bearer shares of Varengold Bank AG with a proportionate interest in the share capital of EUR 1.00 per share arising from the capital increase against cash contributions with shareholders' subscription rights (' Cash Capital Increase ') and with profit-sharing entitlement as of 1 January 2018 (' New Shares ') resolved upon at the general meeting on 21 August 2018. The New Shares are therefore issued under the ISIN of the existing shares DE0005479307 / WKN 547 930. The New Shares will be documented in one or more global certificates (without dividend certificate) to be deposited at Clearstream Banking AG, Frankfurt. Pursuant to the Articles of Association, shareholders are not entitled to securitisation of their holding.
C.2	Currency of the security issue	The New Shares will be issued in euros.

C.3	The number and par value of the issued and fully paid-up shares; par value per share and/or indication that the shares have no par value	The Company currently has share capital of EUR 6,210,423.00 divided into 6,210,423 ordinary bearer shares in the form of no-par value shares each with a proportionate interest in the share capital of EUR 1.00. All shares have been fully paid up.
C.4	Description of the rights attached to the shares	<p><i>Dividend rights and profit-sharing entitlement</i> The general meeting decides on the appropriation of profits. Prior to a resolution by the general meeting, the Company is required to procure a resolution on the appropriation of profit. Entitlement to payment of dividends arises when the resolution on the appropriation of profit comes into effect. The ordinary general meeting also determines the amount of the dividend entitlement in the profit appropriation resolution. Since dividends may only be paid from retained earnings, the retained earnings in the annual financial statements prepared according to the criteria laid down in the HGB represent the maximum distributable amount. The shareholders are entitled to the retained earnings, unless these are excluded from distribution to the shareholders by law or the Articles of Association, by a resolution passed by the general meeting or as an additional expense on the basis of the resolution on appropriation of the profits. Due to deferred tax assets, there was a dividend payout restriction pursuant to Section 268 (8) HGB of TEUR 1,853 at Varengold Bank AG as at 31 December 2017. The amount attributable to each share is determined by dividing the total distributable dividend amount according to the profit appropriation resolution passed by the general meeting by the number of shares carrying a profit-sharing entitlement at the time of the dividend resolution.</p> <p><i>Voting rights</i> Each New Share carries one vote at the Company's general meeting.</p> <p><i>Subscription rights</i> Each Varengold Bank AG shareholder is in principle entitled to a statutory subscription right, which means that in the event of increases in capital and at the shareholder's request, each shareholder must be granted a percentage of the new shares that corresponds to their previous share capital holding. The statutory subscription right also extends to newly issued convertible bonds, option bonds, participation rights or participating bonds. Subscription rights are freely transferable.</p> <p><i>Share in the liquidation surplus</i> The Company can be dissolved, except in the event of insolvency, through a resolution by the general meeting, which requires a majority of at least three quarters of the share capital represented at the time of voting. The Company's assets remaining after adjustment for liabilities (liquidation surplus) will be distributed among the shareholders in proportion to their stake in the share capital, i.e. the number of shares held. There are no preferential shares in the Company.</p> <p><i>Obligation to make further contributions</i> There is no obligation to make further contributions.</p>
C.5	Description of any restrictions on the free transferability of shares	The New Shares of Varengold Bank AG are not subject to any restrictions on disposal and are freely transferable.
C.6	Indication of whether an application for a licence to trade on a regulated market has been/is to be made for the securities offered, and specification of all regulated markets on which the securities	Not applicable. The New Shares are neither the subject of an application for a licence to trade on a regulated market nor are the New Shares intended to be sold on other equivalent markets. The aim is for all the New Shares to be admitted to the Basic Board segment of the Open Market of the Frankfurt Stock Exchange. A corresponding application for admission is expected to be made on 30 January 2019. The admission of the New Shares under ISIN DE0005479307 is scheduled for on or around 31 January 2019.

	will be/are intended to be traded.	
C.7	Description of the dividend policy	A resolution regarding the appropriation of profit was not passed by the ordinary general meeting in the 2016 and 2017 financial years due to a lack of retained earnings. The Company's Board of Managing Directors and the Supervisory Board will jointly propose future dividends and their disbursement and their proposals will be voted on at the general meeting. The Company is initially planning to reinvest income, use it to finance growth and further development of business and also to distribute a dividend to shareholders. Specific determining factors will be the financial position, capital requirement, business prospects and the Company's general economic framework conditions.
Section D - Risks		
D.1	Key information on the principal risks that are peculiar to the Issuer or its industry	<p><i>Market and industry-related risks</i></p> <ul style="list-style-type: none"> ▪ Varengold Bank AG operates in a highly competitive market environment. Increasing competition, in particular from Fintechs and foreign banks, could lead to lower margins for Varengold Bank AG and/or to a loss of customers and market shares. ▪ There is a risk of breaches of the law by employees of the Company, in particular the risk of infringement of banking supervisory, capital market and data protection regulations. In addition to substantial fines and other supervisory sanctions, this may result in significant claims for damages by third parties and considerable damage to the reputation of the Varengold Group. ▪ There is the risk of special contributions to the Entschädigungseinrichtung deutscher Banken. ▪ The banks will lose an important source of income as a result of the persistently low interest rate level. In addition, the banks' earnings are affected by negative interest rates imposed by the European Central Bank on deposits made to the bank. ▪ Geopolitical risks, growth of the global economy and the global financial markets may have a negative impact on the economic environment and the business activities of the Varengold Group. ▪ Due to its international activities, Varengold Group is subject to economic, (employment) legal, tax and regulatory risks in various countries and jurisdictions. <p><i>Company-related risks</i></p> <ul style="list-style-type: none"> ▪ The Company is exposed to counterparty risks, i.e. the risk of losses or foregone profits due to the economic failure of business partners and customers. The removal of the banking supervisory requirement to grant loans only against the pledge of securities and the extension of placed credit volume in Marketplace Lending increase the counterparty risk. ▪ The Company is exposed to market price risks, i.e. to the risk of a negative change in the value of positions in the Company's banking and trading books. The Company is also subject to exchange rate risks. ▪ Varengold Bank AG is subject to a liquidity risk, i.e. to the risk that it will be unable to fulfil its current and future payment obligations or fulfil these in a timely manner. ▪ There is the risk of the withdrawal, restriction and/or failure to grant the permits and/or licences that are essential to the business activities of the Varengold Group. ▪ There is the risk that the Company may not be able to comply with requirements in terms of regulatory equity capital. ▪ There are risks associated with preliminary proceedings of tax and investigations into so-called 'cum/ex' trades. In particular, related liability claims, demands for (back) taxes and / or associa-

		<p>tion repentance (Verbandsgeldbuße) could be asserted or imposed against Varengold Bank AG, which could jeopardise the existence of the Company.</p> <ul style="list-style-type: none"> ▪ There are concentration risks for individual commitments in Marketplace Banking, in Transaction Banking/Commercial Banking and with respect to certain countries. ▪ There is the risk that the regulatory environment for the Company's business activities or for specific investment products will tighten further and/or the regulatory administrative practices of the BaFin will change. As a result of this, further obligations may be imposed on the Company, increased administrative costs may arise and/or investment products may become unattractive or unprofitable. ▪ There is a risk that the cum/cum trades conducted by Varengold Bank AG could be regarded as an abuse of procedure from a tax perspective and lead to additional tax payments and/or penalty payments. ▪ There are risks associated with company acquisitions and participating interests in other companies. ▪ The success and the development of Varengold Bank AG are dependent on key individuals. ▪ The Company's strategy may prove unsuccessful. In particular, the newly established Marketplace Banking business area may not develop as expected. There is also the risk that the expansion of business activities in Asia through the Varengold Asia Group or the additional branch office in Bulgaria will ultimately not be successful. ▪ The Company's business activities are highly dependent on the use of the core bank software EFDIS.CIFRA. ▪ The Company could be exposed to risks in connection with disruptions and/or failure of computer and online systems or software errors. The measures taken to protect data and ensure data confidentiality could prove inadequate. ▪ There is a risk that all or some of the loans granted to (former) affiliated companies may not be repaid. ▪ Varengold Bank AG's internal compliance, risk management and controlling systems may not be sufficient to prevent or detect regulatory violations and to identify and assess any relevant risks to the Varengold Group and to take appropriate countermeasures. ▪ There is the risk of losses or damage resulting from the inappropriateness or failure of internal procedures, systems or processes, as a result of employee error or errors in standard documents used or the occurrence of external events. ▪ Varengold Bank AG might not be in a position to acquire and keep adequately qualified employees. ▪ Varengold Bank AG could be exposed to risks in connection with criminal investigations into responsible persons within the Company and the business activities or business practices of its business partners, customers or other stakeholders. ▪ It is possible that the Company may not succeed in meeting the staffing, organisational and technical requirements associated with the expansion of business operations and growth as well as the progressive digitization of the financial services sector. ▪ The earnings development that the Company is seeking could be delayed and/or might not be realisable to the extent expected. The equity capital required for future growth, i.e. securitisation of future activities, might be lacking, thus inhibiting growth. ▪ The liquidity, business activities and profitability of Varengold Bank AG may be adversely affected if, as a result of a deterioration in its rating or damage to its reputation for example, it is unable to access debt capital markets or sell assets during periods of market-wide or company-specific liquidity bottlenecks.
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D.3	<p>Key information on the principal risks that are peculiar to the securities</p>	<ul style="list-style-type: none"> ▪ The New Shares from the subscription offering are not expected to be delivered until the fifth calendar week of 2019; the New Shares may not be traded beforehand. Subscribers bear the risk of negative performance of the Varengold share during the period between subscription and delivery of the New Shares. ▪ There is no guarantee of active trade in the Company's shares on a stock exchange or that such trade will continue in the long-term. ▪ There is the risk for shareholders of a future dilution of their investment in the Company as a result of capital measures notwithstanding shareholders' subscription rights. ▪ There are foreign exchange risks based on future sales of shares. Due to the low trading volume, even the sale of a relatively small number of shares may lead to considerable price fluctuations in the stock, which may also make it more difficult for the Company to raise capital on the stock market in the future. ▪ There are risks relating to the volatility of the share price. Changes in the operating results of Varengold Bank AG or its competitors as well as changes in the general situation of the

		<p>industry, the overall economy and the financial markets may cause significant fluctuations in the listed shares.</p> <ul style="list-style-type: none"> ▪ Subscription rights cannot be traded on a stock exchange and consequently selling subscription rights that have not been exercised would be extremely difficult. ▪ The Company has not paid out any dividends on its shares in recent years and, as a result of the large net loss, may not do so in the foreseeable future. The achievement of any return on investment by the shareholders may therefore depend primarily on an increase in the value of their shares. ▪ Not all future retained earnings may be available for disbursement to the shareholders on account of a dividend payout restriction. ▪ Dividend payments could cease to apply or be excluded for regulatory reasons or could be cut or dispensed with on account of disbursements to specific regulatory equity capital instruments. ▪ Annual General Meeting resolutions required to finance the company may possibly be prevented by major shareholders. ▪ As important safeguards for investors do not apply to Varengold Bank AG, there is an increased risk in investing in Varengold Bank AG shares. In particular, delisting from the Basic Board segment of the Open Market is possible without approval from the general meeting and compensation for shareholders. ▪ The price of the shares could be influenced by analysts' estimates and other views expressed in Internet forums, stock market information or other media. ▪ Investors could suffer losses if the offering were to be cancelled or not executed.
Section E - Offering		
E.1	Total net proceeds and estimated total costs of the issue/offering	<p>The costs of the public offering are, assuming full placement of the New Shares, expected to amount to approximately TEUR 127.</p> <p>The gross issuing proceeds are dependent on the number of New Shares subscribed. Assuming full placement of all the New Shares, the gross issuing proceeds amount to EUR 7.76 million. In the event of estimated offering costs of TEUR 127, the Company would accrue net issuing proceeds of EUR 7.64 million from the placement of all the New Shares.</p>
E.2a	Reasons for the offering, intended use of the proceeds, estimated net proceeds	<p>In terms of its business activities, the Company is subject to regulatory requirements regarding its equity capital resources for solvency purposes. The Company assumes that additional equity capital will be required owing to the increasing capital conservation buffer in accordance with regulatory requirements and to support the planned expansion of business volume, particularly in the lending sector, and its inherent risks. The regulations regarding the calculation of equity capital will tighten gradually over the next few years due to the expiry of the transitional provisions. In order to meet the requirements in terms of regulatory equity capital both now and in the future, particularly regarding the planned expansion of business volume, the Company's core capital should be increased. Accordingly, the Company intends to use the net issuing proceeds to strengthen its equity capital base and therefore to create the conditions for the purpose of further business growth.</p>
E.3	Description of the offering terms and conditions	<p><i>Subscription ratio</i></p> <p>The New Shares will be offered to Company shareholders at a subscription ratio of 2:1 and consequently two (2) old shares will entitle subscription to one (1) new share ('Subscription Ratio'). To establish this subscription ratio, one shareholder agreed to waive the subscription right for one (1) old share.</p> <p>The statutory subscription right will be granted to shareholders such that the New Shares will be subscribed by Small & Mid Cap Investmentbank AG, Barer Straße 7, 80333 Munich ('SMC Investmentbank AG') at the lowest issue amount of EUR 1.00 per New Share, and acquired with the obligation to offer these to shareholders at the</p>

		<p>Subscription Ratio and at the subscription price, and to transfer the surplus proceeds to the Company (indirect subscription right).</p> <p><i>Subscription price</i> The subscription price is EUR 2.50 per New Share.</p> <p><i>Minimum and/or maximum subscription amount</i> There is no minimum amount with regard to exercising subscription rights. Shareholders simply have the right to acquire (1) new share for two (2) old shares according to the Subscription Ratio of 2:1. This represents the maximum amount of these to which the shareholder is entitled under this offering. Insofar as the Subscription Ratio defined in the context of this Cash Capital Increase results in computational claims by shareholders to fractions of shares, the shareholders will not be entitled to delivery of New Shares or cash settlement in respect of the fractional amounts arising. It is only possible to purchase one New Share or a multiple thereof.</p> <p><i>Terms and conditions of the offering</i> The offering is subject to the condition that at least 300,000 New Shares are subscribed during the subscription period and the implementation of the capital increase is entered in the commercial register of the Company by 20 February 2019 at the latest.</p> <p><i>No trade in subscription rights</i> An application for trading of the subscription rights on a stock exchange will not be made by either Varengold Bank AG or SMC Investmentbank AG. No (exchange-related) trade in subscription rights will be undertaken. Consequently, purchasing or selling subscription rights on a stock exchange is not possible. However, the subscription rights can be transferred in accordance with German law. Having said that, neither SMC Investmentbank AG nor Varengold Bank AG will arrange the purchase or sale of subscription rights. Any subscription rights not exercised will have no value.</p> <p><i>Offering period and subscription</i> The subscription offering is due to be published in the German Federal Gazette on 21 November 2018. The subscription period is expected to begin on 23 November 2018 and run until 7 December 2018 (12:00). The subscription rights will be traded under ISIN DE000A2NBUA3 / WKN A2NBUA. Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn will post the subscription rights to the respective depositary institutions on 23 November 2018 with a record day of 22 November 2018. These institutions will credit the subscription rights, which apply to the old shares of Varengold Bank AG (ISIN DE0005479307) to the shareholders' securities accounts on the same day. From 21 November 2018 (ex-day), the subscription rights (ISIN DE000A2NBUA3) will be separated from shareholdings to the extent of the existing subscription right according to the subscription offering and the existing shares will be listed as 'ex-subscription right'. Varengold Bank AG has appointed SMC Investmentbank AG as subscription agent. Subscription rights are exercised by submitting a subscription application, which is sent to shareholders of the Company by the depositary banks, to the subscription agent via their depositary bank. The subscription rights act as evidence of rights entitlement in respect of the New Shares.</p> <p><i>Takeover of shares</i> Varengold Bank AG concluded an agreement ('Subscription Agreement') with SMC Investmentbank AG on 04 September 2018 regarding the technical execution of the subscription offering by way of an indirect subscription right. SMC Investmentbank AG has undertaken to the Company in the Subscription Agreement to handle the Company's offering by means of an indirect subscription right and, insofar as New Shares are subscribed as part of the subscription offering and the subscription price to be paid has been credited to the SMC Investmentbank AG special capital increase account, to</p>
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		<p>subscribe and accept each New Share at the lowest issue amount of EUR 1.00 in its own name on the shareholders' behalf and deliver these to the shareholders once the capital increase has been registered. SMC Investmentbank AG will receive a fixed remuneration for providing technical support for the Cash Capital Increase. The Company has undertaken in the Subscription Agreement to exempt SMC Investmentbank AG from specific liability obligations in the internal relationship that may arise in connection with the offering.</p> <p><i>Revocation / Suspension of offering</i></p> <p>The Company and SMC Investmentbank AG may terminate the Subscription Agreement for good cause at any time. Good cause includes, in particular non-fulfilment of agreed obligations, a significant deterioration in the financial situation or a fundamental change in circumstances on the capital market on account of unusual, unavoidable events of an economic and/or political nature, or as a consequence of government measures whereby implementation of the capital increase is at risk or no longer seems appropriate.</p> <p>The Company reserves the right to cancel the subscription offering in the event of certain circumstances, which also include termination of the Subscription Agreement by SMC Investmentbank AG, at any time, even after expiry of the subscription period and before the New Shares are delivered. Cancellation will also apply to subscription rights that have already been exercised. Revocation after admission of the New Shares to listings in the Basic Board segment of the Open Market of the Frankfurt Stock Exchange is not possible.</p> <p><i>Possibility of reducing subscriptions</i></p> <p>Shareholders may reduce their subscription application relating to the New Shares up to the end of the subscription period provided the respective depositary bank permits this. In such cases, subscription prices that have already been paid will be repatriated by the subscription agent through the respective depositary bank.</p> <p><i>Withdrawal of exercise of subscription</i></p> <p>Provided the respective depositary bank permits this, subscription applications that have already been submitted may be withdrawn up to the end of the subscription period.</p> <p><i>Utilisation of unsubscribed New Shares (private placement)</i></p> <p>New Shares not subscribed by shareholders on the basis of a subscription right within the subscription period may be offered by the Board of Managing Directors, including alongside the call for subscription, by involving, where necessary, one or more banks or financial services institutions as part of a private placement (non-public offering), to selected investors at the fixed subscription price of EUR 2.50 per New Share for subscription and acquisition. The private placement is expected to end on 9 January 2019.</p> <p><i>Publication of the offering results</i></p> <p>The results of the Cash Capital Increase (subscription offering and private placement) are due to be published on the Company's website (www.varengold.de) on 09 January 2019 (→ About Varengold → Investor Relations → Capital Increase).</p> <p><i>Delivery of New Shares</i></p> <p>The Cash Capital Increase is expected to be entered in the commercial register by 25 January 2019.</p> <p>It is expected that the New Shares acquired in connection with the offering will be delivered to shareholders from 31 February 2019.</p> <p><i>Restrictions of the offering</i></p> <p>The New Shares will be offered to the public only in the Federal Republic of Germany. There will be no public offering outside the Federal Republic of Germany, particularly not in the United States, Japan, Canada or Australia. The New Shares are not and will not be registered either under the provisions of the US Securities Act of</p>
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		<p>1933, as amended, ('Securities Act'), or with the securities regulatory authorities of individual states of the United States of America. The New Shares may not be offered in the United States of America, nor exercised, sold or delivered there, directly or indirectly, except in accordance with an exception from the registration requirements under the US Securities Act and securities legislation of the individual states of the United States of America.</p> <p>In particular, this Prospectus does not represent a public offering nor the invitation to submit an offer to purchase the New Shares in the United States of America and may therefore not be distributed there either.</p>
E.4	Interests and conflicts of interest relating to the offering	<p>SMC Investmentbank AG is in a contractual relationship with Varengold Bank AG regarding the technical execution of the public offering. SMC Investmentbank AG will receive a standard fixed remuneration for its work. There are no conflicts of interest in this respect. As (indirect) shareholders, Board members, Dr Bernhard Fuhrmann and Frank Otten have an interest in the offering as, in the event of a positive development of the Issuer, their participating interest in the Issuer would increase on account of the capital raised in the course of the offering.</p>
E.5	Persons/companies offering the securities for sale; lock-up agreements and lock-up period	<p>Only 3,105,211 New Shares will be offered by Varengold Bank AG as part of the public offering.</p> <p>There are no lock-up agreements or periods in respect of the New Shares.</p>
E.6	Amount and percentage of immediate dilution resulting from the offering	<p>The share capital of the Company is currently EUR 6,210,423.00 and is divided into the same number of ordinary shares. Assuming that all New Shares are subscribed and the full implementation of the Cash Capital Increase of EUR 3,105,211.00 is entered in the commercial register, the share capital of the Company would amount to EUR 9,315,634.00. Thus after completion of the Cash Capital Increase, the old share capital of EUR 6,210,423.00 would account for only about 66.67% of the new share capital. Accordingly, shareholders who fail to exercise their subscription right would then only have an interest in the Company's share capital representing approx. 66.67% of their previous holding. Consequently, their interest in the share capital would be diluted by approx. 33.33%. The net book value of the Company's equity capital (balance sheet total less debt) was EUR 23,792,595 on 30 June 2018 based on accounting in accordance with the German Commercial Code (HGB) (unaudited); this corresponds to approx. EUR 3.83 per share based on the 6,210,423.00 shares issued on 30 June 2018.</p> <p>Assuming that all 3,105,211 New Shares are subscribed at the subscription price of EUR 2.50, the Company would accrue total net issuing proceeds, including estimated costs of TEUR 127, of EUR 7,636,028.</p> <p>Assuming Company net issuing proceeds of EUR 7,636,028, the raised net book value of the adjusted equity capital of the Company would amount to EUR 31,428,623. The net book value per share after execution of the prospective corporate action would be accordingly, based on 9,315,634 shares, amount to EUR 3.37. The net book value per share of existing shareholders would therefore be reduced by EUR 0.46 per share or approx. 12%. The net book value per share after the capital measures of EUR 3.37 would exceed the subscription price of EUR 2.50 paid by a shareholder under the rights offer by EUR 0.87 or approx. 35%.</p>
E.7	Estimation of the expenses charged to investors by the Issuer or offeror	<p>The depositary banks generally charge the customary bank commission for the subscription of the New Shares. Subscribers will not be billed by Varengold Bank AG for any costs or taxes.</p>

2. Risk Factors

When deciding to purchase shares in Varengold Bank AG, investors should carefully consider all the following significant risk factors associated with other information contained in this Prospectus. Some of the information contained in this Prospectus relates to the future and contains forecasts which involve inherent risks and uncertainties. This is especially true in relation to the description of the assumptions underlying the plans and objectives and in relation to other forward-looking statements contained in this Prospectus. These statements, which reflect the current expectations of the Company's Board of Managing Directors, are influenced by a number of factors that could lead to significant deviations from the results described in the forward-looking representations. Some of the factors that could cause such results are described in more detail in the context of the following risk factors. It cannot be ruled out here that other risks exist that are not known to the Company or which the Company does not at present consider significant, the occurrence of which could possibly have a significant adverse effect on the business situation, assets, financial position and earnings of the Company. The order in which the following risks are listed is no indication of the likelihood of their occurrence. As some risks indeed contain multiple cross-cutting factors, areas should not be isolated, but instead considered only in their entirety.

2.1. Market and industry-related risks

Varengold Bank AG operates in a highly competitive market environment. Increasing competition, in particular from Fintechs and foreign banks, could lead to lower margins for Varengold Bank AG and/or to a loss of customers and market shares.

The Company holds the view that the German banking and financial services sector is characterised by intense competition. There is significant overcapacity in some areas, particularly in business with private investors. In addition, traditional banks are increasingly exposed to competition from companies that use modern technologies to provide financial services (so-called Fintechs) and that are often able to offer financial products and alternative services faster and at lower cost. Furthermore, German providers are competing with a range of foreign providers, which have significantly expanded their presence in the German market in recent years. As a result of the intense competition, it is often difficult to achieve adequate margins in the individual business areas or transactions in one business area have to be offset against low-margin or no margin transactions in other areas. Existing and potential competitors of Varengold Bank AG also include companies that are in some cases equipped with considerably greater financial and human resources. These companies could be in a position to conduct extensive and costly marketing activities and also offer customers more favourable terms. Furthermore, companies with good equity capital resources are able to operate more flexibly in the market because of the capital requirements that apply to depository institutions. It is not guaranteed that Varengold Bank AG will be able to compete successfully on the market in the long run in a future competitive environment that may intensify even further. If the Company is not able in the context of the competition to offer its products and services at economically reasonable margins under competitive terms, this may lead to the loss of customers and market shares.

The realisation of any of the aforementioned risks associated with competitors may have a significant adverse effect on the business activities as well as on the assets, financial position and earnings of the Company.

There is a risk of breaches of the law by employees of the Company, in particular the risk of infringement of banking supervisory, capital market and data protection regulations. In addition to substantial fines and other supervisory sanctions, this may result in significant claims for damages by third parties and considerable damage to the reputation of the Varengold Group.

The Varengold Group is subject to a large number of general and specific statutory regulations. These include in particular bank supervisory and data protection regulations as well as requirements under employment, commercial and company law. In addition, the Company is subject to obligations under capital market law, including for example the German Securities Trading Act and the Market Abuse Regulation (EU) No 596/2014. These include in particular the bans on insider trading and market manipulation, immediate publication of insider information (ad hoc publicity), notifications by managers, the keeping of insider indexes, financial reporting obligations (including in the course of the year), etc. In

spite of appropriate training measures, the possibility cannot be ruled out that employees of the Varengold Group may infringe these and other regulations under German or European law or the laws of the countries in which the Varengold Group operates, or that the risk management and monitoring systems may fail. In addition to substantial fines and other supervisory sanctions, this may result in significant claims for damages by third parties and considerable damage to the reputation of the Varengold Group. The compliance system and monitoring capabilities of the Varengold Group may prove inadequate in terms of preventing such infringements and/or uncovering infringements that have already taken place. The realisation of such risks could compromise the business activities of the Varengold Group and have a significant adverse effect on the assets, financial position and earnings of the Varengold Group. It also cannot be ruled out that permanent, serious violations of the obligations to be fulfilled by the Company in the area of banking supervision could lead to a restriction or a withdrawal of the KWG licence.

There is the risk of special contributions to the Entschädigungseinrichtung deutscher Banken.

The Company is affiliated to the Entschädigungseinrichtung deutscher Banken (EdB) to which it is legally bound. The EdB compensates customers in cases where EdB-affiliated institutions are unable to repay deposits or pay amounts due to customers arising from securities transactions. The EdB finances this from contributions provided by its members. In compensation cases, it is possible that the EdB might call upon its members to pay special contributions over and above their annual contributions, if the funds available to the EdB are insufficient. Consequently, the Company might be obliged to pay a corresponding special contribution. The realisation of this risk could have a significant adverse effect on the business activities and on the assets, financial position and earnings of the Company.

The banks will lose an important source of income as a result of the persistently low interest rate level. In addition, the banks' earnings are affected by negative interest rates imposed by the European Central Bank on deposits made to the bank.

Persistently low interest rates for several years now mean that it will become increasingly difficult for banks to invest cash inflows from customer funds in the capital market for a profit. Although interest rates have since been raised to 2.00% - 2.25% in the US in the meantime; however, the key interest rate of the European Central Bank remains at 0.00%, with an increase not expected before the second half of 2019. Due to the low interest rate level banks lose an important source of income, which is needed to consolidate the equity capital base, and which cannot be easily replaced or offset by other sources. Deposits at the European Central Bank have for some time been burdened with negative interest rates, which can however be passed on to a Company's own customers only to a limited extent. If banks try to compensate for lack of income by introducing new fees or increasing existing ones, they risk losing customers. Moreover, low or even negative interest rates also have a detrimental effect on the volume of customer deposits due to the less favourable terms and conditions for customers, which in turn may limit the banks' refinancing options.

Any of the aforementioned circumstances may have significant adverse effects on the business activities as well as on the assets, financial position and earnings of the Varengold Group.

Geopolitical risks, growth of the global economy and the global financial markets may have a negative impact on the economic environment and the business activities of the Varengold Group.

The development of the global economy and the global financial markets as well as the economic and political environment in the countries in which the Varengold Group operates have a significant influence on the demand for services and financial products offered by the Varengold Group. These also include geopolitical crises and conflicts such as tensions in the Middle East, the threat of terrorism, the USA exit from the nuclear agreement, increasing levels of protectionism in the USA and the resulting trade conflicts and new trade barriers as well as political uncertainties following the election of a Eurosceptic government in Italy and their dispute with the EU Commission about their budget or in connection with the Brexit negotiations and a still possible "hard" Brexit, which represent an incalculable risk to the further development of the financial system. According to the latest report on the stability of the International Monetary Fund's (IMF) financial markets, the increased pressure on emerging markets, as well as the

growing debt burden in the global economy due to the stronger dollar and interest rate hikes in the US, are also exacerbating the risks to the financial system (source: Handelsblatt of 10 October 2018, available at <https://www.hartelsblatt.com/finanzen/geldpolitik/iwf-stabilitaetsbericht-risiko-fuer-das-globale-finanzsystem-werden-groesser-schwellenlaender-anfaelliger-fuer-rueckschlaege/ 23167102.html>). In addition, central banks could face swifter abandonment of low interest rate policy in the face of escalating trade disputes and political uncertainty, which could also lead to turbulence on the financial markets.

In addition, the global economy is losing momentum. The IMF has revised its global growth forecast downwards in view of the growing risks and expects only global economic growth of 3.7% for 2018 and 2019 (instead of the latest 3.9% each) (Source: Frankfurter Allgemeine dated 9 October 2018; available at: <http://www.faz.net/aktuell/wirtschaft/mehr-wirtschaft/ weltwirtschaft-iwf-low-growth-forecasts-15828422.html>). As a result of the weaker world economy, the German government has lowered its growth forecast for the German economy and expects gross domestic product to increase by only 1.8% in 2018 and 2019 to 2.3% and 2.1% respectively (source: Wirtschaftswoche of 10 October 2018, available at <https://www.wiwo.de/politik/konjunktur/deutschland-auch-bundesregierung-senkt-wachstumsprognose-fuer-2018 / 23169208.html>). The German Council of Economic Experts even expects only 1.6% growth in the current year 2018 and 1.5% in 2019 (Source: Süddeutsche Zeitung of 8 November 2018). The German economy grew by 2.2% in 2017 (Source: Federal Statistical Office, Press Release No. 11 of 11 January 2018). The deterioration of the macroeconomic environment or sluggish growth in the core markets of the Varengold Group may also lead to the Varengold Group having to hold higher risk provisions.

Any of these announced circumstances may have significant adverse effects on the business activities as well as on the assets, financial position and earnings of the Varengold Group.

Due to its international activities, the Varengold Group is subject to economic, (employment) legal, tax and regulatory risks in various countries and jurisdictions.

The Varengold Group operates through branches and subsidiaries in several countries with different legal systems in Europe and Asia, resulting in a number of risks. These include above all the requirements of the general economic, (labor) legal, fiscal and regulatory framework prevailing in the individual countries as well as their unexpected short-term change. There is a risk that the Varengold Group or the companies of the Varengold Group may, in individual cases, violate some of these regulations in different countries or, as a result of such an infringement, impose administrative measures on the competent authorities in those countries, e.g. threatened in the form of fines or imposed on the company or the company concerned by the Varengold Group.

There is also the risk that the changes in the political situation abroad could change the general conditions for the branches and subsidiaries located there. In addition, interventions by authorities or bureaucratic burdens can adversely affect the profitability of foreign branches and subsidiaries.

All of these circumstances can have a material adverse effect on the business activity as well as on the net assets, financial position and results of operations of the Varengold Group.

2.2. Company-related risks

The Company is exposed to counterparty risks, i.e. the risk of losses or foregone profits due to the economic failure of business partners and customers. The removal of the banking supervisory requirement to grant loans only against the pledge of securities and the extension of placed credit volume in Marketplace Lending increase the counterparty risk.

Varengold Bank AG is exposed to counterparty risk, i.e. the risk where a counterparty is unable or only partially able to honour its contractual obligations vis-à-vis Varengold Bank AG. Counterparty risk must be interpreted broadly for Varengold Bank AG and concerns not only the risk of losses or foregone profits based on partial or complete failure by a counterparty, but also the risk of losses relating to changes in counterparty credit ratings that can diminish the economic value of a position. The term 'counterparty' in this context refers to borrowers and also to customers associated with balance sheet

lending items (particularly bank and customer loan assets), shareholdings or commercial business (money market business, securities business, currency business or business with derivatives). The risks include in particular the partial or complete loss of agreed payments, in particular interest and/or principal payments, to be provided to the Company by one of its debtors. The risk of default is higher the worse the creditworthiness of the contractual partner of the Company. Counterparty risk includes not only the loss of receivables through worsening of creditworthiness or bankruptcy, but also counterparty and settlement risk arising from trading activities. This can occur, for example, in the case of illiquidity or insolvency of customers. Such risks of default generally exist with any transaction which a bank makes with a customer, especially in the case of lending business. All Varengold Bank AG debts are therefore fundamentally exposed to such risk of default. It is also possible that collateral provided by a debtor, for example due to a decline in market prices, decreases in price or cannot be realised and/or is insufficient to compensate for failed payments. In addition, counterparty risk also includes investment risk, which considers the risk of a loss in value of an investment through corresponding negative developments. The realisation of any of these counterparty risks could have a significant adverse effect on the general business development as well as the assets, financial position and earnings of Varengold Bank AG.

If the Company also engages in finance commission business, which by its nature is carried out on behalf of a third party, the risks in legal and economic terms are outsourced to the third party. Even in this case, where counterparty risk is realised among third parties, one would expect at least a loss of reputation, including the Company's own, among other business partners. Consequently, in this scenario too, in addition to the total loss of income in this business area there could also be a substantial decline in the acquisition of new customers and thus a significant deterioration in the general business activities as well as the assets, financial position and earnings of the Company.

The licence to grant loans was originally restricted to the provision of Lombard loans, i.e. loans could be extended only against the pledge of securities. Following the removal of this requirement in December 2017 and in the course of the establishment and expansion of the Marketplace Banking business area, whose main component is marketplace lending, i.e. the granting of loans to online lending platforms, the credit volume placed by Varengold Bank AG has increased significantly and is expected to continue to grow as part of the planned future expansion of business activities in the Marketplace Banking business area. In addition, since the removal of the bank supervisory requirement, loans can also be issued without collateral. These circumstances cause a corresponding increase in counterparty risks.

The Company is exposed to market price risks, i.e. to the risk of a negative change in the value of positions in the Company's banking and trading books. The Company is also subject to exchange rate risks.

There is a general risk of potential losses on balance sheet and off-balance sheet positions due to changes in market price. This market price risk covers the potential negative change in value of positions in the Company's banking and trading books resulting from changes in market prices, especially interest rates, equity prices and exchange rates, and also in parameters that influence prices (volatilities, correlations). Market price risks arise in the banking book, in particular from securities in the liquidity reserve and fund holdings. In the trading book, Varengold Bank AG is exposed to a market price risk with positions in bonds in particular. In addition, persistently low interest rates (both in the euro zone as well as in the USA) would continue to put a considerable strain on the results of the Varengold Bank Group in terms of interest income. A realisation of the market price risk could have a significant adverse effect on the general business development and the assets, financial position and earnings of the Company.

Part of the income and expenses of the Varengold Group is generated outside the euro zone, particularly in US dollars and British pounds. It is therefore in principle subject to currency risk. As the annual financial statements of Varengold Bank AG are prepared in euros, foreign currency transactions and positions not denominated in euros are converted to euros at the exchange rates prevailing at the end of each respective period. The result of Varengold Bank AG is thus subject at least in part to the impact of fluctuations of the euro against other currencies, particularly the British pound. If, as a result of currency fluctuations, income incurred in a currency other than the euro turns out to be lower when converted into euros and expenses incurred in a currency other than the euro turn out to be higher when converted into euros, this could have a significant adverse effect on the general business development and the assets, financial position and earnings of the Company.

The Company also conducts transactions that serve to hedge against currency risks (hedging); the costs incurred for this depend on factors including the difference in interest rates between currencies and have increased significantly in the past, in particular as a result of the interest rate differential between the euro and the US dollar. Persistently high and/or increasing hedge costs would also have a significant adverse effect on the assets, financial position and earnings of the Company.

The Company is subject to a liquidity risk, i.e. to the risk that it will be unable to fulfil its current and future payment obligations or fulfil these in a timely manner.

Varengold Bank AG is in principle subject to a liquidity risk, i.e. to the risk that Varengold Bank AG will no longer be able to fulfil its payment obligations in an unrestricted manner, i.e. its current and future payment obligations, or at least not be able to fulfil them completely or in a timely manner. Liquidity risk can arise as a result of refinancing or maturity risk, call/withdrawal risk, market liquidity risk or liquidity spread risk (risk of higher interest rate premium in the case of follow-up financing). This risk exists particularly in connection with deposit business as well as on the basis of any possible concentrated realisation of counterparty risks. In the event of numerous retrievals of deposits or simultaneous counterparty defaults, it is possible that Varengold Bank AG might not on a particular day be able to fulfil its payment obligations and must then request liquidity on the market at short notice under more expensive conditions or receive no liquidity. In addition, future capital buffer requirements may tie up liquid assets of the Company and thus affect the liquidity of the Company. Furthermore, internal or external events such as a downgrade of the Company's rating or damage to its reputation could have a negative impact on the Company in terms of refinancing, and thus liquidity, up to and including a potential risk of insolvency. This could adversely affect the general business development and the assets, financial position and earnings of the Company to the extent that the risk of a threat to the future of the Company cannot be ruled out. In this case, investors risk losing their entire investment in the shares.

There is the risk of the withdrawal, restriction and/or failure to grant the permits and/or licences that are essential to the business activities of the Varengold Group.

The Company currently holds all the licences pursuant to the KWG and the GewO (German Industrial Code) that are necessary for the Company's business activities. Varengold Bank AG holds a licence pursuant to Section 34c (1) GewO as well as the licence pursuant to Section 32 (1) KWG to conduct banking transactions in accordance with Section 1 (1) Sentence 2, no. 1, 2, 4, 5 and 8 KWG (deposit business, lending business, financial commission business, depositary bank business and guarantee business) and financial services pursuant to Section 1 (1a) Sentence 2, no. 1, 1a, 2, 3, 4, 9, 10 and 11 as well as Section 32 (1a) KWG (investment brokerage services, investment advice, acquisition brokerage, financial portfolio management, proprietary trading, factoring, finance leasing, investment management and proprietary business) as well as payment services (Section 1 (2) ZAG (Payment Services Supervision Act)). The licence pursuant to Section 32 (1) KWG was granted in accordance with Section 32 (2) 1) KWG subject to certain conditions. As long as the core capital of Varengold Bank AG is less than EUR 10 million, it must maintain a liquidity portfolio (with category 1 and 2 credit ratings), which is equivalent to at least the level of liabilities of Varengold Bank AG, for the redemption of deposits due each day or funds transferred in connection with the implementation of investment services (especially cash collateral). If the Company breaches these conditions, there is a risk that the licence will be revoked in full or in part. In addition, the licences may be revoked or restricted for other reasons, for example, in the case of serious and/or repeated violations of other legal obligations incumbent upon the Company as a depositary institution. Should these licences be restricted or withdrawn entirely in the future, this will have a significant adverse effect on the general business development and the assets, financial position and earnings of the Company, and even pose a threat to its very existence. In this case, investors risk losing their entire investment in the shares.

Moreover, if legitimate reasons exist giving rise to doubts as to whether the Company is able to fulfil its obligations towards its customers, the supervisory authority may impose temporary measures, for example prohibit the Company (in full or in part) from withdrawing capital and profits, divest the Company of its Board of Managing Directors or prohibit transactions that could jeopardise the security of the interests of the Company's customers; this could also have a significant adverse effect on the general business activities as well as the assets, financial position and earnings of the Company.

The companies in the Varengold Asia Group also have the respective licences required for their current business activities. Should existing licences be restricted or withdrawn completely in the future or a new licence applied for not be granted or granted only with restrictions, this will have a significant detrimental effect on the general business activities and the assets, financial position and earnings of the respective subsidiary and thus also have an impact on the assets, financial position and earnings of the Varengold Group.

There is the risk that the Company may not be able to comply with requirements in terms of regulatory equity capital.

There has been a gradual increase in regulatory capital ratios since 1 January 2016 through the introduction of capital buffers. According to Article 92 CRR, institutions like Varengold Bank AG must have a hard core capital ratio of 4.5%, a core capital ratio of 6.0% and an overall capital ratio of 8.0% at all times. In addition, in October 2016, based on the Supervisory Review and Evaluation Process – (SREP), BaFin stipulated an additional capital add-on of 2% for Varengold Bank AG and set the overall capital ratio to be maintained by the Company (at individual institution and group level) at 10%. According to the BaFin announcement, this additional surcharge will be set at 1.5% in 2018 and thus the total capital ratio at 9.5%. In addition, pursuant to Sections 10c (1), 10d KWG, Varengold Bank AG must maintain an additional capital conservation buffer consisting of hard core capital of 1.875% (from 2019: 2.5%), an institution-specific anti-cyclical capital buffer consisting of hard core capital between 0% and 1.875% (from 2019: 2.5%) as well as the combined capital buffer consisting of hard core capital pursuant to Section 10i KWG. Varengold Bank AG has always fulfilled the respective requirements to date. However, due to the weak earnings in the financial years 2013 to 2017 and the resulting net loss as at 31 December 2017 of EUR 19.95 million, it was necessary to implement capital increases and issue a subordinated loan of EUR 5 million.

To compensate for losses and meet the equity capital requirements as well as to stabilise the equity capital situation, the supply of new equity capital is therefore required by means of, among other things, the capital increase that is the subject of this Prospectus. It cannot be completely ruled out, however, that the offering will be cancelled and/or not executed or not executed in full due to extraordinary termination of the Subscription Agreement on the part of SMC Investmentbank AG, or for other reasons. Should the Company not be able to generate sufficient equity capital, there is a risk that the relevant banking supervisory requirements will not be able to be met. This could result in the competent authorities taking regulatory measures, for example, a deposit protection audit may be scheduled that prohibits the volume of deposits or the extension of the credit volume, or further conditions may be imposed on the licence from BaFin to conduct banking transactions, or this may be restricted or withdrawn entirely; these could all have a significant adverse effect on the general business development and the assets, financial position and earnings of the Company, and even pose a threat to its very existence. In this case, investors risk losing their entire investment in the Company's shares.

There are risks associated with preliminary proceedings of tax and investigations into so-called 'cum/ex' trades. In particular, related liability claims, tax claims and / or association repentance (Verbandsgeldbuße) could be asserted or imposed against Varengold Bank AG, which could jeopardise the existence of the Company.

Regarding the Varengold Verwaltungs Aktiengesellschaft i.L. (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) in transactions carried out in 2010, criminal prosecution investigations by the public prosecutor's office against (former) management of Varengold Verwaltungs Aktiengesellschaft i.L. and investigations by the tax authorities on suspicion of tax evasion in a particularly serious case in connection with so-called cum / ex transactions. The allegedly illegal capital gains tax rebates (including solidarity surcharge) amount to a very high eight-digit figure. The Company has sought a legal review of the liability risks of Varengold Verwaltungs Aktiengesellschaft (in liquidation) in this regard, and as Varengold Verwaltungs Aktiengesellschaft (in liquidation) only has minimal assets, of the Company itself in terms of the potential recovery of capital gains tax. The lawyers instructed to conduct the review came to the conclusion that liability on the part of the subsidiary is possible based on Section 70 AO (General Tax Code), but liability on the part of the Company is contrary to both case law and reference literature. If a claim were to be made against Varengold Verwaltungs Aktiengesell-

schaft (in liquidation) regarding capital gains tax refunds or possibly an associated repentance (Verbandsgeldbuße) according to § 30 OWiG would be set against them, the insolvency of this subsidiary would be most likely, which would currently result for the Company in a depreciation of the book value of the participating interest of TEUR 476. Any of the above-mentioned circumstances could have significant adverse effects on the assets, financial position and earnings of the Company. It cannot be entirely ruled out either that the financial authorities and courts might reach a different conclusion regarding liability on the part of Varengold Bank AG than the legal opinion obtained by the Company, and a claim ultimately made against the Company, in full or in part, for capital gains tax reimbursed in the past through the business activities of the subsidiary Varengold Verwaltungs Aktiengesellschaft (in liquidation), This would have a significant adverse effect on the assets, financial position and earnings of the Company, and even pose a threat to its very existence. In this case, investors are at risk of total loss of their investment in the Company's shares.

In addition, Varengold Bank AG is possibly a side party in a tax criminal investigation against former taxpayers of the company on suspicion of tax evasion in a particularly serious case or participation in so-called "cum / ex transactions with short sales". In this context, a fine may be imposed on Varengold Bank AG in accordance with § 30 OWiG. A fine may be imposed on a legal person if a criminal offense or administrative offense committed by a manager violates the duties of the legal person or enriches the legal person. The fine can amount to up to EUR 10 million. In addition, there may be a profit. In certain cases, the fine can also be imposed independently. In the opinion of Varengold Bank AG, those accused in this proceeding have neither acted as managers of the company in their alleged participation in "cum / ex-transactions with short sales" nor have Varengold Bank AG's obligations been violated or enriched. However, it can not be completely ruled out that the investigation or any subsequent court proceedings may lead to a different result and that a fine of 1% is imposed on Varengold Bank AG. This would have a material adverse effect on the net assets, financial position and results of operations of the company and, depending on the amount of the association's fine, could endanger the existence of the company. In this case, investors risk losing their entire investment in the Company's shares.

In addition, investigation proceedings were initiated by the public prosecutor's office against the responsible persons at Varengold Bank AG on suspicion of tax evasion in a particularly serious case or participation in it in connection with cum/ex trades in 2012 and 2013 at Varengold Bank AG itself. The Company believes that the evidence on which the investigation proceedings are based is unfounded and therefore assumes that the grounds for suspicion against the persons concerned can be cleared and that the investigation proceedings will be discontinued. However, it cannot be completely ruled out that the investigation proceedings against the responsible persons at Varengold Bank AG will be continued and ultimately even lead to prosecution; this could lead to considerable damage to the reputation of Varengold Bank AG itself. The investigations initiated by the public prosecutor's office may also lead to the tax authorities initiating investigations against Varengold Bank AG itself. Although the Company considers the allegation of involvement in cum/ex trades designed to evade taxes to be unfounded, it cannot be entirely ruled out that the tax authorities will ultimately come to a different conclusion and the Company avails itself for, in its view, undue reimbursement of capital gains tax. In addition, it is not completely excluded that in this case an association repentance (Verbandsgeldbuße) will be imposed on the company. This would have a significant adverse effect on the assets, financial position and earnings of the Company and, depending on the amount of liability/tax claim or the association repentance, could jeopardise the Company's existence. In this case, investors risk losing their entire investment in the Company's shares.

There are concentration risks for individual commitments in Marketplace Banking, in Transaction Banking/Commercial Banking and with respect to certain countries.

The Company is exposed to various concentration risks in its business areas. In the Transaction Banking/Commercial Banking business area, the Company occasionally takes on commitments which, due to their amount and/or collateralisation combined with the risk of default may lead to a risk concentration. For example, loans totalling EUR 20 million are secured exclusively by the pledging of company shares and consequently any negative development of the market value of the company shares would have a significant adverse effect on the collateralisation of these loans. Another significant individual financial commitment of up to EUR 15 million consists in financing the acquisition of Bulgarian government bonds. In addition, as at 30 June 2018, some 45% of the guarantee lines totalling approx. EUR 4 million were attributable to a single guarantee.

As a rule, the Marketplace Banking business area takes on broadly diversified credit risks. Inherent in the business model, however, is the fact that through brokering by a platform, a large number of individual credit risks are taken, sometimes up to a cumulated credit volume of EUR 20 million or more. Where the refinancing of this cumulated credit volume is undertaken by Varengold Bank AG in full or to a significant extent, it is exposed to a commensurate concentration risk. Any failure of the platform, as a result of insolvency or attempted fraud by the platform operator for example, may in this case lead to loss of the entire brokered credit volume. Concentration risks can also arise in the area of Marketplace Banking if financing undertaken by Varengold Bank AG is used by the lending platform exclusively for one asset class and in the event of a default of this asset class, even the credit granted by the company to the credit platform for this cannot be repaid in full or in large part. For example, the Company has granted loans to one lending platform totalling EUR 20 million, which it uses exclusively to finance Polish retail receivables.

There are also concentration risks in both business areas in the form of country risks in cases where large loan volumes are granted directly or indirectly to borrowers from one country. Varengold Bank AG is currently exposed to risks of this kind with respect to Poland, Bulgaria and – via Varengold Investment Funds SPC – the Cayman Islands. If capital controls or other measures restricting payments to other countries were introduced in such a case for example, this could have a negative impact on the repayment of loans granted by Varengold Bank AG.

The realisation of any of the risks set out above may have a significant adverse effect on the assets, financial position and earnings of the Company, to the extent that the risk of insolvency cannot be ruled out. In this case, investors risk losing their entire investment in the Company's shares.

There is the risk that the regulatory environment for the Company's business activities or for specific investment products will tighten further and/or the regulatory administrative practices of the BaFin will change. As a result of this, further obligations may be imposed on the Company, increased administrative costs may arise and/or investment products may become unattractive or unprofitable.

The business activities of Varengold Bank AG are regulated by a multitude of regulations at both European and national level. The Company's operations are also supervised in particular by the Federal Financial Supervisory Authority ('BaFin'). The regulatory environment of Varengold Bank AG has in the past, not least because of the banking and financial crisis, also been characterised by increased regulation of the financial sector and a significant tightening of regulatory requirements as a result of which additional obligations were also imposed on the Company. The Capital Requirement Regulation (CRR) introduced to implement the Basel III requirements for financial institutions and the Capital Requirements Directive IV (CRD IV) contain strict requirements for the quality and quantity of the capital of a financial institution and make provision for capital buffers, which should be used to build capital cushions, which go beyond the minimum regulatory capital requirements and which can be released in periods of economic downturn or in stress situations. Other obligations stem from especially the EU Markets in Financial Instruments Regulation (MiFiR) and the implementation of the revised EU Markets in Financial Instruments Directive MiFID II through the Second Act Amending Financial Market Regulations (Finanzmarktnovellierungsgesetz), both of which will apply from January 2018, BaFin's recast of MaRisk, which deals with specific data aggregation, risk reporting, risk culture and outsourcing requirements and was to be implemented by the companies by 31 October 2018, as well as the 5th EU law, which entered into force on 9 July 2018. Money Laundering Directive, the implementation of which will result in a renewed adjustment or expansion of corresponding internal preventive measures.

It is expected that further regulations will also be adopted in future at European and/or national level, which could lead to additional obligations for the Company (for example, other MaRisk amendment and CRR II). Implementation and compliance with regulatory requirements are regularly associated with a corresponding increase in administrative expenses and thus lead both to an increasing commitment of resources and to cost increases. New, stricter equity capital requirements may also have an effect on the capital resources of the Company and/or future capital buffer requirements may compromise the Company's liquidity. Independent of such a direct change in regulatory requirements, regulatory administrative practice can also change in relation to the financial products offered by the Company as well as the regulatory environment of the Company. Changes in regulatory requirements or a regulatory

administrative practice can cast doubt on the legality of some or all transactions and even the nature of the handling of these transactions and also lead to a significant increase in administrative expenses. In particular, the saleability of investment products can change as a result of new laws and regulations in such a way that these investment products become unattractive to the Company's customers. This may result in business being lost. The regulatory environment in relation to the placement and distribution of capital investments has in the past become steadily tighter, and further restrictions at EU or national level cannot be ruled out. This also applies to the significant consulting fees in the areas of law, tax, accounting, internal auditing, processing and IT that are associated with such changes. The realisation of one or more of the aforementioned risks could have a significant adverse effect on the general business development and on the assets, financial position and earnings of the Company.

There is a risk that the cum/cum trades conducted by Varengold Bank AG could be regarded as an abuse of procedure from a tax perspective and lead to additional tax payments and/or penalty payments.

In 2017, the Federal Ministry of Finance published a letter setting out the criteria for the handling of cum/cum trades by the tax authorities. If these criteria lead to cum/cum trades conducted by financial institutions being regarded as an abuse of procedure from a tax perspective, there is in principle the risk of additional tax and/or penalty payments. Varengold Bank AG holds the view that the transactions conducted by it in the past in connection with dividend payments give no cause for objection by the financial authorities. An investigation by an external expert commissioned by the Company reached the same conclusion. It cannot be ruled out, however, that the financial authorities and/or courts may reach a different conclusion due to a different perception of the facts and circumstances and that, contrary to expectations, significant additional tax payments and/or penalty payments will have to be made. Such payments could have a significant adverse effect on the business activities as well as on the assets, financial position and earnings of the Company, and even pose a threat to its very existence. In this case, investors risk losing their entire investment in the Company's shares.

There are risks associated with company acquisitions and participating interests in other companies.

Varengold Bank AG has made company acquisitions and invested in companies in the past. In particular, in the 2014 financial year, the Company acquired 100% of the shares of HPI Securities & Futures Limited (today known as Varengold Capital Securities Limited), based in Hong Kong, and in early 2015 acquired the remaining approx. 51% of the share capital of Varengold Verwaltungs Aktiengesellschaft (in liquidation) (formerly Varengold Investment Aktiengesellschaft mit Teilgesellschaftsvermögen). The acquisition of companies and participating interests represents a significant risk. It cannot be ruled out that risks associated with acquisition arise or are realised at a later stage, which were not recognised or were wrongly assessed in the context of a previous audit or which are not covered by guarantees provided. In such a case, the corresponding warranty period may have already expired or recourse to the seller may not be possible for other reasons. This could occur, for example, if a claim were made against Varengold Verwaltungs Aktiengesellschaft under Section 70 AO on account of capital gains tax refunds in connection with past cum/ex trades. In addition, it may be found following an acquisition that the expectations of Varengold Bank AG associated with the respective acquisition are not satisfied or Varengold Bank AG has incorrectly assessed the market position, the earnings potential, earnings and growth opportunities of the company or other essential factors. Such incorrect assessments may relate to the feasibility of the strategy underlying the respective acquisition.

In 2017, a depreciation of the book value of participating interests of Varengold Verwaltungs Aktiengesellschaft (in liquidation) of TEUR 514 was required in connection with the resolved liquidation, as it is therefore no longer a going concern. There is a considerable risk that the remaining book value of TEUR 476 will also have to be fully or partially written off after completion of the liquidation. The business activities of the Varengold Asia Group have also not yet developed to the extent and at the pace planned. If the goals pursued by the acquisition cannot be achieved in the long term, the participating interests of the Varengold Asia Group, which currently amount to approx. TEUR 1,755, may also have to be written off in full or in part. Any of the aforementioned circumstances could have significant adverse effects on the assets, financial position and earnings of the Company.

In addition, Varengold Bank AG has several participating interests in unlisted companies. It cannot be ruled out that due to company-specific developments within the investment portfolio, a value adjustment will be required for the investment portfolio, dividend payments fail to materialise or that due to the absence of a stock exchange listing or for other reasons it will not be possible for Varengold Bank AG to sell its participating interests at reasonable prices or above the current book value. This could have significant adverse effects on the Company's assets, financial position and earnings.

The success and the development of Varengold Bank AG are dependent on key individuals.

Important components for the successful implementation of the business strategy and corporate goals, and thus the future success of Varengold Bank AG, are based on industry-specific expertise, the experience and the contacts of the executive management of the Company, in particular the two Board members, Dr Bernhard Fuhrmann and Frank Otten. The departure of just one of these persons from the Company could have a negative impact on the business development of the Company. Even an unexpected departure of other important employees in key positions, particularly employees with many years of experience of working in settlement or customer acquisition and customer support, could have a significant adverse effect on the business activities as well as on the assets, financial position and earnings of the Company.

The Company's strategy may prove unsuccessful. In particular, the newly established Marketplace Banking business area may not develop as expected. There is also the risk that the expansion of business activities in Asia through the Varengold Asia Group or the additional branch office in Bulgaria will ultimately not be successful.

The Company's strategy focuses on growth through the acquisition of new customers and corresponding expansion of its business volume. At the beginning of 2018, as part of an adjustment of its strategic focus, Varengold Bank AG established the new core business area of Marketplace Banking. The Company's strategy and the management decision regarding the business positioning of the Company taken in this context could prove partially or entirely unsuccessful, or the market and environmental conditions could change unexpectedly. As the Company sees it, a key factor in the further development of the Marketplace Banking business area will be regulation by the financial supervisory authorities in the individual countries. In the event that strict regulation means that the Marketplace Lending business model can only be implemented with considerable difficulty and consequently growth is not possible, this would also have a negative impact on the demand for products and services provided by Varengold Bank AG in this area. It is therefore not possible to rule out the idea that this business area will not develop as planned and that business prospects will not materialise as expected, which could have a significant adverse effect on the business and financial position and earnings of Varengold Bank AG.

In addition, entry was gained to the market in Asia in 2015 by way of the new subsidiary Varengold Capital Securities Limited and the Varengold Asia Group with a view to expanding business activities. The development of the business activities of the Varengold Asia Group has to date fallen short of expectations. Consequently, there is a risk that the expansion of Varengold Group business activities intended with entry into the Asian market may ultimately not be achieved, or only achieved at greater expense in terms of time and cost than planned, which may also have a significant adverse effect on the business and financial position and earnings of Varengold Bank AG. The same applies to the opening of a branch in Bulgaria which is intended to expand the Company's business strategy to include South East Europe. In each of these cases, investments made in relation to the implementation of the strategy might be lost entirely or partially. An extraordinary write-down of the book value of the Varengold Asia Group (31 December 2017: total of TEUR 1,755) might also be required. The occurrence of one or more of the aforementioned circumstances may lead to significant adverse effects on the Company's assets, financial position and earnings.

The Company's business activities are highly dependent on the use of the core bank software EFDIS.CIFRA.

Varengold Bank AG uses the core bank software EFDIS.CIFRA for its business operations; a corresponding software licence agreement exists in respect of this. The agreement originally had a fixed term until 31 May 2017 extending for another year unless terminated by one of the two contracting parties

with a notice period of six months to the end of the contract year. The agreement may also be terminated extraordinarily with immediate effect if there is good, partly defined cause. It cannot be ruled out entirely that the existing licence agreement will not be renewed or will be terminated by the licensor. It cannot be ruled out either that the licensor ceases to operate on the market due to insolvency or other circumstances, and that the support and thus the use of the software is thereby impaired. Replacement of the respective software would hardly be feasible at short notice and only feasible in the medium term at considerable additional expense. A short or medium-term termination of the licence agreement or any other impairment of the use of the relevant software would thus have a significant adverse effect on the business activities as well as on the assets, financial position and earnings of the Company.

The Company could be exposed to risks in connection with disruptions and/or failure of computer and online systems or software errors. The measures taken to protect data and ensure data confidentiality could prove inadequate.

In the Varengold Group, extensive computer and Internet systems are used, which are essential for the proper conduct of daily business. The companies in the Varengold Group depend to a very particular degree on the uninterrupted operation of these systems. Outages, interruptions and security failings may result in outages or interruptions of the systems for customer relations, accounting, safekeeping, support and/or customer management. Despite extensive measures for data back-up and bridging of system malfunctions, interruptions and/or complete failure of the IT and Internet systems cannot be ruled out. There is thus also a continuous risk of data loss. Furthermore, the security and confidentiality of data may be compromised. The Varengold Group is also exposed to the risk of virus attacks and external espionage attempts. The measures taken by the Varengold Group to protect data and ensure data confidentiality could prove inadequate, particularly in the event of one of the aforementioned occurrences. Shortcomings in data availability, errors or functional issues in the software used and/or server failures caused by hardware or software errors, accidents, sabotage, phishing or other reasons could result in significant image and market disadvantage for Varengold Bank AG. In addition, breaches of data protection regulations may result in substantial fines. The realisation of these risks could have a significant adverse effect on the business activities as well as on the assets, financial position and earnings of the Varengold Group. The same applies to hacker attacks and viruses that can never be ruled out despite having back-up and prevention systems in place.

There is a risk that all or some of the loans granted to (former) affiliated companies may not be repaid.

Varengold Bank AG has extended partially secured loans totalling up to approx. TEUR 6,247 to its direct and indirect subsidiaries Varengold Capital Holdings Limited and Varengold Capital Investment Company Limited. Both subsidiaries have so far not or only generated minimal surplus funds through their business activities and deficits in the 2017 financial year; consequently there is no guarantee that it will actually be possible to repay the loan including accrued interest in full by the agreed repayment date. Should the loan be defaulted on in full or in part without it being possible to cover this using the collaterals provided because these are inadequate in terms of amount and/or cannot be used fully or in part for other reasons, this could have a significant adverse effect on the Company's assets, financial position and earnings.

There is also an overdue receivable from a loan granted by the Company to its former subsidiary ALGAS FARMING & MARKETING GmbH. The loan receivable of TEUR 390 has already been written down by 50%. There is a significant risk that the loan cannot be repaid and consequently the remaining outstanding receivable would also have to be written off, which would also have a significant adverse effect on the Company's assets, financial position and earnings.

Varengold Bank AG's internal compliance, risk management and controlling systems may not be sufficient to prevent or detect violations of legislation and to identify and assess all relevant risks for the Varengold Group and to take appropriate countermeasures.

According to Section 25a (1) KWG, financial institutions are required to have a proper organisational structure, which includes, in particular, adequate and effective risk management, based on which risk-bearing capacity is ensured on an ongoing basis. The risk management system has to comply with the

'Minimum Requirements for Risk Management' (MaRisk) defined by BaFin to put Section 25a KWG into specific terms. This must include domestic and foreign subsidiaries and participating interests, especially those that are assigned to a consolidated group of companies subject to banking supervision. The Company has implemented a corresponding risk management and controlling system for identifying, assessing, managing and monitoring the main risks and associated risk concentrations. As a result of the amendment of MaRisk at the end of 2017, the requirements placed on banks' risk management systems have again increased. Corresponding adjustments and enhancements of the risk management and controlling system have already been made; further measures are still in the implementation stage. It cannot be ruled out, however, that the risk management and controlling system of the Company might prove to be partially or wholly inadequate or fail and that thereby potentially risk-relevant information might not become known or known in full or quickly enough. Despite the existence of a risk management system, significant risks may possibly not be detected or detected too late or remain unknown, so that appropriate countermeasures cannot be taken. Moreover, it cannot be ruled out that known risks are incorrectly assessed. Errors in credit risk analysis can result in disproportionately high risks in lending. A breach of a proper organisational structure pursuant to Section 25a (1) KWG may result in supervisory measures and sanctions, such as an increase in equity capital requirements.

In addition, the Varengold Group has different legal requirements in various countries where it operates through branches or subsidiaries, in particular the United Kingdom, Bulgaria, Hong Kong and the British Virgin Islands. There is a risk that the Varengold Group's compliance system may prove inadequate, or that Varengold Group employees may violate domestic or foreign legislation, regardless of existing legal, internal or organizational compliance requirements, and appropriate training and oversight or that such actions are not revealed. A violation of legal regulations can lead to legal consequences, such as Fines or penalties for the Varengold Group or its members or employees or for claims for damages by third parties. In addition, the reputation of the company may be damaged in the event of disclosure of detected breaches.

The occurrence of one or more of these risks may have significant adverse effects on the Company's and Varengold Group's assets, financial position and earnings.

There is the risk of losses or damage resulting from the inappropriateness or failure of internal procedures, systems or processes, as a result of employee error or errors in standard documents used or the occurrence of external events.

In addition to the risk management and controlling system, Varengold Bank AG has implemented a number of internal procedures and processes for the company structure and workflow organisation to ensure proper processing of business transactions. These include instructions, approval regulations, process descriptions, for example for lending or to comply with money laundering regulations, as well as an internal credit rating system. The internal procedures, systems and processes could prove to be inappropriate or fail. Errors made by employees, for example in documentation or in transactions, as a result of exceeding their competence or due to misunderstandings as well as external events, such as power failures, may cause malfunctions of the internal organisation and lead to corresponding losses or damage. Furthermore, legal relationships between the Company and its customers are based on standardised contracts and forms designed for a variety of business transactions; individual application issues or errors in this documentation can therefore affect a number of customer relationships. The occurrence of one or more of these risks may have significant adverse effects on the Company's assets, financial position and earnings.

Varengold Bank AG might not be in a position to acquire and keep adequately qualified employees.

Varengold Bank AG relies on qualified specialists, particularly in the areas of bank management, compliance, credit analysis and customer acquisition. It cannot be ruled out that the company will not be able to retain qualified employees or hire new ones. Difficulties in finding suitable new and/or additional employees under reasonable terms and conditions could affect the competitiveness of Varengold Bank AG and inhibit the growth of the Company. This could have significant adverse effects on the business activities as well as the assets, financial position and earnings of the Company.

Varengold Bank AG could be exposed to risks in connection with criminal investigations into responsible persons within the Company and the business activities or business practices of its business partners, customers or other stakeholders.

Potential compliance violations and other illegal practices by managers, important business partners and/or customers and/or other stakeholders in the Company could result in sanctions for these, such as (financial) penalties, injunctions, forfeiture of profits, exclusion from certain business operations, loss of licences and/or other restrictions as well as damage to reputation. The same applies to disputes of important business partners or customers or other stakeholders. In both cases, there is a risk that this could significantly affect customer relationships with Varengold Bank AG. Furthermore, it cannot be ruled out that the reputation of Varengold Bank AG will be damaged if potential compliance violations and/or illegal practices by managers, important business partners or customers or other stakeholders become known. For example, it has been alleged on several occasions both in the foreign (in particular Danish) and German media that the former Deputy Chairman of the Supervisory Board of the Company, Mr Sanjay Shah, who is also Director of the shareholder Elysium Global (Dubai) Ltd. is and according to the media reports the Elysium Global (Dubai) Ltd. be economically attributable, as well as that Varengold Bank AG was the centre of a tax fraud in Denmark, and the subsidiary Varengold Verwaltungs Aktiengesellschaft (in liquidation) (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) and its former Board members, who were also members of the Company's Board of Managing Directors, were involved in so-called 'cum/ex' trades. In addition, tax criminal investigations into responsible persons at Varengold Bank AG with respect to cum/ex trades are also ongoing.

All of the aforementioned circumstances could, regardless of whether or not they are true and/or have been denied by the Company as false allegations, particularly if there are personnel and/or economic interdependencies with the Company, have a significant adverse effect on the Company's reputation and own business activities as well as on its assets, financial position and earnings.

It is possible that the Company may not succeed in meeting the staffing, technological and organisational requirements associated with the expansion of business operations and growth as well as the progressive digitization of the financial services sector.

Following the implementation of the requirements under Basel III into national law, the scale and complexity of the obligations to be fulfilled by the Company, particularly in deposit and lending business, have increased by no small measure. This affects, for example, disclosure and notification, obligations arising from the Geldwäschegesetz (German Money Laundering Act) and compliance. In the course of implementing the growth strategy by acquiring new customers and expanding business volume, a further increase in administrative expenditure is to be expected in terms of planning, control and control of operations. In addition, due to the increasing digitization in the financial services sector, the company faces increased demands for a technology-based organization. Because of this, ongoing personnel, organisational and technological adjustment and enhancement within Varengold Bank AG is required, in particular a qualitative increase in material and human resources. Varengold Bank AG has in the past already taken various measures in this respect; notably, it has restructured the organisation of its disclosure and notification system, increased the number of employees working in this area and purchased special software. Other measures are being implemented. Violations of the obligations incumbent upon Varengold Bank AG as a depositary institution could lead to supervisory measures and sanctions, in particular the imposition of fines.

Should the Company not be able to meet the personnel, organisational and technological requirements associated with the targeted growth and the progressive digitization, this may have a significant adverse effect on the business development and the Company's assets, financial position and earnings. It cannot be ruled out that permanent, serious violations of the obligations to be fulfilled by the Company could lead to a restriction or a withdrawal of the KWG licence.

The earnings development that the Company is seeking could be delayed and/or might not be realisable to the extent expected. The equity capital required for future growth, i.e. securitisation of future activities, might be lacking, thus inhibiting growth.

There is a risk that the earnings development that the Company is seeking could be delayed and/or might not be realisable to the extent expected, whether this be due to external factors (for example, market environment, competitive situation and resultant earnings volatility) or internal factors (for example, delays in creating the organisational requirements for the expansion of business volume). With an increase in business volume in the context of future growth, increased equity capital may also be required to provide security against corresponding risks. This applies in particular to the planned expansion of credit volume in the Marketplace Banking business area. If this cannot be obtained in time or in the appropriate amount, the planned growth of the Company could be inhibited. Any of the aforementioned circumstances could have significant adverse effects on the business activity as well as the assets, financial position and earnings of the Company.

The liquidity, business activities and profitability of Varengold Bank AG may be adversely affected if, as a result of a downgrade of its rating or damage to its reputation, for example, it is unable to access or only has limited access to debt capital markets or is unable to sell assets during periods of market-wide or company-specific liquidity bottlenecks.

Varengold Bank AG is continually reliant on liquidity in the context of its business activities and intends to expand its financing base, in particular through debt capital such as backup credit lines from other financial institutions. Key factors here include the Company's rating (as of May 2018: BBB-) and the reputation of the Company. If the Company's rating were to be downgraded and/or the reputation of the Company damaged and/or access by Varengold Bank AG to debt capital markets were to be restricted for other reasons or if Varengold Bank AG were not in a position to sell assets during periods of market-wide or company-specific liquidity bottlenecks, this may have a negative impact on refinancing options and liquidity and thus the business activities and profitability of Varengold Bank AG. This could have a significant adverse effect on the Company's assets, financial position and earnings.

Damage to the Company's reputation may lead to a loss of customers or to higher expenses for attracting new customers.

Banks depend to a large extent on the trust of customers. Poor representation of the Company by managers and employees, weaknesses in the operational and organisational structure or a negative external effect, in particular through negative public reporting, rumours or reference to the Company in connection with scandals or dubious business practices, for example, may damage the Company's reputation in the long-term. The Company sees such a risk particularly with regard to payment transactions relating to Iran exports, which the Company handles in the Transaction Banking/Commercial Banking business area. Moreover, it has been alleged on several occasions both in the foreign (in particular Danish) and German media that the former Deputy Chairman of the Supervisory Board of the Company, Mr Sanjay Shah, who is also Director of the shareholder Elysium Global (Dubai) Ltd. is and according to the media reports the Elysium Global (Dubai) Ltd. be economically attributable, as well as that Varengold Bank AG was the centre of a tax fraud in Denmark, and the subsidiary Varengold Verwaltungs Aktiengesellschaft (in liquidation) and its former Board members, who were also members of the Company's Board of Managing Directors, were involved in so-called 'cum/ex' trades. Even though the Company immediately denied these reports as false allegations in a press release, as was the case in November 2015, or the Company was not the direct subject of reporting, it cannot be ruled out that such events have led to a loss of reputation. In addition, criminal investigations into responsible persons at the Company with respect to suspicion of tax evasion in particularly serious case or participation in connection with cum/ex trades are ongoing. The reporting of the initiation of these investigations alone may damage the reputation of the Company, regardless of whether the suspicion ultimately proves to be well founded or unfounded. Damage to the reputation of the Company may cause existing customers both to lose trust in the integrity and reliability of the Company and withdraw their deposits or end other business relationships with the Company. Potential new customers could thereby be discouraged from establishing a business relationship with the Company or could be obtained only under special terms and conditions. Any of these circumstances may have a significant adverse effect on the business activities and assets, financial position and earnings of the Company.

The sanctions reimposed by the United States on Iran may have a negative impact on the Company's income in the Transaction Banking/Commercial Banking business area.

In the Transaction Banking/Commercial Banking business area, a large amount of customers conduct transactions with an Iranian background. It is to be expected that the new sanctions imposed by the United States on Iran will lead to customers of Varengold Bank AG ceasing or at least severely restricting their business activities in Iran. This would likely result in a corresponding decline in payment transactions. There is no assurance that in this case the Company will be able to compensate elsewhere for a corresponding decline in earnings, which would have a significant adverse effect on the assets, financial position and earnings of the Company.

In the event of further worsening of the European debt crisis, write-downs on investments in government bonds from European or other countries might be necessary.

As part of its business activity, Varengold Bank AG also invests in government bonds from European or other countries. Although the debt crisis in Europe appears to have eased at present, particularly with regard to Greece, Italy, Spain, Portugal and Cyprus, some countries are experiencing a rise in populist parties or parties which are resistant to measures to combat the debt crisis. A further worsening of the European debt crisis cannot therefore be ruled out, which may lead to Varengold Bank AG being forced to perform write-downs on its financial commitment in relation to government debt of European or other countries. This could have a significant adverse effect on the Company's assets, financial position and earnings.

There is the risk of criminal actions by employees and/or customers having a negative impact on the Company.

The employees of the Company are subject to careful scrutiny in terms of their reliability, both upon appointment and during performance of their work. The dual-control principle also applies in terms of the performance of business activities by employees of the Company, in addition to the principle of separation of functions and control through internal auditing. However, it cannot be ruled out that employees manage, individually or through cooperation, to carry out criminal acts such as fraudulent misrepresentation, forgery, fraud, embezzlement, breach of trust etc. at the expense of the Company or that they deliberately disregard internal and/or external regulations. The disclosure of criminal acts committed by employees may result in a significant loss of image for Varengold Bank AG. Even with customers there is a risk that despite careful examination these manage to deceive the Company with regard to their personal financial circumstances and/or creditworthiness and so inflict damage on the Company. The realisation of these risks could, individually or collectively, have a significant adverse effect on the Company's business activities and on its assets, financial position and earnings.

There are risks in connection with the outsourcing of tasks, as the Company remains responsible for the proper fulfilment of any outsourced obligations.

Varengold Bank AG has outsourced numerous tasks, such as compliance activities, online banking and services for deposit customers, identification obligations, data protection, internal auditing and IT infrastructure, entirely or partly to external companies. Risks are possible in this context, as the Company is also responsible for the proper fulfilment of obligations here. The realisation of this risk could, individually or collectively, have a significant adverse effect on the business activities and on the assets, financial position and earnings of the Company.

With regard to the new product 'Factoring/Purchase of Receivables', there is the risk that purchased receivables may not exist (risk associated with the legal validity of accounts receivable).

Varengold Bank AG has expanded its product portfolio in the Marketplace Banking business area to include the product 'Factoring/Purchase of Platform Receivables'. In these cases, the legal validity of the corresponding receivables against the platform's end customers is always verified. Despite such

verification, the possibility that receivables acquired by the Company do not in fact exist and therefore cannot be enforced, cannot be ruled out. Nor is it certain that recourse to the seller of the receivable, i.e. the platform, is possible in these cases. The realisation of this risk may have a significant adverse effect on the Company's assets, financial position and earnings.

The Company could be exposed to risks associated with litigation, or judicial and administrative procedures.

Precisely because of the complexity of transactions as well as the high degree of supervision and other regulation in the business environment in which the Company operates and, moreover, the assumption of liability for third parties within the meaning of Section 2 (10) KWG associated with the Company's business model, there is a significant risk that the Company could become involved in legal disputes with customers, shareholders or competitors. For instance, there are currently claims pending or threatened against the Company totalling approx. TEUR 287; approx. TEUR 205 of this relates to compensation claims from the Capital Markets Brokerage business area that has now closed. To date, a provision of TEUR 46 has been set aside for these. Furthermore, there is the risk of investigations by antitrust and/or similar authorities, administrative and fine proceedings, tax litigation and/or regulatory measures.

The outcome of litigation or proceedings before administrative or regulatory authorities is difficult to assess and/or predict. Furthermore, high costs could be incurred to avert such disputes. These types of legal disputes can therefore have a significant adverse effect on the Company's business activities and on its assets, financial position and earnings depending on the respective matter in dispute, its length and costs. The reputation of Varengold Bank AG could also be damaged thereby, regardless of whether the allegations are true or not.

Inadequate control and preventive measures in the area of money laundering could lead to supervisory measures, administrative criminal and civil claims against the Varengold Group and damage to its reputation.

It cannot be ruled out that in the context of its business activities the Varengold Group becomes indirectly involved in money laundering if the checks in place are not sufficient; this could lead both to regulatory measures as well as to administrative criminal and civil claims being imposed on/brought against companies in the Varengold Group. In this case, there is also the risk of damage to reputation. Any of the aforementioned circumstances may have significant adverse effects on the business activities as well as the assets, financial position and earnings of the Varengold Group.

Taxable losses carried forward may possibly not be used or not used to their full extent.

The Company has significant corporate income tax and trade tax loss carry-forwards (estimated 31 December 2017 at approx. EUR 24 million respectively). The Company expects to be able to utilise these tax loss carry-forwards in the future. However, it cannot be ruled out that the tax authorities will reach a different conclusion or assessment with regard to the utilisation of losses carried forward, meaning that even these loss carry-forwards might not be fully or partially accounted for retroactively and/or not used in the future. A discontinuation of tax loss carry-forwards would also lead to the elimination of deferred tax assets. The realisation of any of these risks would have a significant adverse effect on the Company's assets, financial position and earnings.

Varengold Bank AG is exposed to various risks in terms of tax and social security law, such as possible demands for back taxes or additional demands for social security contributions, and various factors could increase the tax burden of Varengold Bank AG in the future. Increases in the tax burden of Varengold Bank AG could arise from tax audits. Changes, in particular changes to tax laws, may lead to a deterioration in the tax situation at Varengold Bank AG. There is a risk that the tax audit currently being conducted at the subsidiary Varengold Verwaltungs Aktiengesellschaft (in liquidation) will result in demands for back taxes that jeopardise the continued existence of Varengold Verwaltungs Aktiengesellschaft (in liquidation).

A tax audit was carried out at Varengold Bank AG with respect to corporation, trade, VAT and capital gains tax as well as tax deduction pursuant to Section 50a EStG (German Income Tax Act) for the assessment periods from 2011 to 2014 (inclusive). The tax audit resulted in a demand for VAT back tax of TEUR 121 plus interest. For the assessment periods from 2015 onwards, the tax assessment notices of Varengold Bank AG are subject to subsequent review; no tax returns have yet been submitted for the 2017 financial year. An income tax audit conducted for the period from January 2013 to December 2016 and a social security audit for the period 2011 to 2014 each resulted in minor back payments.

The Company believes that in the outstanding periods its tax and statutory social security information is consistent with applicable laws and is not expecting any substantial changes or additional tax or contribution payments in the event of further tax audits. It cannot, however, be ruled out that this assessment subsequently proves to be incorrect due to a different perception of facts and circumstances by the financial and social security authorities, and that, contrary to expectations, significant additional taxes and social security contributions will have to be paid. Such additional tax payments as well as changes in tax legislation or case-law or changes in the administrative practices of the tax authorities may have a significant adverse effect on the business activities as well as on the assets, financial position and earnings of the Company. Changes in the planning of revenue expected in the future may lead to significant fluctuations in deferred tax assets.

A tax audit runs for two sub-funds at subsidiary Varengold Verwaltungs Aktiengesellschaft (in liquidation) (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) since November 2011; this audit has not yet been completed. Particularly at issue here is the possible retrospective application of Section 36a EStG in relation to the registration and payment of capital gains tax for two sub-funds, as the tax authorities are alleging so-called 'cum/ex' trades in this context and demanding the return of capital gains tax that in their view was wrongly refunded. Given the potential amount of additional back tax payments, there is a risk to the continued existence of Varengold Verwaltungs Aktiengesellschaft (in liquidation). Due to the resulting depreciation of the book value of participating interests of Varengold Verwaltungs Aktiengesellschaft (in liquidation) (EUR 476), this would also have a significant adverse effect on the assets and earnings of the Company. In addition, in October 2018, a tax audit was conducted on three further sub-funds, which includes the tax situation (in particular withholding tax) in the period from December 2012 to January 2016.

The forecast of Varengold Bank AG for its income before income tax for 2018 may differ significantly from the actual result.

This Prospectus contains forward-looking statements, including a forecast of Varengold Bank AG for the financial year 2018 regarding its income before income tax, with a range between EUR 1.7 million and EUR 2.2 million. The Company has made certain assumptions that relate to factors beyond the control of the Company (e.g., force majeure, political and regulatory landscape and economic development) and other factors that the Company may have limited influence on. Accordingly, these assumptions may differ or be incorrect or inaccurate in relation to actual future developments. In addition, other aspects not currently known to the Company may materially affect the forecast of Varengold Bank AG for the 2018 financial year.

If one or more of the assumptions on which the forecast is based prove to be incorrect or inaccurate, or should additional factors occur that are not known to the Company at the date of the prospectus, Varengold's future earnings before income taxes may be affected. Bank AG for financial year 2018 may differ materially from the forecast contained in this prospectus.

The Company could be exposed to risks relating to its shareholder structure and possibly to conflicts of interests arising from this.

The Company's Board members also have an (indirect) share in Varengold Bank AG, each of them holding 200,000 shares (this currently corresponds to approx. 3.22%). In addition, Supervisory Board member Vasil Stefanov is also a member of the Board of Managing Directors of Euro-Finance AD, which currently holds approx. 9.98% of the shares in the Company. It cannot therefore be completely ruled out

that conflicts could arise between interests as a member of the Board of Managing Directors and Supervisory Board of the Company on the one hand and private interests as a shareholder or as a member of the Board of Managing Directors of a major shareholder in the Company on the other, and that these conflicts will not be resolved in the interests of the Company. This could have a significant adverse effect on the Company's business activities as well as on its assets, financial position and earnings.

The Company could be exposed to risks arising from inadequate insurance cover or cover that is not available under appropriate terms and conditions. It cannot be ruled out that the insurance policies taken out by the Varengold Group will not be sufficient in the event of damage and that considerable costs will be incurred.

Varengold Bank AG has taken out insurance cover for various risks associated with its business activities within the scope of agreed maximum amounts. Nevertheless, there is no guarantee that the existing insurance cover offers adequate protection. In particular, there is the risk that damage claims arise for the Company or, in the event of any assumption of liability pursuant to Section 2 (10) KWG, for so-called tied agents, which are not or not sufficiently protected by the existing insurance cover and could result in significant costs. In addition, deductibles are regularly agreed for the insurance companies, so that the Varengold Group at least incurs costs in the amount of the deductible for each insured event. In the event of a claim, future insurance premiums can also rise. Furthermore

Furthermore, it cannot be ruled that it might not be possible to maintain the existing insurance cover and/or maintain this under economically attractive terms, that the cost of insurance might not rise in the future or that adequate insurance cover for certain risks might not be available or not be available under reasonable terms.

Should damages arise for or claims be brought against Varengold Bank AG, for which no or only insufficient insurance cover is provided and/or deductibles are payable, or should the costs of relevant insurance increase, this may have a significant adverse effect on the business activities, assets, financial position and earnings of the Company.

2.3. Risks connected with the securities offered

The New Shares from the subscription offering are not expected to be delivered until the fifth calendar week of 2019; the New Shares may not be traded beforehand. Subscribers bear the risk of negative performance of the Varengold share during the period between subscription and delivery of the New Shares.

The subscription period for the subscription offering (public offering) for the New Shares will run from 23 November 2018 to 7 December 2018. Shareholders wishing to exercise their subscription right must submit subscription applications to the subscription agent via their depositary bank and pay the subscription price for the subscribed New Shares by the end of the subscription period. Once the subscription period is over, the cancellation or revocation of a subscription is in principle no longer possible. The Company will offer New Shares not subscribed by shareholders on the basis of a subscription right within the subscription period to selected investors for subscription and acquisition as part of a private placement. The private placement is expected to end on 9 January 2019. The Cash Capital Increase is expected to be entered in the commercial register in the fourth calendar week of 2019, and delivery of the New Shares to shareholders is therefore not expected until the fifth calendar week of 2019. Subscribers may therefore not trade, in particular sell, their subscribed shares until this point and will bear the risk of negative performance of the Varengold share accordingly.

There is no guarantee of active trade in the Company's shares on a stock exchange or that such trade will continue in the long-term.

The New Shares shall be admitted for trading in the regulated unofficial market of the Frankfurt Stock Exchange under the ISIN of the existing shares. Despite the planned admission, there is no guarantee of active trading of the Company's shares or that such trading will continue in the long-term. In the past,

the daily trading volumes in shares of Varengold Bank AG were comparatively rather low. Investors may not be able to sell their shares quickly or at their preferred price.

There is the risk for shareholders of a future dilution of their investment in the Company as a result of capital measures notwithstanding shareholders' subscription rights.

The Company will, where necessary, take further capital measures in the future to strengthen its equity capital and/or finance its operations and growth. In particular, it has new Authorised Capital 2018 of EUR 3,105,211.00.

This authorisation permits the exclusion of subscription rights of shareholders in cases approved for this. Furthermore, the Board of Managing Directors has been authorised by resolution of the general meeting of 26 August 2015 to acquire own shares totalling up to 10% of the share capital of EUR 1,948,368.00 existing on the date of this general meeting. This authorisation also stipulates that the Board of Managing Directors may upon disposal of the Company's own shares acquired in this manner, exclude shareholders' subscription rights to these shares.

Within the scope of the authorisations granted by the general meeting as well as the options provided under law and the Articles of Association, the Company reserves the right in the context of future capital measures to issue additional shares of Varengold Bank AG and in doing so possibly exclude subscription rights of shareholders. Depending on the configuration of the relevant capital measure, this may result in a waiver of the exercise of subscription rights and/or also in the event of an exclusion of subscription rights to a dilution of the participation of shareholders.

There are foreign exchange risks based on future sales of shares. Due to the low trading volume, even the sale of a relatively small number of shares may lead to considerable price fluctuations in the stock, which may also make it more difficult for the Company to raise capital on the stock market in the future.

The shareholders of the Company are not subject to any restrictions regarding possible sales of their shares. If shareholders, in particular the large shareholders of the Company, should decide, individually or collectively, to sell shares on a larger scale on the public market, or should it be perceived on the market that such sales could occur, there is a risk this could have a significant adverse effect on the Company's share price.

Due to the low trading volume, even the sale of a relatively small number of shares may lead to considerable price fluctuations in the stock. Furthermore, this might have a negative impact on the future ability of the Company to raise capital by offering new shares.

There are risks relating to the volatility of the share price. Changes in the operating results of Varengold Bank AG or its competitors as well as changes in the general situation of the industry, the overall economy and the financial markets may cause significant fluctuations in the listed shares.

Changes in the operating results of Varengold Bank AG or its competitors as well as changes in the general situation of the industry, the overall economy and the financial markets may cause significant fluctuations in the listed shares. The price of the Company's shares may also fluctuate significantly for other reasons, for example, due to changeable actual or forecast results, modified earnings estimates or the failure to fulfil the earnings expectations of securities analysts, altered general economic conditions and/or in the event of the realisation of a risk or several risks that are mentioned in this Prospectus. General stock price volatility could thus also put the Company's share price under pressure, without this necessarily having a direct connection with the business activities of the Company or its assets, financial position and earnings or even its business prospects. Despite the involvement of a designated sponsor, market liquidity may only turn out to be low. Therefore, for the reasons outlined, share prices may be subject to significant fluctuations, which do not necessarily have to correspond to the economic situation of Varengold Bank AG. Any negative economic development pertaining to the Company could in this case also cause a downward overreaction in prices, meaning that prices would fall more sharply than would be commensurate with the true situation.

Subscription rights cannot be traded on a stock exchange and consequently selling subscription rights that have not been exercised could be extremely difficult.

No (exchange-related) trade in subscription rights for the New Shares will be undertaken. Consequently, purchasing or selling subscription rights on a stock exchange is not possible. Under German law, subscription rights can be transferred outside a stock exchange. However, neither the Company nor Small & Mid Cap Investment Bank AG will broker the purchase and/or sale of subscription rights. It may therefore be extremely difficult for shareholders to sell their subscription rights. Consequently, if shareholders do not exercise their subscription rights, there is a risk that they will be unable to find a buyer during the subscription period. In such cases, any subscription rights not exercised will have no value.

The Company has not paid out any dividends on its shares in recent years and, as a result of the large net loss, may not do so in the foreseeable future. The achievement of any return on investment by the shareholders may therefore depend primarily on an increase in the value of their shares.

The Company has not paid out any dividends on its shares in recent years due to a lack of retained earnings and may not do so in the foreseeable future. The Company has significant loss carry-forwards from previous financial years; as at 30 June 2018, the accumulated net loss amounts to approx. EUR 20.4 million. Furthermore, any disbursement of dividends depends on the Company's financial situation, its operating result, capital requirement and other factors and will be influenced by the discretion of the Board of Managing Directors. Investors are therefore currently reliant solely on increases in value in order to generate a return on their investment in the Company's shares and such increases cannot be guaranteed.

Should the Company distribute share dividends in the future, such dividends will in principle be subject to taxation at shareholder level.

Not all future retained earnings may be available for disbursement to the shareholders on account of a dividend payout restriction.

Dividends to shareholders may be paid only from retained earnings. The retained earnings shown in the annual financial statements prepared according to the requirements of the HGB in principle represent the maximum amount distributable to shareholders. However, a portion of the retained earnings can be excluded in advance from distribution to shareholders on the basis of statutory regulations. Due to deferred tax assets, there was a dividend payout restriction pursuant to Section 268 (8) HGB amounting to TEUR 1,853 at Varengold Bank AG as at 31 December 2017. Even in the case of future retained earnings, the amount then possibly still subject to the dividend payout restriction would not be available for a dividend payment to shareholders.

Dividend payments could cease to apply or be excluded for regulatory reasons or could be cut or dispensed with on account of disbursements to specific regulatory equity capital instruments.

Possible dividend payments can in principle also be dispensed with or excluded if and insofar as BaFin, as the competent supervisory authority, instructs the Company to dispense with dividend payments, or such dividend payments are prohibited on the basis of a legal or administrative directive. According to CRR, the Company is not allowed to pay dividends if (but only insofar as) the respective dividend payments exceed the distributable items. Dividend payments are excluded or dispensed with, if such disbursements would decrease the hard core capital of the Company to the extent that the combined buffer requirement would no longer be met. Dividend payments are also excluded, if on the relevant dividend payment date (i) the dividend payments on the shares together with other distributable amounts would not be in line with the limitations of the maximum distributable amounts, or (ii) dividend payments on the shares are not permitted under other applicable regulatory provisions. Maximum distributable amount is a concept which is applied when the combined buffer requirements are not (or not fully) met. There is therefore the risk that the Company would be prevented here due to regulatory requirements and/or

supervisory measures from providing dividend payments on the shares, even if corresponding retained earnings were available and furthermore, the Company were prepared to make dividend payments.

In August 2014, the Company issued an Additional Tier 1 loan (subordinated instrument with no maturity with an unlimited term) amounting to EUR 5 million to strengthen its equity capital base. Interest payments on the loan may only be made if the Company has sufficient distributable funds. Interest payments on the loan are made otherwise at the sole discretion of the Company. Should the Company make interest payments on the loan, this could reduce the extent of a dividend distributable to shareholders or lead to dividend payments not being paid to shareholders.

Annual General Meeting resolutions required to finance the company may possibly be prevented by major shareholders.

To the knowledge of the Company, no shareholder currently holds a number of shares which alone enable it to exercise a controlling influence over resolutions of the Company. However, to the knowledge of the Company, Elysium Global (Dubai) Limited holds approx. 16% of the shares of the Company and thus, depending on the Annual General Meeting, may be able to prevent resolutions of the General Meeting requiring a qualified majority of 75% of the votes cast. This may be, for example, the creation of new authorized capital or the granting of an authorization to issue convertible or warrant bonds, which may be required to finance the Company. Failure to approve such resolutions may significantly adversely affect the ability of the Company to raise capital.

As important safeguards for investors do not apply to Varengold Bank AG, there is an increased risk in investing in Varengold Bank AG shares. In particular, delisting from the Basic Board segment of the Open Market is possible without approval from the general meeting and compensation for shareholders.

The shares of Varengold Bank AG are admitted to the Basic Board sub-segment of the Open Market of the Frankfurt Stock Exchange, in which important safeguards for investors do not apply. The following investor safeguards, *inter alia*, do not apply:

- reporting obligations upon the achievement of participating interests at a certain level (threshold) pursuant to Sections 33 et seq. WpHG (German Securities Trading Act)
- compulsory offer in the event of change of control in accordance with WpÜG (German Securities Acquisition and Takeover Act).
- acquisition offer to the shareholders pursuant to Section 39 (2) BörsG (German Stock Exchange Act) in the event of a delisting.

Due to the non-applicability of important safeguards for investors in the Basic Board segment of the Open Market, investors should, therefore, be aware of the increased risk of investing in Varengold Bank AG shares. Delisting from the Basic Board segment of the Open Market can occur at any time without requiring a resolution by the general meeting of the Company or an offer of compensation to shareholders.

The price of the shares could be influenced by analysts' estimates and other views expressed in Internet forums, stock market information or other media.

The share price can be greatly affected by analysts' estimates, public statements in investor forums, stock market information recommendations and opinions expressed in other media. Such recommendations from third parties can significantly influence the price both positively and negatively. In addition, fax and/or e-mail spam has increased rapidly in recent years, which may also lead to significant risks for price development. There is the risk, for example, that the supervisory and investigatory authorities pause or cease the listing of the shares and/or initiate investigations because of such spam activities, which may restrict and even harm the Company in its operating activities.

Investors could suffer losses if the offering were to be cancelled or not executed.

The New Shares will be subscribed by the subscription agent Small & Mid Cap Investmentbank AG, Munich in its own name and acquired with the obligation to deliver these to the shareholders. Acquisition is on the basis of an agreement which Small & Mid Cap Investmentbank AG may terminate extraordinarily under certain circumstances. The execution of the offering is subject to the condition that at least 300,000 New Shares are subscribed and the implementation of the Cash Capital Increase is entered in the commercial register of the Company by 20 February 2019 at the latest. Should there be an extraordinary termination of the Subscription Agreement, it is possible that the offering may not be executed. The same is true if a minimum of 300,000 New Shares are not subscribed and the implementation of the capital increase is not entered in the commercial register by 20 February 2019. In such event, investors will have no claim to delivery of the New Shares. Claims relating to securities commissions already provided and costs incurred by investors in connection with the subscription application are based solely on the legal relationship between the investor and the institution in relation to which they have exercised their subscription rights. In the event of termination of the Subscription Agreement and/or termination of the subscription rights offering prior to entry of the Cash Capital Increase in the commercial register, the subscription rights of shareholders will be forfeited. Investors who have acquired subscription rights would suffer a total loss of their investment in this case.

If in the case of a premature cancellation or non-execution of the offering an investor has made so-called short sales, he/she bears the risk of not being able to fulfil the obligation resulting from the short sale by delivering the shares.

3. General Information

3.1. Responsible persons

Varengold Bank AG, Große Elbstraße 14, 22767 Hamburg, assumes responsibility for the content of this Securities Prospectus (hereinafter '**Prospectus**') in accordance with Section 5 (4) WpPG and declares that to the best of its knowledge the information it contains is correct and that no material facts have been omitted.

3.2. Forward-looking statements

This Prospectus contains certain forward-looking statements. Forward-looking statements are statements that do not relate to historical facts or events. Forward-looking statements include known and unknown risks, uncertainties and other factors that may cause actual future results, the financial situation, the development or performance of the Company or its subsidiaries or the relevant sectors to be different from or turn out to be more negative than those expressly or implicitly assumed in these statements. These factors include *inter alia*: Investment behaviour of investors, economic, legal and fiscal framework conditions, competition from other companies, capital requirements of the Company, financing costs, the ability to attract and retain qualified employees, uncertainties in the business operations of the Company and other factors mentioned in this Prospectus. The business activities of Varengold Bank AG and its subsidiaries are subject to a range of risks and uncertainties which may also cause a forward-looking statement, estimate or prediction to become inaccurate. In consideration of the risks, uncertainties and assumptions, it is also possible that future events may not happen. Therefore, neither the Company nor its management can guarantee the actual occurrence of forecast developments.

3.3. Information on numerical data, currency information and information from financial statements

Certain numerical data in this Prospectus (including certain percentages) has been rounded in accordance with standard commercial practice. Consequently, total amounts stated in tables in this Prospectus may not correspond in all cases to the totals likewise contained in the table where applicable.

All currency figures in this Prospectus relate to euros, unless otherwise indicated. If amounts in another currency are stated, this is expressly indicated by naming the relevant currency or providing the currency symbol.

3.4. Note regarding source information

All information on market shares, market developments and trends, growth rates, revenue on the markets described in this Prospectus and the competitive situation of Varengold Bank AG is based on publicly available sources or estimates made by the Company. The sources of the relevant information are given at the appropriate places in the Prospectus.

If information is based on estimates made by the Company, these may differ from the estimates made by competitors of the Company or by future surveys conducted by market research institutes or other independent sources.

Where information has been acquired from third parties, it is confirmed herewith that this information has been accurately reproduced and that as far as the Company is aware and has been able to derive from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Company has not, however, reviewed the figures, market data or other information contained in publicly available sources and assumes no responsibility for the correctness of the figures, market data or other information extracted from public sources. Furthermore, it should be noted that market studies

and surveys are often based on assumptions and information from third parties and are by nature speculative and forward-looking. Investors should note that some estimates made by the Company are based on such third-party market surveys.

3.5. Information on the use of this Prospectus by financial intermediaries

3.5.1. Consent to use the Prospectus

The Issuer herewith gives Small & Mid Cap Investmentbank AG, Barer Str. 7, 80333 Munich, (**'SMC Investmentbank AG'**) its express consent to use this Prospectus, including any amendments, for subsequent resale or final placement of the New Shares in Germany.

The Issuer states that it accepts liability for the content of the Prospectus, also with regard to a subsequent resale or final placement of the New Shares through financial intermediaries. The Issuer accepts no liability for actions or omissions on the part of financial intermediaries.

Consent to use the Prospectus applies in each case until the end of the period for the public offering of the New Shares which is the subject of this Prospectus. The Issuer is entitled to amend or withdraw its consent at any time. The subsequent resale or final placement of the New Shares through financial intermediaries may only take place during the offering period, i.e. between 23 November 2018 and 7 December 2018, 12:00 (see Section 4.1 'Subject and conditions of the offering').

The Prospectus may only be used in Germany. Consent does not grant exemption from compliance with applicable selling restrictions or any other applicable regulations. The financial intermediary is also not granted exemption from compliance with statutory provisions applicable to it. The financial intermediary must state on its website that it is using the Prospectus with consent and in accordance with the terms and conditions to which consent is subject.

If a financial intermediary offers the New Shares on which this Prospectus is based, it will inform investors of the offering terms and conditions when the offering is presented.

3.5.2. Additional information in the event that one or more specific financial intermediaries are given consent

The following list gives details of the financial intermediaries with permission to use the Prospectus:

Small & Mid Cap Investmentbank AG, Barer Str. 7, 80333 Munich.

New information concerning financial intermediaries, which was not known at the time the Prospectus was approved, will be published without delay on the Issuer's website (www.varengold.de → About us → Investor Relations → Capital Increase).

If the Issuer gives other financial intermediaries consent to use the Prospectus, it will also publish details of this on its website without delay.

Insofar as required by law, in such cases, the Issuer will also publish an amendment to the Prospectus in accordance with Section 16 WpPG.

3.6. Documents available for inspection

The following documents will be available at Varengold Bank AG in paper form during the validity period of this Prospectus, i.e. for one year after it has been approved, and can be inspected in the Company's offices, Große Elbstraße 14, 22767 Hamburg, during normal business hours:

- Company's Articles of Association
- Half-yearly report of Varengold Bank AG in accordance with HGB for the period 1 January to 30 June 2018
- Annual financial statements of Varengold Bank AG in accordance with HGB as at 31 December 2017 together with audit certificate from the auditor
- Annual financial statements of Varengold Bank AG in accordance with HGB as at 31 December 2016 together with audit certificate from the auditor

4. The offering

4.1. Subject and conditions of the offering

The subject of the offering is 3,105,211 ordinary bearer shares of Varengold Bank AG with a proportionate interest in the share capital of EUR 1.00 per share arising from the capital increase against cash contributions with shareholders' subscription rights ('**Cash Capital Increase**') and with profit-sharing entitlement as of 1 January 2018 ('**New Shares**') resolved upon at the general meeting on 21 August 2018. The New Shares will be offered to Company shareholders at a subscription ratio of 2:1 and consequently two (2) old shares will entitle subscription to one (1) new share ('**Subscription Ratio**'). To establish this subscription ratio, one shareholder agreed to waive the subscription right for one (1) old share.

The statutory subscription right will be granted to shareholders such that the New Shares will be subscribed by Small & Mid Cap Investmentbank AG, Barer Str. 7, 80333 Munich ('**SMC Investmentbank AG**') at the lowest issue amount of EUR 1.00 per New Share, and acquired with the obligation to offer these to shareholders at the Subscription Ratio and at the subscription price, and to transfer the surplus proceeds to the Company (indirect subscription right).

Subscription price

The subscription price per New Share will be EUR 2.50 ('**Subscription Price**').

Comparison of the share price with transactions of the management personnel

As part of the Cash Capital Increase in January 2018, Board members Dr Bernhard Fuhrmann and Frank Otten each subscribed 100,000 shares at the Subscription Price of EUR 2.80 per share via their holding companies (see Section 8.1.1 '**Board of Managing Directors**').

Beyond this, no current members of the Board of Managing Directors or Supervisory Board or parties related to these have purchased any shares in the Company or rights to acquire shares in the Company in the last 12 months.

Minimum and/or maximum subscription amount

There is no minimum amount with regard to exercising subscription rights. Shareholders simply have the right to acquire one (1) New Share for two (2) old shares according to the Subscription Ratio of 2:1. This represents the maximum amount to which the shareholder is entitled under this offering. Insofar as the Subscription Ratio defined in the context of this Cash Capital Increase results in computational claims by shareholders to fractions of shares, the shareholders will not be entitled to delivery of New Shares or cash settlement in respect of the fractional amounts arising. It is only possible to purchase one New Share or a multiple thereof.

Terms and conditions of the offering

The offering is subject to the condition that at least 300,000 New Shares are subscribed during the subscription period and the implementation of the Cash Capital Increase is entered in the commercial register of the Company by 20 February 2019 at the latest.

Offering period and subscription

The subscription offering is due to be published in the German Federal Gazette on 21 November 2018. The subscription period is expected to begin on 23 November 2018 and run until 7 December 2018 (12:00). The subscription rights will be traded under ISIN DE000A2NBUA3 / WKN A2NBUA. Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn will post the subscription rights to the respective depository institutions on 23 November 2018 with a record day of 22 November 2018. These institutions will credit the subscription rights, which apply to the old shares of Varengold Bank AG (ISIN DE0005479307) to the shareholders' securities accounts on the same day. From 21 November 2018 (ex-day), the subscription rights (ISIN DE000A2NBUA3) will be separated from shareholdings to the extent of the existing subscription right according to the subscription offering and the existing shares will

be listed as 'ex-subscription right'. Varengold Bank AG has appointed SMC Investmentbank AG as subscription agent.

Subscription rights are exercised by submitting a subscription application, which is sent to shareholders of the Company by the depositary banks, to the subscription agent via their depositary bank. The subscription rights act as evidence of rights entitlement in respect of the New Shares.

Takeover of shares

Varengold Bank AG concluded an agreement ('**Subscription Agreement**') with SMC Investmentbank AG on 04 September 2018 regarding the technical execution of the subscription offering by way of an indirect subscription right. SMC Investmentbank AG has undertaken to the Company in the Subscription Agreement to handle the Company's offering by means of an indirect subscription right and, insofar as New Shares are subscribed as part of the subscription offering and the subscription price to be paid has been credited to the SMC Investmentbank AG special capital increase account, to subscribe and accept each New Share at the lowest issue amount of EUR 1.00 in its own name on the shareholders' behalf and deliver these to the shareholders once the capital increase has been registered. SMC Investmentbank AG will receive a fixed remuneration for providing technical support for the Cash Capital Increase. The Company has undertaken in the Subscription Agreement to exempt SMC Investmentbank AG from specific liability obligations in the internal relationship that may arise in connection with the offering.

Revocation / Suspension of offering

The Company and SMC Investmentbank AG may terminate the Subscription Agreement for good cause at any time. Good cause includes, in particular non-fulfilment of agreed obligations, a significant deterioration in the financial situation or a fundamental change in circumstances on the capital market on account of unusual, unavoidable events of an economic and/or political nature, or as a consequence of government measures whereby implementation of the capital increase is at risk or no longer seems appropriate.

The Company reserves the right to cancel the subscription offering in the event of certain circumstances, which also include termination of the Subscription Agreement by SMC Investmentbank AG, at any time, even after expiry of the subscription period and before the New Shares are delivered. Cancellation will also apply to subscription rights that have already been exercised. Revocation after admission of the New Shares to listings in the Basic Board segment of the Open Market of the Frankfurt Stock Exchange is not possible.

Possibility of reducing subscriptions

Shareholders may reduce their subscription application relating to the New Shares up to the end of the subscription period provided the respective depositary bank permits this. In such cases, subscription prices that have already been paid will be repatriated through the subscription agent.

Withdrawal of exercise of subscription

Provided the respective depositary bank permits this, subscription applications that have already been submitted may be withdrawn up to the end of the subscription period.

Utilisation of unsubscribed New Shares (private placement)

New Shares not subscribed by shareholders on the basis of a subscription right within the subscription period may be offered by the Board of Managing Directors, including alongside the call for subscription, by involving, where necessary, one or more banks or financial services institutions as part of a private placement (non-public offering), to selected investors at the fixed subscription price of EUR 2.50 per New Share for subscription and acquisition.

Costs charged by the Issuer

The standard banking commission will generally be charged for the subscription of New Shares by the depositary banks to shareholders exercising their subscription right. Costs, which are invoiced to shareholders by the depositary banks, will not be reimbursed either by the Company or by SMC Investmentbank AG. Subscribers will not be billed by Varengold Bank AG for any costs or taxes.

Publication of the offering results

The results of the Cash Capital Increase (subscription offering and private placement) are due to be published on the Company's website (www.varengold.de) on 09 January 2019 (→ About us → Investor Relations → Capital Increase).

4.2. Schedule

The offering is based on the following expected time schedule:

16 November 2018	Approval of the Prospectus by BaFin
16 November 2018	Publication of the Prospectus on the Company's website www.varengold.de (→ About Varengold → Investor Relations → Capital Increase)
21 November 2018	Publication of the subscription offer in the German Federal Gazette
23 November 2018	Posting of the subscription rights of the Company's shareholders as of 22 November 2018
23 November 2018	Start of subscription period / Start of public offering
7 December 2018 (12.00)	End of subscription period / End of public offering
expected to be 9 January 2019	End of private placement
expected to be 9 January 2019	Publication of the results of the Cash Capital Increase on the Company's website www.varengold.de (→ About Varengold → Investor Relations → Capital Increase)
expected by 25 January 2019	Entry of the capital increase in the commercial register
expected to be 31 January 2019	Admission of the New Shares under ISIN DE0005479307 to the Basic Board segment of the Open Market of the Frankfurt Stock Exchange.
expected from 31 January 2019	Delivery of New Shares

This Prospectus will be published from 16 November 2018 on the Company's website www.varengold.de (→ About Varengold → Investor Relations → Capital Increase).

4.3. Subscription offering

The subscription offering expected to be published in the German Federal Gazette on 21 November 2018 is shown below:

***'This subscription offering is intended for existing shareholders of Varengold Bank AG only
(Not for dissemination in the USA, Canada, Japan and Australia)'***

Varengold Bank AG
Hamburg

Securities identification number (WKN) 547 930
ISIN DE0005479307

Subscription offering

*This year's ordinary general meeting of Varengold Bank AG (hereinafter also referred to as '**Company**') resolved on Wednesday 21 August 2018 under agenda item 6 to increase the Company's current share capital against cash contributions (hereinafter also '**Cash Capital Increase**') by up to EUR 3,105,211.00 from EUR 6,210,423.00 to up to EUR 9,315,634.00 by issuing up to 3,105,211 new no-par value bearer shares (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00 (hereinafter also '**New Shares**'). The New Shares will carry a profit-sharing entitlement as of 1 January 2018 and will therefore be issued under DE0005479307 / WKN 547 930, the ISIN for the existing shares. The resolution on the Cash Capital Increase was registered in the commercial register on 18 September 2018.*

On 30 August 2018 and 9 November 2018, the Board of Managing Directors of Varengold Bank AG, with the consent of the Supervisory Board on 30 August / 3 September 2018 and 12 / 13 November 2018, defined the further

details of the Cash Capital Increase and its implementation

as follows and at the same time extends to the shareholders of the Company the following

Subscription offering:

Indirect subscription right

*The statutory subscription right is granted to the shareholders in such a way that the New Shares will be subscribed by Small & Mid Cap Investmentbank AG, Barer Str. 7, 80333 Munich at an issue price of EUR 1.00 (hereinafter also the '**lowest issue price**' within the meaning of Section 185 (1) (3) (2) AktG (German Companies Act) and will be acquired with the obligation to offer these to shareholders for subscription at the ratio of two (2) old shares to one (1) New Share at the Subscription Price (hereinafter also 'final issue amount' within the meaning of Section 186 (5) (2) AktG) (so-called indirect subscription right within the meaning of Section 186 (5) AktG) and to transfer the surplus proceeds to the Company.*

Subscription price

The Subscription Price per New Share acquired will be EUR 2.50.

Subscription period

In order to avoid exclusion from exercising their rights, shareholders are asked to exercise their subscription rights to the New Shares in the period

23 November 2018 to 7 December 2018 (12:00)

via their depositary banks at Bankhaus Gebr. Martin AG, Göppingen, operating as subscription agent for Small & Mid Cap Investmentbank AG, during normal business hours.

Depositary banks will be asked to hand subscription applications from shareholders to the subscription agent all together by the end of the subscription period and pay the subscription price of EUR 2.50 per New Share to the following Small & Mid Cap Investmentbank AG account also by the end of the subscription period:

Account holder:	Small & Mid Cap Investmentbank AG
c/o	Bankhaus Gebrüder Martin AG
Purpose:	Capital increase Varengold Bank AG 2018
Account no.:	51657
Sort code:	610 300 00
IBAN:	DE62 6103 0000 0000 051657
BIC:	MARBDE6G

The receipt of a subscription application as well as the subscription price by the above-mentioned agent will be decisive in terms of meeting the deadline. Subscription rights that are not exercised within the prescribed time limit will lapse without compensation after the expiry of the subscription period and will be written off without any value.

The subscription rights act as evidence of rights entitlement. These must be transferred to Bankhaus Gebrüder Martin AG account 6041 at Clearstream Banking AG by the end of the subscription period on 07 December 2018 (24:00) at the latest. Subscription applications can only be considered if the subscription price has been credited to the above-mentioned account of Small & Mid Cap Investmentbank AG at Bankhaus Gebr. Martin AG by this date.

Subscription ratio

At the subscription ratio of 2:1, shareholders can purchase one (1) New Share (ISIN DE0005479307) for two (2) old shares at the Subscription Price. The exercise of subscription rights is subject to the entry of the Cash Capital Increase in the commercial register and the other conditions specified in the 'Important points' section.

To establish this subscription ratio, one shareholder agreed to waive the subscription right for one (1) old share.

Insofar as the Subscription Ratio defined in the context of this Cash Capital Increase results in computational claims by shareholders to fractions of shares, the shareholders will not be entitled to delivery of New Shares or cash settlement in respect of the fractional amounts arising. It is only possible to purchase one New Share or a multiple thereof.

Subscription rights

Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn will post the subscription rights to the respective depositary institutions on 23 November 2018 with a record day of 22 November 2018. These institutions will credit the subscription rights, which apply to the old shares of Varengold Bank AG (ISIN DE0005479307) to the shareholders' securities accounts on the same day. From 21 November 2018 (ex-day), the subscription rights (ISIN DE000A2NBUA3) will be separated from shareholdings to the extent of the existing subscription right according to the subscription offering and the existing shares will be listed as 'ex-subscription right'.

No trade in subscription rights

An application for trading of the subscription rights on a stock exchange will not be made by either Varengold Bank AG or Small & Mid Cap Investmentbank AG. No (exchange-related) trade in subscription rights will be undertaken. Consequently, purchasing or selling subscription rights on a stock exchange is not possible. However, the subscription rights can be transferred in accordance with German law. Having said that, neither Small & Mid Cap Investmentbank AG nor Varengold Bank AG will arrange the purchase or sale of subscription rights. Any subscription rights not exercised will have no value.

Utilisation of unsubscribed New Shares (private placement)

New Shares not subscribed by shareholders on the basis of a subscription right within the subscription period may be offered by the Board of Managing Directors, including alongside the call for subscription, by involving, where necessary, one or more banks or financial services institutions as part of a private placement (non-public offering), to selected investors at the fixed subscription price of EUR 2.50 per New Share for subscription and acquisition.

Securitisation and delivery of the New Shares

The Cash Capital Increase is expected to be entered in the commercial register by 25 January 2019.

The New Shares will be certified in one or several global certificates to be deposited with Clearstream Banking AG for collective safe deposit. According to the Articles of Association, shareholders are not entitled to securitisation of their holding. It is expected that the New Shares acquired in connection with the offering will be delivered to shareholders from 31 January 2019.

Commissions

The standard banking commission will generally be charged for the subscription of New Shares by the depositary banks to shareholders exercising their subscription right. Shareholders are advised to ask for further details in advance at their depositary bank. Costs, which are invoiced to shareholders by the depositary banks, will not be reimbursed either by the Company or by Small & Mid Cap Investment Bank AG.

Stock exchange trading of the New Shares

The admission of all the New Shares to the Basic Board segment of the Open Market of the Frankfurt Stock Exchange is expected to be applied for on 30 January 2019 and expected to take place on or around 31 January 2019, subject to entry of the Cash Capital Increase in the commercial register.

Publication of the Securities Prospectus

The Securities Prospectus was published on 16 November 2018 on the Company's website www.varengold.de (→ About Varengold → Investor Relations → Capital Increase).

The results of the Cash Capital Increase are expected to be announced on 9 January 2019 on the Company's website www.varengold.de (→ About Varengold → Investor Relations → Capital Increase).

Important points

Shareholders are advised to read the Company's Securities Prospectus dated 16 November 2018 carefully before deciding on the exercise of subscription rights and to consider in particular the risks outlined in the 'Risk Factors' section of the Prospectus when making their decision.

The Cash Capital Increase will only be performed if at least 300,000 New Shares have been subscribed. The resolution on the Cash Capital Increase will become void if the Cash Capital Increase is not entered in the commercial register by 20 February 2019 at the latest.

The Company reserves the right to cancel the subscription offering in the event of certain circumstances, which also include termination of the Subscription Agreement by Small & Mid Cap Investmentbank AG,

at any time, even after expiry of the subscription period and before the New Shares are delivered. Cancellation will also apply to subscription rights that have already been exercised. Revocation after admission of the New Shares to listings in the Basic Board segment of the Open Market of the Frankfurt Stock Exchange is not possible. Small & Mid Cap Investmentbank AG is entitled to terminate the Subscription Agreement for good cause at any time.

In the event of extraordinary termination of the Subscription Agreement and the termination of the subscription rights offering prior to entry of the Cash Capital Increase in the commercial register, the subscription rights of shareholders will be forfeited. Investors who have acquired subscription rights against payment would suffer a total loss of their investment in this case.

In the event of termination of the Agreement prior to entry of the Cash Capital Increase in the commercial register and effective withdrawal of the commercial register application, the subscription offering and any subscription applications for New Shares that have already been granted will become invalid. In such a case, amounts already provided for the payment of the Subscription Price will be refunded to the shareholders. If short sales have already been carried out before the posting of the New Shares in the security deposit accounts of the respective acquirors, the seller alone will bear the risk of not being able to fulfil his/her obligations arising from the short sale or not being able to fulfil these in time through the delivery of the New Shares.

Selling restrictions

The New Shares will be offered to the public only in the Federal Republic of Germany.

The subscription offering will be carried out solely in accordance with German law. It will be announced in the German Federal Gazette in accordance with the relevant legal provisions applicable to shares in conjunction with the Company's Articles of Association. Other announcements, registrations, licences or permits from or with agents outside the Federal Republic of Germany are not planned for the shares, subscription rights or the subscription offering. The announcement of the subscription offering serves solely to comply with mandatory provisions of the Federal Republic of Germany and is not intended for the purpose of submission or publication of the subscription offering in accordance with the provisions of legal systems other than those of the Federal Republic of Germany, nor as public advertising for the subscription offering that may fall under the provisions of legal systems other than those of Federal Republic of Germany.

The publication, dispatch, dissemination or reproduction of the subscription offering or a summary or other description of the terms and conditions of the subscription offering may be subject to restrictions abroad. With the exception of its announcement in the German Federal Gazette and the forwarding of the subscription offer with the Company's approval, the subscription offering may not be published in, directly or indirectly, sent to, disseminated in or forwarded to a foreign country by a third party insofar as such action is prohibited in accordance with the relevant applicable foreign regulations or is dependent on compliance with official procedures or the granting of approval. This also applies to a summary or other description of the terms and conditions of this subscription offering. The Company assumes no responsibility for the publication, dispatch, dissemination or forwarding of the subscription offering outside the Federal Republic of Germany complying with the relevant applicable legal provisions.

Acceptance of this offer outside the Federal Republic of Germany may be subject to restrictions. Individuals wishing to accept the offer outside the Federal Republic of Germany are requested to look into restrictions existing outside the Federal Republic of Germany.

There will be no public offering outside the Federal Republic of Germany, particularly not in the United States, Japan, Canada or Australia. The New Shares are not and will not be registered either under the provisions of the US Securities Act of 1933, as amended, ('Securities Act'), or with the securities regulatory authorities of individual states of the United States of America. The New Shares may not be offered in the United States of America, nor exercised, sold or delivered there, directly or indirectly, except in accordance with an exception from the registration requirements under the US Securities Act and securities legislation of the individual states of the United States of America.

Hamburg, November 2018

Varengold Bank AG
The Board of Managing Directors

4.4. Legal basis for the issue of the New Shares

The New Shares will be issued on the basis of the resolution of the general meeting of 21 August 2018 (Sections 182 et seq. AktG). The resolution on the Cash Capital Increase was registered in the Company's commercial register on 18 September 2018.

The Board of Managing Directors determined the further details of the Capital Increase and its implementation through resolutions passed on 30 August 2018 and 9 November 2018 and approved by the Supervisory Board on 30 August / 3 September 2018 and 12 / 13 November 2018.

4.5. Form, currency, securitisation and delivery of the New Shares

The New Shares will be bearer shares with no par value (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00. The New Shares will be issued in euros.

Once the implementation of the Cash Capital Increase has been entered in the Company's commercial register, the New Shares will be certified in one or more global certificates (without dividend certificate) to be deposited at Clearstream Banking AG, Frankfurt. Pursuant to the Articles of Association, shareholders are not entitled to securitisation of their holding.

The New Shares will be delivered after the end of the subscription offering and the private placement, entry of the Cash Capital Increase in the commercial register and establishment of the collective safe deposit for the New Shares. Delivery of the New Shares is not expected before the fifth calendar week of 2019.

Purchasers will receive a credit for their New Shares in their respective collective securities account. No trading is possible prior to posting.

4.6. Dividend rights and voting rights

The New Shares will carry a profit-sharing entitlement as of 1 January 2018.

Each New Share carries one vote at the Company's general meeting.

4.7. Transferability

The Company's shares are freely transferable in accordance with the statutory regulations for the transfer of bearer shares.

Subscription rights are freely transferable in accordance with statutory provisions.

4.8. Admission to trading

4.8.1. ISIN/WKN (securities ID No.)/Stock exchange symbol

The existing shares and the New Shares of Varengold Bank AG have the following codes:

ISIN: DE0005479307
WKN: 547 930
Stock exchange symbol: VG8

The subscription rights to the New Shares will have the following codes:

ISIN: DE000A2NBUA3
WKN: A2NBUA

4.8.2. Admission

The 6,210,423 existing Company shares with profit-sharing entitlement as of 01 January 2018 are admitted under ISIN DE0005479307 / WKN 547930 to trading in the Basic Board segment of the Open Market of the Frankfurt Stock Exchange.

The New Shares are neither the subject of an application for a licence to trade on a regulated market nor are the New Shares intended to be sold on other equivalent markets. The aim is for all the New Shares to be admitted to the Basic Board segment of the Open Market of the Frankfurt Stock Exchange. A corresponding application for admission is expected to be made on 30 January 2019. The admission of the New Shares under ISIN DE0005479307 / WKN 547 930 is scheduled for on or around 31 January 2019.

4.9. Rights associated with the shares

4.9.1. Dividend rights and profit-sharing entitlement

Under the German Companies Act (AktG), a shareholder's stake in a dividend disbursement is determined by their stake in the share capital. If contributions are only made during the course of a financial year, they are generally considered in proportion to the time that has elapsed since the respective payment (Section 60 (2) 3) AktG). According to the Company's Articles of Association, however, the profit-sharing entitlement in respect of new shares can be determined in the case of capital contributions in deviation from Section 60 (2) AktG. The general meeting of 21 August 2018 resolved accordingly that the New Shares will carry a profit-sharing entitlement as of 1 January 2018.

The general meeting decides on the appropriation of profits. Prior to a resolution by the general meeting, the Company is required to procure a resolution on the appropriation of profit.

Entitlement to payment of dividends arises when the resolution on the appropriation of profit comes into effect. Entitlement to payment of dividends expires by limitation three years after the year in which the general meeting adopted the profit appropriation resolution and the shareholder obtained knowledge thereof or, in the absence of gross negligence, should have obtained knowledge thereof. If the entitlement to payment of the dividend expires by limitation, the Company is entitled, but not obliged, to disburse the dividends to the shareholder whose entitlement has expired by limitation.

There are no dividend restrictions or special procedures for non-resident security holders.

The ordinary general meeting also determines the amount of the dividend entitlement in the profit appropriation resolution. Since dividends may only be paid from retained earnings, the retained earnings in the annual financial statements prepared according to the criteria laid down in the HGB represent the maximum distributable amount. The shareholders are entitled to the retained earnings, unless these are excluded from distribution to the shareholders by law or the Articles of Association, by a resolution passed by the general meeting or as an additional expense on the basis of the resolution on appropriation of the profits. Due to deferred tax assets, there was a dividend payout restriction pursuant to Section

268 (8) HGB of TEUR 1,853 at Varengold Bank AG as at 31 December 2017. The amount attributable to each share is determined by dividing the total distributable dividend amount according to the profit appropriation resolution passed by the general meeting by the number of shares carrying a profit-sharing entitlement at the time of the dividend resolution.

4.9.2. Subscription rights

Each Varengold Bank AG shareholder is in principle entitled to a statutory subscription right, which means that in the event of increases in capital and at the shareholder's request, each shareholder must be granted a percentage of the new shares that corresponds to their previous share capital holding. The statutory subscription right also extends to newly issued convertible bonds, option bonds, participation rights or participating bonds. Subscription rights are freely transferable.

However, in the resolution on the increase in share capital, the general meeting can with a majority of the votes cast and at the same time a majority of at least three quarters of the share capital represented at the time of voting, exclude the statutory subscription rights of shareholders. In the event of an exclusion of subscription rights, the Board of Managing Directors must submit a written report on the reasons for excluding subscription rights and the level of the proposed issue amount.

4.9.3. Share in a liquidation surplus

The Company can be dissolved, except in the event of insolvency, through a resolution by the general meeting, which requires a majority of at least three quarters of the share capital represented at the time of voting. The Company's assets remaining after adjustment for liabilities (liquidation surplus) will be distributed among the shareholders in proportion to their stake in the share capital, i.e. the number of shares held. There are no preferential shares in the Company.

4.9.4. Obligation to make further contributions

There is no obligation to make further contributions.

4.9.5. Dilution

The subscription right on the part of shareholders to the New Shares guarantees that each shareholder, insofar as they exercise their subscription right, still holds an interest in the Company's share capital that is at least equivalent to their original holding. If a shareholder fails to exercise their subscription right during the subscription period, but other shareholders exercise theirs, the shareholder's interest in the Company's share capital would be reduced and thus dilution would occur. Dilution of an interest in share capital also reduces participatory administrative rights correspondingly, in particular voting rights and participatory economic rights, in particular the right to receive dividends.

The share capital of the Company is currently EUR 6,210,423.00 and is divided into the same number of ordinary shares. The Company holds no own shares at present. Assuming that all New Shares are subscribed and the full implementation of the Cash Capital Increase of EUR 3,105,211.00 is entered in the commercial register, the share capital of the Company would amount to EUR 9,315,634.00. Thus after completion of the Cash Capital Increase, the old share capital of EUR 6,210,423.00 would account for only about 66.67% of the new share capital. Accordingly, shareholders who fail to exercise their subscription right would then only have an interest in the Company's share capital representing approx. 66.67% of their previous holding. Consequently, their interest in the share capital would be diluted by approx. 33.33%.

The net book value of the Company's equity capital (balance sheet total less debt) was EUR 23,792,595 on 30 June 2018 based on accounting in accordance with the German Commercial Code (HGB) (unaudited); this corresponds to approx. EUR 3.83 per share based on the 6,210,423 shares issued on 30 June 2018.

Assuming that all 3,105,211 New Shares are subscribed at the subscription price of EUR 2.50, the Company would accrue total net issuing proceeds, including estimated costs of TEUR 127, of EUR 7,636,028.

Assuming Company net issuing proceeds of EUR 7,636,028, the raised net book value of the adjusted equity capital of the Company would amount to EUR 31,428,623. The net book value per share after execution of the prospective corporate action would be accordingly, based on 9,315,634 shares, amount to EUR 3.37. The net book value per share of existing shareholders would therefore be reduced by EUR 0.46 per share or approx. 12%. The net book value per share after the capital measures of EUR 3.37 would exceed the subscription price of EUR 2.50 paid by a shareholder under the rights offer by EUR 0.87 or approx. 35%.

4.10. Takeover bids / Squeeze-out provisions

As the Basic Board segment of the Open Market of the Frankfurt Stock Exchange is not an organised market within the meaning of Section 2 (11) WpHG, the provisions of the WpÜG do not apply to the Company. Furthermore, no takeover bids currently exist in respect of shares of Varengold Bank AG. There are also no exclusion or delivery rules.

There have been no public takeover bids in relation to the Company to date.

With regard to the possible exclusion of minority shareholders ('squeeze-out'), the statutory provisions in Sections 327a et seq. AktG and Section 62 (5) UmwG (German Reorganisation Act) apply.

4.11. Designated sponsor

The Company has commissioned Bankhaus Gebr. Martin AG, Schlossplatz 7, 73033 Göppingen, as designated sponsor. In this capacity, Bankhaus Gebr. Martin AG has undertaken to the Company to provide additional liquidity in the electronic trading system during daily trading hours to improve the quality of trade and pricing of the Company's securities by placing quotes, i.e. limited orders for the demand and supply side, in the system in accordance with the regulations of the Frankfurt Stock Exchange. This should guarantee the fungibility of the Issuer's securities at any time.

The term 'designated sponsor' is generally understood to mean banks or other financial services providers that provide binding price limits for the purchase and sale of shares (quotes) in electronic trading thus bridging temporary imbalances between supply and demand in less liquid stocks. Designated sponsors are active exclusively on the electronic trading platform Xetra on the Frankfurt Stock Exchange and must be approved as a trading participant there. They are commissioned by a company in the case of listings, or act on their own behalf. There may also be several designated sponsors per security. They provide additional liquidity in a stock value, whether on their own initiative, at the request of market participants (quote request) or in public sales. *In the event of insufficient liquidity of a security in continuous trading, the issuer must engage at least one designated sponsor (Source: Stock exchange A-Z at www.deutsche-boerse.com).*

4.12. Stabilisation

Provision has not been made for any stabilisation measures.

4.13. Restrictions of the offering

The New Shares will be offered to the public only in the Federal Republic of Germany. There will be no public offering outside the Federal Republic of Germany, particularly not in the United States, Japan, Canada or Australia. The New Shares are not and will not be registered either under the provisions of the US Securities Act of 1933, as amended, ('Securities Act'), or with the securities regulatory authorities of individual states of the United States of America. The New Shares may not be offered in the United

States of America, nor exercised, sold or delivered there, directly or indirectly, except in accordance with an exception from the registration requirements under the US Securities Act and securities legislation of the individual states of the United States of America.

In particular, this Prospectus does not represent a public offering nor the invitation to submit an offer to purchase the New Shares in the United States of America and may therefore not be distributed there either.

4.14. Security holders with short position

Only 3,105,211 New Shares will be offered by Varengold Bank AG as part of the public offering.

4.15. Subscription by major shareholders, members of executive bodies or other persons amounting to more than 5% each

The members of the Management Board of the Company intend to exercise the subscription right in the context of the capital increase at least in part through their affiliated companies. In addition, shareholders in the Company who currently hold more than a 5% interest in the Company have announced that they will exercise their subscription rights to the full extent, thereby subscribing to more than 5% of the capital increase.

Furthermore, the Company does not know whether major shareholders, members of executive bodies or other persons will subscribe to the offering in the amount of more than 5% respectively.

4.16. Lock-up agreements

No lock-up agreements are in place.

4.17. Interests of persons involved in the issue/offering

SMC Investmentbank AG is in a contractual relationship with Varengold Bank AG with regard to the technical execution of the public offering. SMC Investmentbank AG will receive a standard fixed remuneration for its work. There are no conflicts of interest in this respect. As (indirect) shareholders, Board members, Dr Bernhard Fuhrmann and Frank Otten have an interest in the offering as, in the event of a positive development of the Issuer, their participating interest in the Issuer would increase on account of the capital raised in the course of the offering. (*see also Section '8.3 Conflicts of interest'*)

5. Reasons for the offering, costs of the offering and use of the proceeds

5.1. Estimated net proceeds and costs of the offering

The Company will be entitled to the net issuing proceeds from the placement of the New Shares (gross issuing proceeds less the costs to be borne by the Company). The costs of the public offering are, assuming full placement of the New Shares, expected to amount to approximately TEUR 127.

The gross issuing proceeds are dependent on the number of New Shares subscribed. Assuming full placement of all the New Shares, the gross issuing proceeds amount to EUR 7.76 million. In the event of estimated offering costs of TEUR 127, the Company would accrue net issuing proceeds of EUR 7.64 million from the placement of all the New Shares.

5.2. Reasons for the offering and use of the proceeds

In terms of its business activities, the Company is subject to regulatory requirements regarding its equity capital resources for solvency purposes. The Company assumes that additional equity capital will be required owing to the increasing capital conservation buffer in accordance with regulatory requirements and to support the planned expansion of business volume, particularly in the area of lending, and its inherent risks. The regulations regarding the calculation of equity capital will tighten gradually over the next few years due to the expiry of the transitional provisions. In order to meet the requirements in terms of regulatory equity capital both now and in the future, particularly regarding the planned expansion of business volume, the Company's core capital should be increased. Accordingly, the Company intends to use the net issuing proceeds to strengthen its equity capital base and therefore to create the conditions for the purpose of further business growth.

6. Details of the Company

6.1. General information

6.1.1. Company name, registry court and commercial register number

The **name** of the Company is Varengold Bank AG. The Company also uses the trade names 'Varengold Bank' and 'Varengold'. No other commercial names are used.

The Company is registered in the **commercial register** of the Local Court of Hamburg under commercial register no. HRB 73684.

6.1.2. Formation

Varengold Bank AG was formed through the change in legal form of 'Varengold' Vermittlungs- und Handelsgesellschaft mbH into a public limited company. 'Varengold' Vermittlungs- und Handelsgesellschaft mbH was founded by notarial deed dated 10 July 1995 (Deed No. 2160/1995 of notary Henning Petersen, Hamburg) as a limited liability company under the name 'Varengold' Vermittlungs- und Handelsgesellschaft mbH, with registered office in Hamburg, and was entered in the commercial register of the Local Court of Hamburg on 10 August 1995 under Commercial Register Number HRB 59218. The shareholders' meeting of 18 June 1999 (Deed No. 1695/1999 of the notary Dr. Klaus Neseemann, Hamburg) adopted the change in legal form of 'Varengold' Vermittlungs- und Handelsgesellschaft mbH into a public limited company with the company name 'Varengold Aktiengesellschaft'. Varengold Aktiengesellschaft was entered in the commercial register of the Local Court of Hamburg on 16 December 1999 under commercial register no. HRB 73684. The change of name to the current name 'Varengold Bank AG' was effected by resolution of the general meeting of 8 August 2012 and entered in the commercial register on 9 July 2013.

6.1.3. Duration, financial year and corporate purpose

The **duration** of the Company is indefinite. The **financial year** is a calendar year.

The **purpose** of the Company as defined in Article 2 of the Company's Articles of Association is

the following banking operations

- deposit business (Section 1 (1) (2) 1) KWG),
- lending business (Section 1 (1) (2) 2) KWG),
- the ongoing purchase of receivables based on framework agreements with or without recourse (factoring pursuant to Section (1) (1a) 2) 9) KWG),
- the purchase and sale of financial instruments in its own name for outside customers (finance commission business pursuant to Section 1 (1) (2) 4) KWG),
- depositary bank business (Section 1 (1) (2) 5) KWG),
- guarantee business (Section 1 (1) (2) 8) KWG),
- operation of a multilateral facility which is not an organised market or a multilateral trading facility and which combines the interests of a large number of third parties in the purchase and sale of debt securities, structured financial products, emission certificates or derivatives within the facility in a manner that leads to an agreement regarding the purchase of these financial instruments (organised trading facility [OTF] pursuant to Section 1 (1a) (2) (1d) KWG),

the following financial services

- brokering of transactions for the purchase and sale of financial instruments (investment broker pursuant to Section 1 (1a) (2) 1) KWG),
- granting personal recommendations to customers or their representatives, which relate to transactions involving specific financial instruments, as long as the recommendation is sup-

ported by an examination of the investor's personal circumstances, or it is presented appropriately to him/her, and is not solely issued over information broadcasting channels or for the public (investment advisor pursuant to Section 1 (1a) (2) 1a) KWG),

- the purchase and sale of financial instruments in the name of and on behalf of others (acquisition brokerage pursuant to Section 1 (1a) (2) 2) KWG),
- the purchase and sale of financial instruments outside the management of an investment asset in accordance with Section 1 (1) of the German Investment Code for a collective of individual investors with discretion to select the financial instruments as long as this is the focus of the product offered and is made with a view to involving these investors in the performance of the purchased financial instruments (asset management pursuant to Section 1 (1a) (2) (11) KWG).
- the administration of individual assets invested in financial instruments on behalf of others using discretion (financial portfolio management pursuant to Section 1 (1a) (2) 3) KWG),
- the conclusion of finance leasing agreements as lessor and the management of property companies in accordance with Section 2 (6) (1) (17) outside the management of an investment asset within the meaning of Section 1 (1) of the German Investment Code (finance leasing pursuant to Section 1 (1a) (2) (10) KWG),
- the purchase and sale of financial instruments for its own account as a service for others (own trading pursuant to Section 1 (1a) (2) 4) KWG),
- the purchase or sale of financial instruments for its own account which are not services for others as laid down in Section 1 (1a) (2) 4) KWG (business on own account pursuant to Section 32 (1a) KWG),

as well as payment services (Section 1 (2) ZAG).

The Company is entitled to all business and to take any action which serves the purpose of the Company. To this end, it can establish, acquire and invest in other companies.

6.1.4. Registered office, legal form, applicable legal system, business address

The **registered office** of Varengold Bank AG is Hamburg.

The **business address** is Große Elbstraße 14, 22767 Hamburg. The Company can be reached under telephone number +49 (0) 40 - 6686490.

The Company is an **Aktiengesellschaft** (public limited company) under German law and was established in the Federal Republic of Germany.

The applicable legal system for the Company is the law of the Federal Republic of Germany.

6.1.5. Paying agent, depository

The paying agent is Bankhaus Gebr. Martin AG, Schlossplatz 7, 73033 Göppingen.

The depository is Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn.

6.2. Company history

1995	Establishment of 'Varengold' Vermittlungs- und Handelsgesellschaft mbH as an asset management boutique focusing on trading in futures
1998	Setting-up of the Capital Markets Brokerage business area and receipt of licence for financial commission business (Section 1 (1) (2) 4) KWG) and financial portfolio management (Section 1 (1a) (2) 3) KWG)
1999	Change of legal form from GmbH into Aktiengesellschaft

2001	Receipt of licence for investment and acquisition brokerage (Section 1 (1a) (2) 2) and 3) KWG) Opening of access to MetaTrader trading platform for trading foreign currencies and CFDs
2003	Receipt of licence as a securities trading bank (Section 1 (3d) (3) KWG)
2007	Listing in the Entry Standard sub-segment of the Open Market of the Frankfurt Stock Exchange
2013	Extension of the licence as a depository institution and establishment of the Commercial Banking business area Change of name to 'Varengold Bank AG'
2014	Extension of the product portfolio for private and business customers
2015	Admission as 'NCM' exchange participant to Eurex Germany
2016	Closure of the Capital Markets Brokerage business area
2017/2018	Establishment of the Marketplace Banking business area
2018	Opening of the branch office in Sofia, Bulgaria

6.3. Corporate governance

Varengold Bank AG is not subject to the obligation according to Section 161 AktG to issue an annual declaration with respect to the extent to which the recommendations of the 'Government Commission German Corporate Governance Code' have been and will be followed, as the Company is not listed on the stock exchange within the meaning of Section 3 (2) AktG.

The Company has therefore not issued a compliance statement according to Section 161 AktG, even on a voluntary basis, and has no intention of issuing such a compliance statement on a voluntary basis in the future. Varengold Bank AG does not apply the recommendations of the German Corporate Governance Code or fully comply with them.

6.4. Auditor

6.4.1. Auditor

The annual financial statements of Varengold Bank AG for the 2016 and 2017 financial years were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Alsterufer 1, 20354 Hamburg, and were each given the unrestricted audit certificate as reproduced in this Prospectus.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft is a member of the German Chamber of Auditors.

6.4.2. Change of auditor

There were no changes to the auditor for Varengold Bank AG in the 2016 and 2017 financial years. The general meeting of the Company held on 21 August 2018 selected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Alsterufer 1, 20354 Hamburg, as the annual auditor for the 2018 financial year.

6.5. Dividend policy

A resolution regarding the appropriation of profit was not passed by the ordinary general meeting in the 2016 and 2017 financial years due to a lack of retained earnings.

The Company's Board of Managing Directors and the Supervisory Board will jointly propose future dividends and their disbursement and their proposals will be voted on at the general meeting. The Company is initially planning to reinvest income, use it to finance growth and further development of business and also to distribute a dividend to shareholders. Specific determining factors will be the financial position, capital requirement, business prospects and the Company's general economic framework conditions.

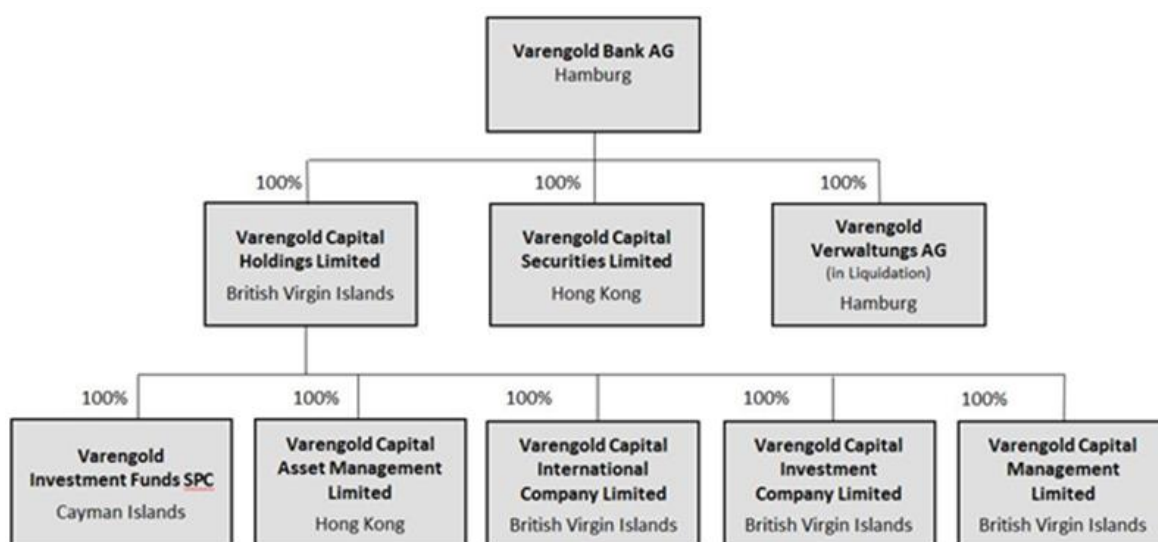
6.6. Structure of the Varengold Group

6.6.1. Presentation of the Varengold Group

The Varengold Group consists of Varengold Bank AG as the parent company and the subsidiaries Varengold Capital Securities Limited, Varengold Verwaltungs Aktiengesellschaft (in liquidation) and Varengold Capital Holdings Limited, including their subsidiaries Varengold Capital Asset Management Limited, Varengold Capital Investment Company Limited, Varengold Capital Management Limited, Varengold Capital International Company Limited and Varengold Investment Funds SPC.

Main business operations are run in Varengold Bank AG itself.

The following chart shows the current structure of the Varengold Group:



In addition, Varengold Bank AG has a 33% share in Hanseatic Brokerhouse Securities AG and shares in additional subsidiaries and various participating interests which, however, are of little significance to the business activities of Varengold Bank AG.

6.6.2. Subsidiary companies

Varengold Asia Group

Varengold Capital Securities Limited (formerly HPI Securities & Futures Limited), based in Hong Kong, was founded on 24 August 2010. The issued capital amounts to HKD 10,000,000, divided into 10,000 shares. Under an agreement dated 25 June 2014, Varengold Bank AG acquired 100% of the shares in Varengold Capital Securities Limited from HPI Financial Group Limited. Varengold Capital Securities Limited holds broker-dealer licences in both type 1 (trading in securities) and type 2 (trading in futures) from the Securities & Futures Commission of Hong Kong for the Hong Kong Stock Exchange. Varengold Capital Securities Limited is under the supervision of the Securities and Futures Commission (SFC) of Hong Kong.

Following the acquisition of Varengold Capital Securities Limited in 2015, Varengold AG and **Varengold Capital Holdings Limited** based in Road Town, Tortola, British Virgin Islands founded an intermediate holding company for the other companies in the Varengold Asia Group.

In 2015, Varengold Capital Holdings Limited itself established its Hong Kong-based subsidiary **Varengold Capital Asset Management Limited** with a view to expanding its business activities. Varengold Capital Asset Management Limited holds a type 9 asset manager licence and is under the supervision of the SFC.

In addition, in 2015, Varengold Capital Holdings Limited founded two trading companies with **Varengold Capital Investment Company Limited** and **Varengold Capital International Company Limited** and one management company with **Varengold Capital Management Limited**, each based in the British Virgin Islands. Varengold Capital Investment Company Limited acts as an investment company and now has a 30% share in a real estate project in South Korea (Ansan Sadong Block 90 PVF Co Ltd.). Varengold International Company Limited is set to act as the issuer of structured products. The start-up costs for developing the business activities of the Varengold Asia Group have accrued largely at Varengold Capital Management Limited to date.

In addition, a *capital investment company*, **Varengold Investment Funds SPC**, based in the Cayman Islands was founded in 2016. This company has set up a credit fund known as the 'Varengold Fixed Income Fund' which includes Varengold Bank AG fund units.

There have been no disbursements by companies in the Varengold Asia Group to Varengold Bank AG to date. The Company granted a loan totalling TEUR 747 to Varengold Capital Holdings Limited and a loan of up to TEUR 5,500 to Varengold Capital Investment Company Limited. TEUR 4,657 of this loan has been drawn to date (see Section 11 'Transactions with related parties'). Moreover, individual companies in the Varengold Asia Group have amounts due from or payable to Varengold Bank AG arising from accounts held with Varengold Bank AG.

Further details of the companies in the Varengold Asia Group can be found in the following overviews:

Varengold Capital Securities Limited	
Registered address	Hong Kong
Formation	2010
Issued capital	THKD 10,000
Shareholding	100%
Annual net profit for the 2017 financial year	THKD 445
Book value at Varengold Bank AG	TEUR 1,710

Varengold Capital Holdings Limited	
Registered address	Road Town, British Virgin Islands
Formation	2015
Registered capital	TUSD 50
Shareholding	100%
Loss for the 2017 financial year	THKD 2,204
Book value at Varengold Bank AG	TEUR 45

Varengold Capital Investment Company Limited	
Registered address	Road Town, British Virgin Islands
Formation	2015
Registered capital	TUSD 10
Shareholding	100% (indirectly via Varengold Capital Holdings Ltd.)
Loss for the 2017 financial year	THKD 3,711

Varengold Capital Asset Management Limited	
Registered address	Hong Kong
Formation	2015
Registered capital	THKD 5,000
Shareholding	100% (indirectly via Varengold Capital Holdings Ltd.)
Loss for the 2017 financial year	THKD 37

Varengold Capital International Company Limited	
Registered address	Road Town, British Virgin Islands
Formation	2015
Registered capital	TUSD 10
Shareholding	100 % (indirectly via Varengold Capital Holdings Ltd.)
Loss for the 2017 financial year	THKD 2,026

Varengold Capital Management Limited	
Registered address	Road Town, British Virgin Islands
Formation	2015
Registered capital	TUSD 10
Shareholding	100 % (indirectly via Varengold Capital Holdings Ltd.)
Loss for the 2017 financial year	THKD 518

Varengold Investment Funds SPC	
Registered address	George Town, Cayman Islands
Formation	2016
Registered capital	HKD 0.08
Shareholding	100 % (indirectly via Varengold Capital Holdings Ltd.)
Loss for the 2017 financial year	THKD 3,093

Varengold Verwaltungs Aktiengesellschaft

The current Varengold Verwaltungs Aktiengesellschaft (in liquidation) based in Hamburg was established on 10 February 2010 by Varengold Bank AG and DFQ GbR, Hamburg, as Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen and is registered in the commercial register of the Local Court of Hamburg under commercial register no. HRB 122513. Varengold Investmentaktiengesellschaft mit TGV was an AIF investment stock company with variable capital, whose assets were originally composed of various sub-funds. Under an agreement dated 2 February 2015, Varengold Bank AG acquired a 51.01% holding in DFQ GbR and has since then held 100% of Varengold Verwaltungs Aktiengesellschaft.

As no active funds are now operated in the Company, the Articles of Association were amended completely through a resolution passed by the general meeting on 23 August 2017, changing the name of the Company to 'Varengold Verwaltungs Aktiengesellschaft' and the purpose of the Company to the management of the Company's own assets. In the course of these changes, Varengold Verwaltungs Aktiengesellschaft surrendered its licence to operate as a capital management company in accordance with the German Investment Code. Varengold Verwaltungs Aktiengesellschaft was dissolved with immediate effect through a resolution passed by the general meeting on 15 August 2018 and is therefore currently in liquidation.

In the 2017 financial year, Varengold Verwaltungs Aktiengesellschaft (in liquidation) generated a net loss of TEUR 290. The book value of the holding in Varengold Bank AG after a partial write-down of TEUR 514 was TEUR 476 as at 31 December 2017 (previous year: TEUR 990).

6.6.3. Participating interests

Hanseatic Brokerhouse Securities AG

Hanseatic Brokerhouse Securities AG, based in Hamburg, ('Hanseatic Brokerhouse AG') was founded on 31 August 1999 and is entered in the commercial register of the Local Court of Hamburg under commercial register no. 75783. Its share capital is EUR 75,000.00.

The purpose of Hanseatic Brokerhouse AG is the provision of services, in particular consultation and provision of technological equipment for financial service providers and their private customers. As a contractually bound broker pursuant to Section 2 (10) KWG, Hanseatic Brokerhouse AG may offer investment brokerage services on behalf of and under the liability of its subsidiary Naga Brokers GmbH (formerly: Hanseatic Brokerhouse Financial Services GmbH) based in Hamburg (Local Court of Hamburg HRB 110105) The purpose of Naga Brokers GmbH is the performance of financial services in the areas of investment brokerage and investment advice pursuant to Section 32 KWG as well as for investment instruments that are not subject to licensing. Naga Brokers GmbH holds a licence for investment advice (Section 1 (1a) (2) (1a) KWG) and for investment brokerage services (Section 1 (1a) (2) (1) KWG).

Until June 2016, Hanseatic Brokerhouse AG and Naga Brokers GmbH cooperated to refer customers from the former Capital Markets Brokerage business area to Varengold Bank AG.

The current holding of Varengold Bank AG in Hanseatic Brokerhouse AG is 33%. Under an agreement concluded in January 2013 with the then shareholders ('old shareholders') (see *Section 11 'Transactions with related parties'*), Varengold Bank AG is obliged to transfer back 14% of its shares to the old shareholders once a further shareholder with a 7% stake and Varengold Bank AG together accrue dividend payments totalling TEUR 500. Moreover, the old shareholders have an option to acquire a further 2% in this case.

In the 2016 financial year, Hanseatic Brokerhouse AG generated an annual net loss of approx. TEUR 1,121; the retained earnings of Hanseatic Brokerhouse AG as at 31 December 2016 amounted to TEUR 797. The book value of the holding in Hanseatic Brokerhouse AG at Varengold Bank AG was TEUR 48 as at 31 December 2017.

7. Overview of the business activity

7.1. Areas of activity

7.1.1. Description of the Issuer's main activities

Overview

Varengold Bank AG is a German bank with its head office in Hamburg and other offices in London (UK) and Sofia (Bulgaria).

Originally established in 1995 as an asset management boutique, the Company was converted into a deposit bank in June 2013 following the receipt of its full banking license. In the period that followed, the business activities of the Company were continuously developed and adjusted in line with its strategic direction, including for example the establishment of the Commercial Banking and Prime Brokerage business areas and the winding up of the former Capital Markets Brokerage business area in 2016. Since the end of 2017, Varengold Bank AG has focused exclusively on the core business areas of Marketplace Banking (emerged from the former Prime Brokerage business area) and Transaction Banking/Commercial Banking. Within these business areas, Varengold Bank AG offers its customers and business partners a wide variety of products and services.

Business areas

Marketplace Banking

In the Marketplace Banking business area, Varengold Bank AG cooperates with marketplace lending platforms (online lending marketplaces) and financial technology companies (Fintechs), thereby combining their mostly progressive business activities with tried and trusted banking services. Marketplace lending platforms generally have alternative financing solutions for consumers or businesses, particularly in the area of lending. Efficient and highly technology-driven processes that reduce the cost of credit analysis and loan processing allow them to manage the lending process quickly and easily and they are therefore increasingly replacing established banks. The platforms cater in particular to customers who expect a loan decision as quickly as possible and who value the user friendliness of the platforms.

These marketplace lending platforms require external partners for refinancing. In the case of refinancing via the 'crowd' in the form of peer-2-peer lending, the 'refinancer' can decide directly on the platform whether or not it wants to finance a borrower. The marketplace then receives a fee for 'brokering' the transaction. Alternatively, lending platform acquire bigger refinancing facilities from banks and other institutional investors in order to reduce the associated acquisition costs and achieve higher volumes.

The range of services offered by Varengold Bank AG in the Marketplace Banking business area therefore includes the provision of financing facilities for refinancing of the loan products distributed by the platforms. In addition, Varengold Bank AG supports its business partners with services in the Debt Capital Markets and Equity Capital Markets segments, and with Fronting Services.

Lending

Extension of loans to platforms which conduct end customer business in the following asset classes:

- SME Finance (financing of small and medium-sized enterprises)
- Consumer Finance (private customer hire purchase loans)
- Trade Finance (trade financing)
- Receivable Finance (factoring; generally for SMEs)
- Real Estate Finance (generally short-term bridging loans)

Lending to platforms may take different forms. Typically, the Company finances a special purpose vehicle for the platform, which passes on Varengold Bank AG loan funds to the platform's end customers. In some cases, we also lend directly to end customers. In addition to lending, an equity upside – the possibility of direct investment – is also a goal. This gives Varengold Bank AG the option

to acquire a certain number of shares in the platform within a defined period at a pre-determined price.

Debt Capital Markets / Equity Capital Markets

Varengold Bank AG supports its customers with the realization of debt capital solutions, if their financial requirements exceed the willingness to lend on the part of Varengold Bank AG.

If the growth of online lending marketplaces requires both additional equity and the need for debt capital, Varengold Bank AG offers its customers the acquisition of equity partners.

Fronting Services

In the Fronting Services segment, Varengold Bank AG provides marketplaces and Fintechs which have their own customers and a product concept, but do not have a banking licence, with services subject to banking licence obligations. These services are also offered as white label solutions. The Fronting Services segment includes:

- Account management/payment transaction services
- Lending
- Deposit Business

Varengold Bank AG offers Marketplace Banking lending services primarily in the target market of Europe. In addition to Germany, the strategic target countries are the Baltic states, Bulgaria, Finland, France, Ireland, the Netherlands, Poland, Sweden and Spain. Fronting Services will only be offered in Germany for the time being.

Revenue in Marketplace Banking is generated particularly in the form of commission and interest income. Where a direct investment can be agreed, it is also possible to earn income from the sale of these holdings.

Transaction Banking/Commercial Banking

In the Transaction Banking/Commercial Banking business area, Varengold Bank AG offers its customers individualised products and solutions that enable them to manage their transactions and trading activities across national boundaries and provide banking services in support of their global goods and commodity trading.

The Transaction Banking/Commercial Banking business area consists firstly of the deposit business, through which private customers in particular are offered instant-access and fixed-term products. Transaction Banking/Commercial Banking also consists of the International Payments, Trade & Export Finance, Lombard Loans and Structured Finance segments, which include products and services primarily for business customers (corporate customers and small and medium-sized financial services providers).

Revenue in Transaction Banking/Commercial Banking is generated primarily in the form of fees, commission and interest income.

Deposit Business

Varengold Bank AG offers German private customers access to instant-access and fixed-term products. Varengold Bank AG uses fund marketing and its website for marketing purposes here. Customer service in the Deposit Business segment, i.e. the management and operational support of depositors, is carried out by an external service provider. Using a cost-saving and primarily web-based process, Varengold Bank AG is in a position to offer favourable terms and conditions in this segment. Account management for customers is usually free of charge. The Deposit Business segment is subject to statutory deposit protection.

International Payments

Varengold Bank AG is available to customers from all over the world as a partner for managing their international payment transactions. Varengold Bank AG is part of the SWIFT messaging system and also processes SEPA payments.

Lombard loans

Varengold Bank AG extends loans to its customers against the provision of loan guarantees in the form of securities pledging .

Trade & Export Finance

Varengold Bank AG offers financing and bank guarantees for international trading activities. As a German financial institution, Varengold Bank AG issues bank guarantees which protect the beneficiaries of the guarantee in the event of damage (guarantee business). This includes, for example, payment guarantees, warranty guarantees and delivery and performance guarantees. The contractual components of a letter of guarantee are tailored to individual customer requirements.

Varengold Bank AG also issues letters of credit including associated hedging of international trading activities. Letters of credit are used as standardised payment agreements between internationally active importers and exporters. The management of this kind of payment transaction is subject to 'Uniform Custom and Practice for Commercial Documentary Credits' (Einheitlichen Richtlinie und Gebräuche für Dokumentenakkreditive (ERA)) and guarantees reliable implementation of all transactions.

Structured Finance

In the Structured Finance segment, Varengold Bank AG supports investors with the financing of growth initiatives as well transactions relating to the acquisition of companies or parts of companies. These include not only traditional takeover transactions by other companies, but also management buy ins (purchaser is an external investor) and management buy outs (purchaser is management).

Licences

The Company currently holds all the licences pursuant to the KWG and the GewO (German Industrial Code) that are necessary for the Company's business activities. Varengold Bank AG holds a licence pursuant to Section 34c (1) GewO as well as the licence pursuant to Section 32 (1) KWG to conduct banking transactions in accordance with Section 1 (1) Sentence 2, no. 1, 2, 4, 5 and 8 KWG (deposit business, lending business, financial commission business, depositary bank business and guarantee business) and financial services pursuant to Section 1 (1a) Sentence 2, no. 1, 1a, 2, 3, 4, 9, 10 and 11 as well as Section 32 (1a) KWG (investment brokerage services, investment advice, acquisition brokerage, financial portfolio management, proprietary trading, factoring, finance leasing, investment management and proprietary business) as well as payment services (Section 1 (2) ZAG (Payment Services Supervision Act)). The licence issued pursuant to section 1 (1a) sentence 2 no. 1d KWG on the operation of an organized trading system (OTF) will not be used and will therefore be returned in the course of 2019. The licence pursuant to Section 32 (1) KWG was granted in accordance with Section 32 (2) (1) KWG subject to conditions with respect to the total capital ratio, maintenance of a liquidity portfolio and the restriction of lending to Lombard loans. While the condition regarding total capital ratio has been dealt with over time and the restriction on lending only against the pledge of securities was lifted in December 2017, Varengold Bank AG is in principle still required to maintain a liquidity portfolio (with credit ratings in categories 1 and 2) which is equivalent to at least the level of liabilities of Varengold Bank AG for the redemption of deposits due each day or funds transferred in connection with the implementation of investment services (especially cash collateral), provided and as long as the core capital of Varengold Bank AG is less than EUR 10 million.

7.1.2. Information on significant products and services which have recently been introduced as well as their development progress

In the course of establishing its Marketplace Banking business area, Varengold Bank AG has extended its lending to the 'SME Finance' asset class, i.e. the financing of small and medium-sized enterprises, and its range of services to the Equity Capital Markets / Debt Capital Markets and Fronting Services segments. In the Fronting Services segment, an initial project was launched in 2018; another is in the exploration phase. In addition, the 'Factoring/Purchase of Platform Receivables' product was added to the product portfolio of the Marketplace Banking business area.

At the end of 2017, Varengold Bank AG also set up a credit fund known as the 'Varengold Fixed Income Fund', via its subsidiary Varengold Investment Funds SPC, which now includes Varengold Bank AG fund units. Marketing of the Varengold Fixed Income Fund started in October 2017. An initial seed investment was made by Varengold Bank AG in January 2018. The fund now manages assets under management of around USD 32.7 million.

Beyond this, no significant products and services have been recently introduced in the Varengold Group.

7.1.3. Strategy

Varengold Bank AG is strategically aligned towards growth through the acquisition of new customers and corresponding expansion of its business volume. Customer satisfaction and efficient internal organisation play a significant role in this. Overall, the business strategy of the Company is aimed at servicing customer requirements in the two business areas of Marketplace Banking and Transaction Banking/Commercial Banking, both with niche products and tailored product and service quality, and not on acting as a provider of mass products. The opening of a branch office in Sofia, Bulgaria, in May 2018 will enable the Company to expand its business activities to South East Europe.

In the Transaction Banking/Commercial Banking segment, the focus is on developing its positioning as a leading transaction bank in niche markets, particularly in the Middle East and in Central, Southern and Eastern Europe. The product focus is on the area of payment transactions and Trade Finance offers (in particular letters of credit and guarantees).

In the Marketplace Banking business area, the strategic goal of Varengold Bank AG is to become a key bank for the growing global marketplace lending industry. Against the backdrop of increasing digitisation, which the Company believes will create closer links between banks and Fintechs, the Fronting Services segment in particular will be expanded (*see Section 7.1.1 'Description of the Issuer's main activities'*).

With respect to the refinancing of its business activities, Varengold Bank AG intends to expand its refinancing base strategically and build up an institutional investment base alongside the currently dominant deposits of German private investors.

7.2. Property holding

Varengold Bank AG does not have any of its own property.

The business premises of Varengold Bank AG are located at the site in Hamburg which has been leased under the terms and conditions which are typical for the location. The current lease agreement for the headquarters at Große Elbstraße 14 still has a fixed term until 31 May 2021 with a one-off option for the Company to renew the lease for a further five (5) years.

7.3. Investments

7.3.1. Most significant recent investments

The following table gives an overview of the most significant investments of Varengold Bank AG in the 2016 and 2017 financial years as well as in the 2018 financial year to date:

Period Investment	2016 TEUR HGB	2017 TEUR HGB	01/01/2018 - Date of the Prospectus TEUR HGB
Participating interests	121	100	0
Concessions acquired for consideration, industrial property and similar rights	59	3	41
Tangible assets	83	64	40

Investments in participating interests (participating interests < 50%) of TEUR 121 in 2016 were attributable to a participating interest in a capital increase at Mynaric AG (formerly ViaLight Communications GmbH). In 2017, TEUR 100 was invested in the acquisition of a 0.35% stake in Sphera Investment Spain SL.

Concessions acquired for consideration, industrial property and similar rights in 2016 relate to the purchase of software. TEUR 56 was invested in SIRON software (anti-money laundering software) and TEUR 3 in licences. The investment costs of TEUR 3 in 2017 and TEUR 41 in the current financial year 2018 were also attributable to software and licenses.

Investment in tangible assets relates essentially to office equipment. In the year 2016, TEUR 68 related to tenant fixtures; these were due mainly to the Company moving to new business premises. Investments in 2017 were mainly attributable to operating and office equipment. In the 2018 financial year, TEUR 40 has been invested in IT and office equipment to date.

7.3.2. Most significant current investments

There are no significant current investments at Varengold Bank AG at present.

7.3.3. Most significant future investments

No significant future investments are currently planned.

7.4. Environmental issues with respect to tangible assets

Owing to the business activities of Varengold Bank AG, tangible assets consist mainly of office equipment and IT facilities. Varengold Bank AG does not own any property or production facilities. As such, there are no environmental issues which may influence the use of tangible assets by Varengold Bank AG.

7.5. Research and development, dependency on property rights or agreements

7.5.1. Research and development

Varengold Bank AG does not currently conduct any research or development. It also does not hold any of its own patents or licences.

7.5.2. Dependency on property rights or agreements

The business activities of Varengold Bank AG largely depend on the licence to use the banking software EFDIS.CIFRA. Otherwise, the companies of the Varengold Group do not depend on patents, licences, industry, trade or financing agreements or on any manufacturing procedures.

7.6. Court and arbitration proceedings

There have been no state interventions or court or arbitration proceedings (including those proceedings which are pending or which may be instituted according to the Issuer's knowledge) which have taken place at least within the last 12 months and which have significantly impacted on the financial position or profitability of Varengold Bank AG and/or the Varengold Group, or which may have such an impact in the future, with the exception of the following proceedings:

Action by Varengold Bank AG for damages against a former customer broker / Counterclaim for commission

In December 2012, Varengold Bank AG filed a claim for damages of approx. TEUR 92 at the Hamburg District Court against a former customer broker. The customer broker had conducted transactions requiring a licence, without holding such a licence from BaFin. The transactions concerned had to be reversed, which resulted in a loss for the Company. In a countermove, the customer broker is claiming withheld commission amounting to approx. TEUR 82 from Varengold Bank AG.

Similar proceedings are currently pending before the Federal Court of Justice. Varengold Bank AG and the defendant have therefore agreed to suspend the proceedings pending a decision by the Federal Court of Justice.

Action by Varengold Bank AG against the 2011 decision on annual contributions by the Entschädigungseinrichtung für Wertpapierhandelsunternehmen (German compensation scheme for securities trading companies)

Varengold Bank AG filed an action against the 2011 decision on annual contributions made by the Entschädigungseinrichtung für Wertpapierhandelsunternehmen ('EdW') at the Administrative Court in Berlin; the amount involved is TEUR 181. In a ruling on 21 December 2017, the Berlin Administrative Court ordered suspension of the proceedings until a judgment is passed by the Federal Constitutional Court.

Action by Varengold Bank AG against a borrower for repayment of a loan of approx. EUR 2 million

In December 2016, Varengold Bank AG filed an action at the Hamburg District Court against a borrower for repayment of a loan of approx. EUR 2 million plus interest.

On 21 July 2017, a default judgement was issued against the defending party by the Hamburg District Court. However, a Romanian court initiated insolvency proceedings with regard to the defending party's assets in a ruling on 14 June 2017.

While the claim filed by the Company in the course of the insolvency proceedings, in the amount of approx. RON 10,549,161 (approx. TEUR 2,273), was confirmed by the Romanian court in June 2018, a restructuring of the liabilities of the defending party was also ordered. Based on the restructuring plan

and the stipulated insolvency dividend, the Company expects a payment of only approx. RON 1,414,615 (approx. TEUR 305). The remaining loan amount is covered by a cash guarantee.

Action by former customers against Varengold Bank AG for damages

In May 2017, a former customer filed a claim for damages against Varengold Bank AG of TEUR 46 at the District Court in Athens. The claimant is claiming to have received incorrect advice from a former broker of Varengold Bank AG and is making a claim against Varengold Bank AG as joint debtor. Pre-litigation settlement negotiations with the opposing party failed. The claimant's representative had also given notice that further complaints are likely to be raised based on the same set of facts and circumstances. The hearing has been scheduled for 19 September 2019.

In January 2018, Varengold Bank AG was finally served with another complaint filed by three former customers. The claimants are asserting claims for damages of approx. TEUR 159 against Varengold Bank AG at the District Court in Athens. The Company has set aside provisions of TEUR 46 for this legal dispute.

Action by Varengold Bank AG against a former Board member for repayment of loans

In August 2017, Varengold Bank AG filed an action against a former Board member for repayment of various loans amounting to a total of approx. TEUR 74 at the Hamburg District Court. The court has not yet issued any judicial orders.

Action by a customer against Varengold Bank AG for damages

In December 2012, a customer filed a claim for damages against Varengold Bank AG at the Hamburg District Court for approx. TEUR 68 in connection with trading activities on the forex/CFD trading platform. The action has since been withdrawn from the Hamburg District Court and filed again with the Düsseldorf District Court. At the hearing before the Düsseldorf District Court, the parties agreed a settlement of approx. TEUR 25.

Investigations and criminal investigations in connection with cum / ex transactions

Regarding the Varengold Verwaltungs Aktiengesellschaft i.L. (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) in 2010 as well as Varengold Bank AG in 2012 and 2013 transactions are subject to tax criminal proceedings against (former) persons in charge of the two companies on suspicion of tax evasion in a particularly serious case in connection with so-called cum / ex-transactions resp related designs. The investigations relate to the suspicion of involvement in such transactions, in particular the suspicion of unfounded claims for reimbursement or crediting of capital gains tax and solidarity surcharge. With regard to Varengold Verwaltungs Aktiengesellschaft i.L. These transactions are also the subject of a tax audit in progress since November 2011. (see section 2.2 "Corporate Risks").

In one of the tax criminal proceedings against former managers of Varengold Bank AG for their participation in so-called "cum / ex-transactions with short sales", Varengold Bank AG is possibly a side party within the meaning of § 30 OWiG. In this context, a fine may be imposed on Varengold Bank AG in accordance with § 30 OWiG. A fine may be imposed on a legal person if a criminal offense or administrative offense committed by a manager violates the duties of the legal person or enriches the legal person. The fine may amount to up to EUR 10 million. In addition, there may be a profit. (see section 2.2 "Corporate risks")

7.7. Significant agreements

The companies in the Varengold Group have not reached any significant agreements outside of normal business activities over the last two years.

7.8. Market environment

7.8.1. Description of the most important markets in which the Issuer is active

Geographical markets

The most important geographical markets of the Varengold Group are currently Germany, the United Kingdom, the remaining European countries and the MENA region. The German market is relevant to the Company particularly with regard to private customers for the deposit business and to corporate customers for payment transactions and trade finance business. In addition to Germany, the Baltic states, Bulgaria, Finland, France, Ireland, the Netherlands, Poland, Sweden and Spain are of particular strategic importance for the Marketplace Banking business area.

Universal banking system and branch networks

The German banking sector has a relatively high level of differentiation and is characterised by a wide distribution of universal banks with a wide-ranging field of business. The law does not differentiate between commercial banking (i.e. accepting deposits and providing credit) on the one hand and investment banking (i.e. securities issue commission and safe custody business) on the other hand, and such a differentiation has also failed to develop on the market. In terms of structure, there have historically been three different pillars in the German banking system. In addition to the private credit banks, there are also the cooperative banks, which are organised into composite structures, and the state banks and savings banks belonging to the public sector.

Consolidation

Like the pan-European banking market, the German banking market has been characterised by consolidation tendencies in recent years. Each year sees the disappearance of around 40 small banks, primarily in the cooperative and savings banks sector. They are either taken over by a larger bank in their immediate vicinity, or they consolidate into larger networks (*source: Oliver Wyman: Bankenreport Deutschland 2030, published 2018, p. 10*). Tighter regulation and the associated necessity to upgrade individual organisation and above all, in-house IT facilities, stretch smaller institutions to their limits. However, large German and European banks are also increasingly facing the issue of mergers in order to secure economies of scale in their own country and in the eurozone. Increasing consolidation is expected in Germany, particularly in the savings bank sector and among credit unions and cooperative banks (Volks- und Raiffeisenbanken), but mergers among specialist providers must also be taken into account (*Source: Deutschlands Banken 2016: Die Stunde der Entscheider, Bain & Company, page 28*).

Internationalisation

The German banking market has been under strong pressure from foreign banks for many years now. For decades, large international investment banks have been competing with banks in Germany in securities trading and capital market financing. In recent years, foreign banks have also gained a foothold in German private and corporate business: with the use of their digital operating models, with aggressive growth strategies based on their global, efficient product platforms, and increasingly also with their local presence. The upcoming Brexit will lead to further reinforcement of the presence of foreign banks in Germany and to competition for customers and talent (*source: Oliver Wyman: Bankenreport Deutschland 2030, published 2018, p. 12*).

Marketplace Lending

In Europe in 2017, consumer loans with a volume of around EUR 3.8 billion were placed through lending marketplaces. For the year 2022 a total volume of around EUR 10.3 billion is expected; equivalent to annual growth of more than 20%. In the 'Crowdlending Business' segment, the transaction volume across Europe amounted to approx. EUR 4.2 billion in 2017; here, an increase to around EUR 18.1 billion in 2022 is forecast. Worldwide, the P2P consumer credit volume in 2017 stood at approx. EUR 78.5 billion. Here again, according to forecasts, this will increase yearly to around EUR 264.6 billion in 2022, with most of the volume anticipated from China. In the Crowdlending Business segment, worldwide estimates are for a volume of EUR 621.4 billion in 2022, following the placement of business loans totalling EUR 266.2 in 2017 (*source: Statista, May 2018*).

In Germany in 2017, loans with a total volume of approx. EUR 317.5 million were issued to consumers through platforms; for business loans, the volume was around EUR 289.5 million. The average funding per loan in the consumer sector stood at EUR 4,308, in the Crowdfunding Business segment at EUR 27,307 (*source: Statista, December 2017*). An increase in the volume of credit placed through lending platforms is expected for Germany in 2022, to EUR 879.1 million for consumer loans and an almost tenfold increase to around EUR 2.6 billion for business loans (*source: Statista, December 2017*).

As the Company sees it, a key factor for further market development of marketplace lending in the individual countries is regulation by the respective national financial supervisory authorities. In countries such as Belgium, Japan or Israel, where marketplace lending is allowed only if a large number of requirements are met, the loan volume placed through platforms is rather low and, in the Company's view, is unlikely to see any strong growth. The German market, likewise tightly regulated, also has a rather small credit volume; here, the marketplaces are looking for partnerships with banks with a view to establishing appropriate business models.

7.8.2. Influence of exceptional factors on business activities and market environment

The business activities and market environment of Varengold Bank AG have recently been influenced in particular by low interest rates, geopolitical risks and increased regulation.

The persistently low level of interest rates has in the past made it increasingly difficult for Varengold Bank AG to place the cash inflows from customer deposits profitably on the capital market, which affects both the profitability of the deposit business and the poorer conditions for customers, which has adversely affected the volume of customer deposits. In contrast to the US, where the key interest rate has since been gradually increased to currently 2.00% to 2.25%, the ECB's key interest rate remains at 0.00%. An increase is expected only in the second half of 2019.

On the other hand, the ECB charges negative interest on deposits made to the bank, which led to negative interest for the Company from bank deposits at the ECB of TEUR 1,074 in 2016, TEUR 1,460 in the 2017 financial year and TEUR 447 in the first half of 2018. Since 1 September 2017, Varengold Bank AG has charged its business customers negative interest on bank deposits above EUR 100,000.00.

The geopolitical environment, particularly crises and conflicts such as tensions in the Middle East, the threat of terrorism, the termination by the United States of the nuclear agreement with Iran, increasing levels of protectionism in the US and the resulting trade conflicts and new trade barriers, the populist waves in many countries, especially the Eurosceptic government in Italy, or the uncertainties surrounding the Brexit negotiations, have also been a factor of uncertainty in the recent past. These circumstances in particular have led to increasing volatility in the financial markets.

The regulatory environment of Varengold Bank AG is characterised in particular by a tightening of the supervisory requirements and by changes with respect to the sale of investment products and changes in tax law. The current tendency, in the view of the Company, towards stricter regulatory requirements can on the one hand lead to additional obligations being imposed on Varengold Bank AG. On the other, compliance with and implementation of amended supervisory guidelines is usually associated with an increased commitment of resources and a corresponding increase in administrative expenditure. In 2015 and 2016, Varengold Bank AG was affected in particular by the implementation of new rules in connection with the revised MaRisk 2016, including the new banking supervisory requirements for IT (BAIT), and the Supervisory Review and Evaluation Process (SREP). In the 2017 financial year, preparations were made in response to the regulations of the Act Amending Financial Regulations (implementation of the revised EU Markets in Financial Instruments Directive MIFID II) and the EU Markets in Financial Instruments Regulation (MiFIR), which relate mainly to securities business, applicable since January 2018, and the 2017 MaRisk amendment was implemented. In addition, banks were busy implementing the new EU General Data Protection Regulation and the AnaCredit requirements, under which comprehensive credit data statistics had to be reported to the German Bundesbank for the first time on 31 January 2018. In April 2018, the European Parliament also adopted the fifth Anti-Money Laundering Directive on fighting money laundering and terrorist financing within the EU financial system, which will require financial institutions to further adapt their preventive measures and internal processes.

7.9. Competitive position

The basis for any information regarding the competitive position of Varengold Bank AG is the Company's own research and estimates.

Varengold Bank AG sees itself as a classic niche provider in all its business activities. It believes it sets itself apart from its competitors in particular through short decision paths, tailored products and established infrastructure.

In the Transaction Banking/Commercial Banking business area, all German banks which conduct foreign exchange transactions represent the Company's competition in the International Payments segment. The management board is of the opinion that Varengold Bank AG has an advantage here, whereby as a result of its modest size it can acquire customers which do not appear profitable to the traditional providers. A number of German banking companies also operate in the Trade Finance segment. The Company also benefits here, in the view of the management board, from long-term customer loyalty to the employees who have worked for Varengold Bank AG since 2014. In addition, the Company believes it has expertise in emerging markets with robust networks.

In the Marketplace Banking business area, the Company is in competition particularly with other banks that have generally specialised in cooperation with Fintech companies. In its own assessment, the Company stands out in this area through innovative product solutions embedded in German legal structures and its willingness to provide companies with advice and support at an early stage. The management board holds the view that Varengold Bank AG also has a good network in place in the marketplace lending industry.

8. Corporate bodies

8.1. Board of Managing Directors and Supervisory Board

8.1.1. Board of Managing Directors

According to the Articles of Association of Varengold Bank AG, the Board of Managing Directors consists of two or more persons. The Supervisory Board appoints the members of the Board of Managing Directors and determines their number. The Supervisory Board may appoint a chairman and a deputy chairman of the Board of Managing Directors.

Resolutions by the Board of Managing Directors will be passed by a simple majority of the votes cast by the members of the Board of Managing Directors participating in resolutions unless unanimity is prescribed by law. In the event of an equal number of votes, the Chairman will hold the casting vote if the Board of Managing Directors consists of more than two people and a Chairman has been appointed.

The Supervisory Board last drafted rules of procedure for the Board of Managing Directors on 28 March 2018. According to these rules, the full Board of Managing Directors will adopt a resolution on the allocation of the business areas of the Company to individual members of the full Board of Directors and define this in a management organisational chart.

The full Board will adopt resolutions in meetings – unless otherwise stipulated by law or the Articles of Association – by a simple majority of votes cast; outside of meetings by a simple majority of its members.

If the Board of Managing Directors only consists of one person, this person will be the Company's sole representative. If the Board of Managing Directors is composed of several persons, either two Board members or one Board member together with an authorised signatory may legally represent the Company. The Supervisory Board may decide that individual members of the Board of Managing Directors are entitled to act as sole representatives.

The Supervisory Board may exempt all or individual members of the Board of Managing Directors and authorised signatories entitled to legally represent the Company together with a member of the Board of Managing Directors, in general or individual cases, from the ban on multiple representation pursuant to Section 181, alt. 2 BGB [German Civil Code]; Section 112 AktG will remain unaffected.

The Supervisory Board shall decide that certain types of business, in particular a) defining the Company's investment, financial and personnel planning (budget planning), b) such business, which fundamentally changes the assets, financial position and earnings of the Company or its exposure to risk, and c) establishment, acquisition, dissolution or sale of companies or shareholdings upwards of a limit to be defined by the Supervisory Board, may only be conducted with its approval. The Supervisory Board may give revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

The Board of Managing Directors of the Company is currently composed of two members:

Dr Bernhard Fuhrmann

- Board of Managing Directors -

After his studies in Industrial Engineering at the Technische Universität Darmstadt, from which Dr Fuhrmann graduated in April 1990 as a qualified industrial engineer, he worked first for Bayerische Vereinsbank AG in Munich in the central credit / risk management division until 1993 and then studied business management on a part-time basis at the Ludwig-Maximilians-Universität in Munich. From 1994 to 1997 Dr Fuhrmann worked for Bankgesellschaft Berlin AG in Berlin, where he was responsible for the development and management of the risk controlling department in the corporate finance division. Between 1997 and 2006 he worked for Deutsche Bank AG in Frankfurt am Main and London, where he managed the project team for the listing of Deutsche Bank on the NYSE, as well as for Eurohyp AG (initially a subsidiary of Deutsche Bank AG). He was responsible in particular for the finance division there. Dr

Fuhrmann then moved to Commerzbank AG where he worked as Chief Operating Officer for Commercial Real Estate until 2008. In 2010, Dr Fuhrmann was appointed as Managing Director of Treveria Asset Management GmbH in Frankfurt. There he was initially responsible for the finance division before assuming the post of CEO in 2011 until his departure at the beginning of 2012. In the meantime, Dr Fuhrmann worked as a freelance business consultant for Varengold Bank AG, amongst others. Since April 2013, Dr Fuhrmann has been a member of the Board of Managing Directors of Varengold Bank AG. There he has the role of Chief Risk Officer (CRO) and Chief Financial Officer (CFO) and is also responsible for the IT, Compliance, Personal, Legal, Investor Relations and Operations divisions. His particular focus is his responsibility for the back-office division.

Dr Fuhrmann was appointed to the Company's Board of Managing Directors through a resolution passed by the Supervisory Board on 12 April 2013 for an initial period of three years with effect from 15 April 2013. His appointment was extended prematurely by five years until 14 April 2021 through a resolution on 29 April 2015. Dr Fuhrmann is freed from the restrictions of Section 181 BGB (German Civil Code) in the event of multiple representation.

For the last five years Dr Fuhrmann has been a member of the administration, management or supervisory bodies of or a partner in the following companies:

- 8/2015 - present date: Managing Director of Varengold Holding GmbH
- 2/2015 - present date: Member of Board of Managing Directors and – since August 2018 – liquidator of Varengold Verwaltungs Aktiengesellschaft (in liquidation) (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen), Hamburg
- 6/2017 - present date: Managing Director of JUCLA Invest GmbH, Hamburg
- 2/2015 - present date: Chairman of the Advisory Board of Mynaric AG (formerly ViaLight Communications GmbH), Gilching
- 3/2013 - 3/2016: Chairman of the Supervisory Board of Hanseatic Brokerhouse Securities AG, Hamburg

Currently, Dr Fuhrmann indirectly holds 200,000 shares in the Company through his investment company JUCLA Invest GmbH. Dr Fuhrmann was awarded a total of 9,500 share options in the Company as part of the 2012 share option programme (see Section 12.1.6 '2012 Share option programme').

Frank Otten

- Board of Managing Directors -

Following his training as a bank clerk with Landesbank Schleswig-Holstein, Mr Otten completed his business management studies at Christian-Albrechts-Universität in Kiel, where he graduated with a business degree in 1992. Between 1993 and 2013 Mr Otten was employed in various roles by Landesbank Schleswig-Holstein (as of 2003: HSH Nordbank). These included managing the representative office in Tallinn (Estonia) and taking responsibility for business in the Central and Eastern Europe regions, as well as managing the lending business / syndication division. He also worked as the Global Head for Financial Institutions. Since 2010, Mr Otten has also worked as CEO for consultancy firm Arensburg Consult GmbH. Mr Otten has been a member of the Board of Managing Directors of Varengold Bank AG since 2013. Within the Board of Managing Directors, he is responsible for the front-office division and is therefore primarily responsible for the Marketplace Banking and Transaction Banking/Commercial Banking business areas. He is also responsible for the monitoring and management of the internal bank treasury department.

Mr Otten was appointed to the Company's Board of Managing Directors through a resolution passed by the Supervisory Board on 25 September 2013 for an initial period of three years with effect from 1 October 2013. Mr Otten was reappointed as a member of the Board of Managing Directors early with effect from 1 May 2015 through a resolution of the Supervisory Board on 29 April 2015. His period of office will last until 30 April 2020. Mr Otten is freed from the restrictions of Section 181 BGB in the event of multiple representation.

For the last five years, Mr Otten has been a member of the administration, management or supervisory bodies of or a partner in the following companies:

- 8/2015 - present date: Managing Director of Varengold Holding GmbH
- 8/2015 - present date: Chairman of the Supervisory Board of Varengold Verwaltungs Aktiengesellschaft (in liquidation) (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen), Hamburg
- 1/2010 - present date: Managing Director of Arensburg Consult GmbH, Molfsee
- 1/2014 - present date: Member of the Advisory Board of KERNenergie GmbH, Großwallstadt
- 1/2015 - 10/2015: Chairman of the Supervisory Board of ALGAS Farming & Marketing GmbH, Langenfeld

Currently, Mr Otten indirectly holds 200,000 shares in the Company through his investment company Arensburg Consult GmbH. Mr Otten holds no Company share options.

In the 2017 financial year, the total remuneration of the Board of Managing Directors (including company pension scheme contributions) amounted to EUR 2.1 million. This includes variable salary components.

In principle, according to Section 25a (5) (2) KWG, the variable remuneration of financial institution managers must not exceed 100% of the fixed remuneration, whereby the general meeting may approve a higher variable remuneration which must not, however, exceed 200% of the fixed remuneration. On 12 August 2014, the general meeting of Varengold Bank AG approved a maximum variable remuneration for the managers of Varengold Bank AG of up to 200% of the fixed remuneration for each individual manager in accordance with Section 25a (5) (5) KWG.

Both the employment contract for Dr Fuhrmann and the employment contract for Mr Otten prescribe a lump-sum settlement of two years' gross fixed salary, in accordance with the gross fixed salary which has been paid for the most recent financial year, if (i) his employment contract is not extended in the absence of reappointment as a member of the Board of Managing Directors, (ii) he resigns early from his position as a member of the Company's Board of Managing Directors, irrespective of the reason for this - except in the event of a termination enacted by himself or (iii) if the Company is subject to a change of control (holding at least 30% of the voting rights within the meaning of the WpÜG, the conclusion of a control and profit and loss transfer agreement according to Section 291 AktG, the incorporation of the Company within the meaning of Section 319 AktG or the merger of the Company with another company within the meaning of the UmwG) and he must resign from his position on the Company's Board of Managing Directors owing to this change of control. The lump-sum settlement will be paid in addition to any compensation relating to the remaining duration of the employment contract.

The employment contracts for Board members in office each include a pension commitment in the form of a contribution-oriented company pension scheme as well as provisions for dependants. A reserve for provisions for dependants totalling TEUR 98 was included in the annual financial statements as at 31 December 2017.

All members of the Board of Managing Directors can be reached at the business address of the Company, Große Elbstraße 14, 22767 Hamburg.

8.1.2. Supervisory Board

The Supervisory Board of Varengold Bank AG consists of three members.

The members of the Supervisory Board will be appointed for a period until the end of the general meeting passing a resolution formally approving the actions of the Supervisory Board for the fourth financial year after the beginning of their period of office. The financial year in which the period of office begins will not be included. Re-election is permitted.

The general meeting may decide on shorter periods of office for individual members of the Supervisory Board. If it exercises this option, the periods of office will be determined such that no more than the regular period of office of one Supervisory Board member ends annually.

Substitute members may also be appointed at the same time as Supervisory Board members for one or more specific Supervisory Board members elected by the general meeting. They will become members of the Supervisory Board in an order determined upon election, if Supervisory Board members elected by the general meeting, who they have been elected to replace, retire from the Supervisory Board before the end of their period of office and a successor has not been appointed. If a substitute member replaces a retiring member, his/her office will cease as soon as a successor has been appointed for the retiring Supervisory Board member and no later than the end of the remaining period of office of the retiring member. If the office of the substitute member replacing the retiring member ceases as a consequence of a subsequent re-election, this will require a simple majority of the votes cast. If the substitute member retiring as a result of a subsequent re-election has been appointed for several specific Supervisory Board members, his/her position as a substitute member will be reinstated; if several substitute members have been appointed, he/she will take first position.

If a Supervisory Board member is elected to replace a member retiring early, his/her office will exist, unless a shorter period of office is decided upon election, for the remainder of the term of office of the retiring member.

Each Supervisory Board member and each substitute member may resign from office giving four weeks' notice and without good cause. Resignations must be submitted to the Board of Managing Directors in written or electronic form (Article 126b BGB) and the Chairman of the Supervisory Board informed. The right to resign for good cause will remain unaffected by this.

At its first meeting following election, which will take place immediately after its election, the Supervisory Board will elect a Chairman and a Deputy Chairman from among its members. These members will be elected to these positions for their term of office or for a shorter period determined by the Supervisory Board. Deputy Chairmen will have the rights and obligations of the Chairman of the Supervisory Board if the latter is incapacitated. If there are several deputies, the order determined upon their election will apply.

If the Chairman or Deputy Chairman retires early, the Supervisory Board will make a new appointment for the remaining period of office of the person retiring.

The Supervisory Board will generally hold a meeting each quarter; two Supervisory Board meetings must be held during a period of six months.

Supervisory Board meetings will be convened by the Chairman of the Supervisory Board in written or electronic form giving fourteen days' notice and details of the location, date and format of the meeting. The period used for calculation will be the day on which the invitation is sent, and the day of the meeting will not be included in this period. In the event of urgency, the Chairman may reduce this period appropriately and convene meetings verbally, over the telephone or using other common forms of communication; there should be a period of at least three days between an invitation and the meeting date. Agenda items must be sent out with notices convening meetings.

Supervisory Board resolutions will generally be passed in meetings. Resolutions in writing, over the telephone, by e-mail or using other common forms of communication as well as by video conference will be permissible if the Chairman of the Supervisory Board, or, in the event of his/her incapacitation, his/her substitute, stipulates this in an individual case and none of the other members of the Supervisory Board object to this. A combination of the above-mentioned forms of communication will also be permissible in this case.

The Supervisory Board will have a quorum if all members are invited and at least three members are involved in passing resolutions. Members will also be able to take part in the passing of resolutions even if they abstain from voting. Absent members of the Supervisory Board may take part in the passing of Supervisory Board resolutions by forwarding written votes to other members of the Supervisory Board.

The Supervisory Board last adopted rules of procedure on 28 March 2018.

Members of the Supervisory Board of the Company on the Prospectus date are:

Dr Karl-Heinz Lemnitzer

- Chairman of the Supervisory Board -

Dr Karl-Heinz Lemnitzer studied business economics at the University of Gießen. After completing his studies in economics and subsequent doctorate, he began his career as an audit assistant at Treuverkehr AG in Frankfurt. In 1981 he became a qualified tax consultant and two years a qualified auditor. In 1987 Dr Lemnitzer became Audit Financial Services partner and held this position even after the takeover of Treuverkehr AG by KPMG Deutschland in 1990. He retired in 2015.

Dr Karl-Heinz Lemnitzer has held other mandates during the last five years in administrative, management or supervisory bodies, as well as partnerships in the following companies:

Now terminated:

- Partner at KPMG Deutschland.

Dr Lemnitzer does not hold any shares or share options in Varengold Bank AG.

Michael Stephen Murphy

- Vice Chairman of the Supervisory Board -

Michael Stephen Murphy began his career as a stockbroker at Citigroup and Flemings, before moving to Barclays de Zoete Wedd and later Lehman Brothers. In 1997 Mr Murphy left Lehman Brothers to work as a freelance stockbroker. His company, MSM Global Services Ltd, worked in close cooperation with Shore Capital and Kyte Securities; the latter of which merged with his company in 2001 to form Eden Financial. Lehman Brothers took over Eden Financial in 2003 and Mr Murphy subsequently formed GM Capital Markets, a subsidiary of GFI specialising in equity and investment trading. In 2005, Mr Murphy founded and took over the chair of Novus Capital Markets Limited, a small company offering highly specialised services in cash equity broking, structured products broking, corporate finance/broking and asset management. At the beginning of 2015, Mr Murphy sold his shares in Novus Capital Markets Limited to GM Capital Markets and moved to Dubai, where he started as Global Business Development Manager at Varengold Bank AG.

Mr Murphy has held other mandates during the last five years in administrative, management or supervisory bodies, as well as partnerships in the following companies:

To date:

- Flying Brands Limited

Now terminated:

- Novus Capital Markets Limited

Mr Murphy does not hold any shares or share options in Varengold Bank AG.

Vasil Stefanov

- Supervisory Board member -

Mr Vasil Stefanov studied at the University of Amsterdam and graduated with a master's degree in Real Estate Finance. After completing his studies, he began his career with LaSalle Investment Management Securities, where he worked as an analyst for listed real estate companies from 2006 to 2008. In 2008, Mr Stefanov founded Arkont-Invest Ltd, which specialised in real estate, architectural and construction consulting. In 2013, Mr Stefanov was appointed to the Board of Managing Directors of Euro-Finance AD, where he has since headed Investment Banking and M&A. Since September 2015, Mr Stefanov has also been responsible for M&A at the Euroins Insurance Group. He has also been Chairman of the Supervisory Board at insurance company Euroins Ukraine since 2016.

Mr Stefanov has held other mandates during the last five years in administrative, management or supervisory bodies, as well as partnerships in the following companies:

To date:

- Euroins Ukraine
- Euroins Insurance Group
- Euro-Finance AD
- Vinart Stefanovi Ltd
- Hanson Asset Management Limited

Mr Stefanov does not hold any shares or share options in Varengold Bank AG.

The period in office of all Supervisory Board members will be for the period until the end of the general meeting deciding on the formal approval of the actions of the Board for the 2018 financial year.

In accordance with the Articles of Association, the Supervisory Board will receive a fixed monthly remuneration for its activities; the amount will be set on an annual basis at the general meeting. The Supervisory Board will decide how to distribute this remuneration among its individual members. Supervisory Board members who have not belonged to the Supervisory Board for a full financial year will receive remuneration on a pro rata basis for the duration of their membership of the Supervisory Board. The Company will pay members of the Supervisory Board their expenses and the VAT payable on their remuneration.

The general meeting of the Company on 20 January 2015 passed a resolution that the Supervisory Board would be entitled to a total fixed remuneration of TEUR 300 per annum, to be decided on by the Supervisory Board in consideration of the work of its presiding members. Furthermore, the Company pays the insurance premiums for the pecuniary damage liability insurance of the Supervisory Board members (D&O insurance).

As the Supervisory Board of the Company consists of only three people, no committees were formed, in particular no audit or remuneration committees.

There are no employment or similar contracts with Supervisory Board members containing clauses that make provision for special remuneration such as severance pay, etc. in the event their mandates are terminated.

At Varengold Bank AG there are no provisions for pensions or annuity payments to Supervisory Board members. There are also no promises in this regard.

The Supervisory Board members can be reached at the business address of the Company, Große Elbstraße 14, 22767 Hamburg.

8.2. Senior management

Due to its streamlined structure and low number of employees, the Company currently has no second management level. Consequently, there are no members of senior management at Varengold Bank AG.

8.3. Conflicts of interest

There are no family relationships between the persons stated under Section 8.1 and thus there are no conflicts of interest.

Company Board members, Dr Fuhrmann and Mr Frank Otten, also have an (indirect) share in Varengold Bank AG, each of them holding 200,000 shares (this currently corresponds to approx. 3.22%). Based on this configuration, potential conflicts of interests could arise between their obligations as executive board members of the Issuer and their interests as shareholders. For example, the shareholders may have a greater interest in disbursement of a (potentially high) dividend, whereas it may be in the interests of

the Company to reinvest profits. Supervisory Board member Vasil Stefanov is a member of the Board of Managing Directors of Euro-Finance AD, which currently holds a stake of approx. 9.98% in the Company (see Section 10.1 'Overview of the shareholder structure'). This may result in conflicts of interest between his obligations as a member of the Supervisory Board of Varengold Bank AG and his obligations as a member of the Board of Managing Directors of Euro-Finance AD.

Moreover, to the best of the Company's knowledge there is no conflict of interests between the obligations of the persons stated in Section 8.1 to Varengold Bank AG and their private interests or other obligations.

8.4. Rights of delegation or appointment

There are no agreements or arrangements with major shareholders, customers, suppliers or other persons on the appointment of a Board of Managing Directors or Supervisory Board member.

8.5. Additional information

During the past five years, no public charges or sanctions have been imposed by the entities or regulators (including certain professional bodies) referred to in paragraph 8.1. The persons stated in Section 8.1 have not been deemed by a court to be unfit for membership of an administrative, management or supervisory board of a company or unfit to act in a management capacity or conduct of the affairs of any issuer in the past five years.

Dr Fuhrmann is a liquidator involved in the liquidation of Varengold Verwaltungs Aktiengesellschaft (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen).

Apart from that, none of the persons stated in clause 8.1 have been involved in insolvency, insolvency administration or liquidation as a member of an administrative, management or supervisory board or the senior management of a company in the past five years.

8.6. General meeting

The ordinary general meeting will be held at the Company's registered office, in another German city with at least 100,000 residents or at the registered office of a German stock exchange. The general meeting, which decides on the appropriation of profit, formal approval of the actions of the members of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and – in the cases prescribed by law, – on the approval of the annual financial statements (Ordinary general meeting), will take place within the first eight months of each financial year.

The ordinary and extraordinary general meetings (referred to jointly as '*general meeting*' below) are called by the Board of Managing Directors or, in legally prescribed cases, by the Supervisory Board.

General meetings will be convened at least 30 days prior to the date of the respective meeting via an announcement in the German Federal Gazette, unless a shorter period is permitted by law (period of notice). The day on which the notice to convene is sent out will not be included in this calculation. The period of notice will be extended by the number of days of the relevant registration period.

Shareholders wishing to attend the general meeting and exercise their voting rights are required to register for the general meeting and provide evidence of their eligibility to do so.

The Company must receive registrations at the address indicated in the notice to convene in written or electronic form (Section 126b BGB) in German or English at least six days before the general meeting (last registration date). When calculating the registration period, neither the day of receipt nor the day of the general meeting will be included. The Board of Managing Directors or the Supervisory Board, where a general meeting is convened by the Supervisory Board, is authorised to define a shorter period in the notice to convene to be measured in days. Sections 187 to 193 BGB will not apply accordingly.

Shareholders prove their eligibility to attend general meetings using a shareholding certificate issued by their custodian bank in electronic form (Section 126b BGB) in German or English procured at the beginning of the 21st day prior to the meeting; this certificate must be received by the Company at least six

days prior to the meeting at the address provided for this purpose in the meeting notice. The day of receipt is not to be included in this calculation. The Board of Managing Directors is authorised to shorten this deadline in the meeting notice.

If shareholders fail to arrange for their shares to be held in a deposit account managed by a bank or financial services institution on the record date, proof of their shareholding can also be issued pursuant to Article 17 (5) of the Articles of Association by the Company as well as notaries, collective security depositary banks or banks or financial services providers based in the European Union; Article 17 (5) of the Articles of Association will apply to this special proof of shareholding accordingly. The Company will be entitled to request further suitable substantiation in the event of doubt concerning the accuracy or authenticity of proof. If such substantiation is not provided, is not provided in due time or not in a relevant format, the Company may refuse to allow the shareholder to attend.

The Board of Managing Directors is authorised with the approval of the Supervisory Board to stipulate that shareholders may also attend the general meeting without being physically present and without using a proxy, and that they may exercise all or individual rights, either in full or in part, using electronic communication (online attendance). In so doing, the Board of Managing Directors will also be authorised to impose conditions on the scope and procedure for attendance and the exercising of rights. Any use of this procedure and the conditions imposed in this regard must be announced in the notice to convene the general meeting.

The Board of Managing Directors is authorised with the approval of the Supervisory Board to stipulate that shareholders may also cast their votes in writing or using electronic communication without attending a general meeting (postal vote). In so doing, the Board of Managing Directors will also be authorised to impose conditions on the procedure. Any use of this procedure and the conditions imposed in this regard must be announced in the notice to convene the general meeting.

Notices by the Company to shareholders according to Section 125 (2) AktG will, where required, be sent solely using electronic communication insofar as legally permissible. The Board of Managing Directors will be entitled to also send notices in hard copy format. However, there will be no entitlement to receive hard copies. Insofar as legally permissible, Company notices according to Sections 125 (1), 128 (1) AktG by banks that hold bearer shares in custody for shareholders on the 21st day prior to the general meeting will be sent solely using electronic communication. The Board of Managing Directors will be entitled to also send notices in hard copy format. However, there will be no entitlement to receive hard copies. Insofar as share certificates are not issued, the conditions under which the shareholders are permitted to attend the general meeting and exercise their right to vote must be made clear in the notice convening the general meeting.

Each ordinary share will entitle the holder to one vote at the general meeting. The right to vote will begin upon full payment of the capital contribution.

Voting rights may be exercised by a proxy. The delegation of authority, its revocation and proof of authorisation must be made to the Company in writing (Section 126b BGB). A relaxation may be defined in the notice convening the general meeting. Section 135 AktG remains unaffected. The individual details of granting of proxy, its revocation and proof of authorisation to the Company will be published in the Company's designated publications together with the notice convening the general meeting.

The general meeting will be chaired by the Chairman of the Supervisory Board or by a member of the Supervisory Board to be appointed by the Supervisory Board. In the event that no member of the Supervisory Board takes the chair, the Supervisory Board will elect the Chairman of the general meeting. Individuals, who are neither shareholders nor a member of the Supervisory Board, nor belong to the Company in another capacity will be eligible.

The Chairman will conduct the proceedings and determine the order in which the agenda items are completed. The Chairman will also stipulate how voting rights are exercised and the nature and procedure for voting.

The Chairman may limit the right on the part of shareholders to speak and ask questions to a reasonable period; the Chairman will be authorised in particular at the start of the general meeting or during the course of the meeting to stipulate a time frame for proceedings and discussions on individual agenda items as well as individual contributions or questions.

General meeting resolutions will be adopted by a simple majority of the votes cast and, if a capital majority is required, by a simple majority of the share capital represented, unless stipulated otherwise by law or the Articles of Association. Insofar as legally permissible, the requirement for a simple majority will also apply to amendments to the Articles of Association and capital measures.

With the approval of the Chairman of the meeting, the Board of Managing Directors may decide that audio and video feeds will be available for all or part of the general meeting. The decision to make feeds available, their scope and format must be published with the notice convening the General Meeting.

8.7. Advisory Board

In accordance with Section 8 of the Articles of Association, the Company may appoint an advisory board to maintain contact with trade and industry for business consultation purposes. The number of Advisory Board members will be determined through unanimous resolutions passed by the Supervisory Board and the Board of Managing Directors. Members of the Advisory Board will be appointed by the Board of Managing Directors with the approval of the Supervisory Board for a maximum term of three years. Members may be reappointed. The Advisory Board will elect a Chairman and a Deputy Chairman from among its members as required.

Where an Advisory Board has been established, the Board of Managing Directors will determine the advisory issues for discussion and the rules of procedures for the Advisory Board. The Advisory Board will advise the Board of Managing Directors at the latter's request. Compensation to individual Advisory Board members and the Advisory Board overall will be determined by the Board of Managing Directors with the approval of the Supervisory Board.

Currently the Advisory Board has no members.

9. Employees

9.1. Number of employees

The following table shows the number of employees at Varengold Bank AG as at 31 December 2016 and 31 December 2017, as well as on the date of this Prospectus, each broken down according to area of activity:

Area of activity	31/12/2016	31/12/2017	Date of the Prospectus
Board of Managing Directors	2	2	2
Corporate Centre	49	42	53
Marketplace Banking (formerly Prime Brokerage)	6	4	5
Transaction Banking/Commercial Banking and Treasury	5	7	10
Total	62	55	70

With the exception of six employees who work in the London and Sofia (Bulgaria) offices, all employees currently work in Germany.

Eight employees of the Varengold Asia Group currently work in Hong Kong on a freelance basis.

The Issuer does not currently employ any temporary workers.

9.2. Employee profit-sharing scheme

The general meeting on 8 August 2012 agreed the launch of a share option programme 2012 for members of the Board of Managing Directors and selected managers and top performers of the Company (see *Section Option rights for Varengold Bank AG shares*).

As part of the share option programme 2012, between 9 August 2012 and 8 August 2017 (inclusive) up to 95,000 share options were issued to members of the Board of Managing Directors and up to 45,000 share options to selected managers and other top performers of the Company, each with a maturity of up to seven years. Each share option entitles the holder to subscribe to a share in Varengold Bank AG against payment of the strike price.

The strike price for a Varengold Bank AG share, i.e. the price payable when purchasing a share after exercising a share option right, is the mathematical mean of the closing price of Varengold stock trading on Xetra on the thirty stock exchange trading days prior to the distribution of the share options ('exercise price'). The subscription rights arising from the share options may be exercised for the first time upon expiry of a waiting period of at least four years after they have been issued. Subscription rights may be exercised within seven years of the share option issue, outside the respective restriction periods, and such exercise requires that the price of the Varengold share in Xetra trading has exceeded the exercise price by at least 30% on the last 30 stock exchange trading days prior to the exercise date (performance target).

Based on the above authorisation, on 4 December 2013 the Board of Managing Directors launched a share option programme 2012 for selected managers and high-performers of Varengold Bank AG with the approval of the Supervisory Board. A total of 45,000 share options were allocated to specific top performers from the share option programme prior to expiry of the authorisation.

In a resolution passed on 15 January 2014, the Supervisory Board launched a share option programme 2012 for members of the Board of Managing Directors based on the authorisation granted by the general meeting. A total of 40,500 share options were issued from this programme to members of the Company's Board of Managing Directors prior to expiry of the authorisation; 31,000 of these share options can no longer be exercised as the respective Board members have since left the Company.

10. Shareholder structure

10.1. Overview of the shareholder structure

The following table shows the shareholder structure as known by the Company based on publicly accessible information:

Shareholder ¹⁾	Shares	% (rounded)
Elysium Global (Dubai) Limited, Dubai ²⁾	973,812	15.68
Euro-Finance AD, Sofia, Bulgaria ³⁾	619,500	9.98
GCP Invest GmbH (in the course of incorporation), Vienna ⁴⁾	600,000	9.66
Slovak Investment Opportunities Fund, a.s., Bratislava ⁴⁾	600,000	9.66
Dominique Victor Francois Joseph Bauduin, Sofia, Bulgarien ³⁾	485,025	7.81
JUCLA Invest GmbH, Hamburg ⁵⁾	200,000	3.22
Arensburg Consult GmbH, Molfsee ⁶⁾	200,000	3.22
Free float (other shareholders each with less than 7%) ⁷⁾	2,532,086	40.77
Total number of shares	6,210,423	100.00

¹⁾ The table includes no details of direct or indirect shareholders for whom Varengold Bank AG acts as depositary bank and no publicly accessible information is available. This applies regardless of the amount of the respective participation.

²⁾ Based on the notification pursuant to section 20 AktG from 20 September 2016. According to this notification, Elysium Global (Dubai) Limited is a wholly owned subsidiary of Elysium Global Limited.

³⁾ As of 21 August 2018

⁴⁾ According to subscription register as of 24 January 2018

⁵⁾ The sole-shareholder-managing director of JUCLA Invest GmbH is Board member Dr Bernhard Fuhrmann.

⁶⁾ The sole-shareholder-managing director of Arensburg Consult GmbH is Board member Frank Otten.

⁷⁾ At the Annual General Meeting of Varengold Bank AG on 21 August 2018, another shareholder with approx. 6% was represented; current knowledge about its participation is not available to the company.

10.2. Voting rights of shareholders

Each Varengold Bank AG ordinary share carries one vote. The Company does not have different voting rights.

10.3. Controlling interests

To the best of the Company's knowledge, Elysium Global (Dubai) Limited holds a number of shares (as of 20 September 2018) that – depending on the presence of other shareholders at the general meeting (based on the usual attendance at the Company's general meeting) – may be sufficient to block resolutions that require a qualified majority of three-quarters of the share capital represented at the general meeting with their votes.

However, Elysium Global (Dubai) Limited has informed the Company and BaFin in writing, in the context of the ongoing owner control investigation according to Section 2c KWG, that it undertakes not to exercise voting rights arising from shares in Varengold Bank AG, which it owns directly or indirectly, not to authorise a third party to exercise these and not to exercise third party voting rights.

Apart from this, to the knowledge of the company, there are no direct or indirect shareholdings that could enable the company to be controlled.

10.4. Future change in controlling interests

The Company is not aware of any agreements that could subsequently lead to a change in control of Varengold Bank AG.

However, BaFin may as part of the ongoing owner control investigation into the participating interest of Elysium Global (Dubai) Limited in Varengold Bank AG pursuant to Section 2c (2) KWG prohibit the exercise of voting rights under certain conditions and order that the shares may only be held with its consent. In this case, the court in the place where Varengold Bank AG has its registered address will on request, instruct a trustee to which its assigns the exercise of voting rights. Moreover, BaFin may instruct the trustee to sell the shares in Varengold Bank AG.

11. Transactions with related parties

Related parties of the Company include members of the Board of Managing Directors and Supervisory Board, as well as members of executive bodies of subsidiaries, including their close family members, and companies over which the Board of Managing Directors or Supervisory Board members of the Company or their close family members exert a significant influence or in which they hold a significant share of voting rights. Furthermore, related parties include those companies in which the Company holds a participating interest that allows it significant influence over the business activities of the associated company, as well as shareholders who have a significant influence on the Company including Group companies.

The following section illustrates the important transactions of Varengold Bank AG with related parties between 01 January 2016 and the date of this Prospectus:

Loan agreements

Loan agreements between the Company and former members of executive bodies

The Company granted a loan totalling TEUR 40 to a member of the Supervisory Board who has since resigned. The loan amount will accrue interest at 5% p.a. above the respective ECB base rate. The loan is secured with an owner mortgage. The loan had a term ending on 31 December 2017 but has not yet been repaid at the date of the Prospectus.

In addition, the Company granted two loans totalling TEUR 74 to a member of the Board of Managing Directors who has since resigned, each accruing interest at 5% per annum. The loans have been cancelled extraordinarily, but not yet repaid. In the meantime, the Company has filed an action in this respect at the Hamburg District Court (see Section 7.6 'Court and arbitration proceedings').

Loan agreements with Varengold Capital Securities Limited

Under an agreement dated 27 August 2015, Varengold Bank AG granted Varengold Capital Securities Ltd. a loan of HKD 1.14 million. The loan had a term ending on 31 August 2016 and was charged at an interest rate of 2.5% per annum. The loan was repaid within the prescribed time limit.

Loan agreements with Varengold Capital Holdings Limited

Under an agreement dated 7 September 2015, Varengold Bank AG granted Varengold Capital Holdings Limited a loan of EUR 0.6 million. The loan had a term ending on 31 August 2016 and was charged at an interest rate of 2.5% per annum. The loan was repaid within the prescribed time limit.

Under an agreement dated 9 March 2016 (and amendment dated 24 July 2016), Varengold Bank AG granted Varengold Capital Holdings Limited loan instalments totalling approx. EUR 747,000.00 at an interest rate of 2%. The instalments have a term ending on 31 July 2019 and are partially secured through the pledging of Varengold Capital Holdings Limited and Varengold Capital Asset Management Limited accounts to Varengold Bank AG.

Loan agreement with Varengold Capital Investment Company Limited

Under an agreement dated 8 March 2016, Varengold Bank AG granted Varengold Capital Investment Company Limited a loan of up to TEUR 5,500 for investment in the real estate project in South Korea. TEUR 4,657 of the loan has been called to date. Interest of 3% per annum will be charged on the called and outstanding loan amount. The loan including accrued interest is to be repaid on 28 February 2022.

Loan agreement with ALGAS Farming & Marketing GmbH

Varengold Bank AG granted a loan of TEUR 390 to ALGAS Farming & Marketing GmbH, in which Varengold Bank AG held a 51% share at the time of granting the loan. The loan had a term ending on 30 September 2017 and was charged at an interest rate of 8% per annum. Interest is payable quarterly

in arrears. Since that time the participating interest in ALGAS Farming & Marketing GmbH has been sold and the loan liability has been taken over by a third party with the approval of Varengold Bank AG with effect on 30 September 2015 and a subordinate ranking has been agreed with the third party. Since there are doubts concerning repayment of the full loan amount, Varengold Bank AG has undertaken an individual value adjustment of TEUR 195 for the loan liability.

Varengold Bank AG customer liabilities

Some subsidiaries of Varengold Bank AG have opened accounts at Varengold Bank AG. The resulting obligations of Varengold Bank AG amounted to a total of TEUR 651 as at 30 June 2018.

Other agreements

Cooperation agreement with Hanseatic Brokerhouse Financial Services GmbH

A cooperation agreement concluded in March 2011 with Hanseatic Brokerhouse Financial Services GmbH (today: Naga Brokers GmbH) was terminated by mutual agreement as of 31 October 2016 due to the discontinuation of the Capital Markets Brokerage business area. A repayment agreement was reached regarding the amount of TEUR 174 owing on this date by Hanseatic Brokerhouse Financial Services GmbH, which made provision for equal monthly repayments and interest of 4% of the respective amount outstanding by February 2018. The outstanding amounts were repaid on time and in full.

Agreement with Hanseatic Brokerhouse Securities AG

On 21 December 2012, Varengold Bank AG reached an agreement with Hanseatic Brokerhouse AG and the other shareholders of Hanseatic Brokerhouse AG. The object of the agreement was the acquisition of all shares of other shareholders in Hanseatic Brokerhouse AG by Varengold Bank AG at the price of EUR 0.01 per share. In return, Varengold Bank AG made a loan, which has since been repaid, and a credit line, which has since terminated, available to Hanseatic Brokerhouse AG. In addition, the agreement set out four phases after the successful completion of which Varengold Bank AG was obliged in each case to sell a specific portion of the acquired shares, in total up to 74%, at the price of EUR 0.01 to the former shareholders and employees of Hanseatic Brokerhouse AG. In this regard, a total of 60% of the shares in Hanseatic Brokerhouse AG have so far been transferred back to former shareholders. Moreover, the Company awarded the old shareholders of Hanseatic Brokerhouse AG an option to acquire a further 2% of the shares in Hanseatic Brokerhouse AG at market value, which can be exercised following the fourth phase.

12. Information relating to capital and Articles of Association

12.1. Capital

12.1.1. Share capital and shares

The Company currently has share capital of EUR 6,210,423.00 divided into 6,210,423 ordinary bearer shares in the form of no-par value shares each with a proportionate interest in the share capital of EUR 1.00. All 6,210,282 shares are fully paid up.

All Varengold Bank AG shares form part of the Company's equity.

12.1.2. Development of subscribed capital

The following table summarises the trends in the subscribed capital of Varengold Bank AG since its formation.

Date	Capital measure	Change in capital		Number of shares after capital measure	Entry in the commercial register of capital measure or changes to Articles of Association
		Capital increase amount	Capital after capital measure		
10 July 1995	Formation		DM 50,000		10 August 1995
Resolution of 19 December 1997	Cash capital increase	DM 50,000	DM 100,000		19 August 1998
Resolution of 27 March 1998	Cash capital increase	DM 50,000	DM 150,000		19 August 1998
Resolution of 25 August 1998	Cash capital increase	DM 50,000	DM 200,000		23 October 1998
Resolution of 18 June 1999	Conversion to euros	EUR 97,741.6238	EUR 102,258.3762		25 October 1999
	Cash capital increase		EUR 200,000		25 October 1999
Resolution of 18 June 1999	Change of legal form to Aktiengesellschaft [public limited company under German law]		EUR 200,000	400 (registered shares each with a nominal value of EUR 500)	16 December 1999
Resolution of 7 August 2000	Conversion to ordinary shares and cash capital increase	EUR 725	EUR 200,725	200,725	19 December 2000
Resolution of 21 December 2000	Cash capital increase	EUR 5,324	EUR 206,049	206,049	9 February 2000
Resolution of 20 April 2001	Cash capital increase	EUR 1,547	EUR 207,596	207,596	5 June 2001
Resolution of 1 August 2001	Cash capital increase	EUR 1,190	EUR 208,786	208,786	13 November 2001
Resolution of 15 January 2002	Cash capital increase	EUR 914	EUR 209,700	209,700	4 April 2002
Resolution of 18 March 2002	Capital increase through contributions in kind	EUR 1,176	EUR 210,876	210,876	10 July 2002
Resolution of 18 June 2002	Cash capital increase	EUR 2,942	EUR 213,818	2,942	26 August 2002

Resolution of 14 April 2003	Cash capital increase	EUR 1,882	EUR 215,700	215,700	29 April 2003
Resolution of 24 September 2003	Cash capital increase	EUR 8,988	EUR 224,688	224,688	31 March 2004
Resolution of 23 August 2005	Cash capital increase	EUR 2,352	EUR 227,040	227,040	6 October 2005
Resolution of 15 August 2006	Cash capital increase	EUR 24,000	EUR 251,040	251,040	20 September 2006
Resolution of 22 November 2006	Conversion from registered shares to bearer shares and capital increase from Company resources	EUR 753,120	EUR 1,004,160	1,004,160	22 November 2006
Resolution of 22 November 2006	Cash capital increase	EUR 328,117	EUR 1,332,337	1,332,337	19 March 2007
Resolution of 26 April 2012	Cash capital increase	EUR 133,100	EUR 1,465,437	1,465,437	16 May 2012
Resolution of 7 August 2013	Cash capital increase	EUR 146,397	EUR 1,611,834	1,611,834	27 September 2013
Resolution of 15 January 2014	Cash capital increase	EUR 159,571	EUR 1,771,405	1,771,405	18 June 2014
Resolution of 20 January 2015	Cash capital increase	EUR 176,963	EUR 1,948,368	1,948,368	20 April 2015
Resolution of 26 August 2015	Cash capital increase	up to EUR 974,184	EUR 2,922,552	2,922,552	04 March 2016
Resolutions on 9, 10 and 31 May 2017	Cash capital increase	EUR 1,217,730	EUR 4,140,282	4,140,282	07 July 2017
Resolution of 23 August 2017	Cash capital increase	EUR 2,070,141	EUR 6,210,423.00	6,210,423	16 February 2018
Resolution of 21 August 2018	Cash capital increase	up to EUR 3,105,211			

The capital measures resolved upon and implemented in the 2016 and 2017 financial years as well as to date in the 2018 financial year are described in detail below:

Up to capital increase against cash contributions of 26 August 2015

The Annual General Meeting of Varengold Bank AG of 26 August 2015 has increased the share capital against cash contributions from EUR 1,948,368.00 to EUR 974,184.00 up to EUR 2,922,552.00 by issuing up to 974,184 new shares no-par-value shares with profit entitlement from 1 January 2016 have been. The shareholders were granted an indirect subscription right. The issue amount was set to EUR 13.00. The capital increase was carried out in the amount of EUR 974,184 to EUR 2,922,552.00 and entered into the commercial register of the company on March 4, 2016.

'Up to' capital increase against cash contributions on 9, 10 and 31 May 2017

Based on the authorisation agreed by the general meeting on 24 August 2016 and entered in the commercial register on 20 September 2016 (Authorised Capital 2016), the Board of Managing Directors passed a resolution on 9, 10 and 31 May 2017 with the approval of the Supervisory Board on 28 April, 10 May and 14 June 2017, to increase the Company's share capital by up to EUR 1,217,730.00 to up to EUR 4,140,282.00 against a cash contribution by issuing 1,217,730 new, ordinary bearer shares at the issue amount of EUR 3.99 per share. The shareholders were granted an indirect subscription right. The new shares carry a profit-sharing entitlement as of 1 January 2017. The capital increase was implemented in full and entered in the commercial register for the Company on 7 July 2017. The Company's share capital after this capital increase is EUR 4,140,282.00.

Up to capital increase against cash contributions of 23 August 2017

The general meeting of Varengold Bank AG held on 23 August 2017 passed a resolution to increase the share capital against cash contributions by up to EUR 2,070,141.00 from EUR 4,140,282.00 up to EUR 6,210,423.00 by issuing up to 2,070,141 new, ordinary bearer shares with profit-sharing entitlement from 1 January 2018. The shareholders were granted an indirect subscription right. The issue amount was fixed at EUR 2.80 per share. The capital increase was implemented in full and entered in the commercial register for the Company on 16 February 2018.

Up to capital increase against cash contributions of 21 August 2018

The general meeting of Varengold Bank AG held on 21 August 2018 passed a resolution to increase the share capital against cash contributions by up to EUR 3,105,211.00 from EUR 6,210,423.00 up to EUR 9,315,634.00 by issuing up to 3,105,211 new, ordinary bearer shares, each with a proportionate interest in the share capital of EUR 1.00 and with profit-sharing entitlement from 1 January 2018. The shareholders will be granted an indirect subscription right. The capital increase will only take place if at least 300,000 shares are subscribed and the capital increase is entered in the commercial register by 20 February 2019. Up to 3,105,211 New Shares are due for issue based on this Prospectus; the capital increase has therefore not taken place as yet.

12.1.3. Own shares

Varengold Bank AG holds no own shares at present.

Authorisation to acquire and use own shares according to Section 71 (1) 8) AktG

Based on a resolution passed by the general meeting on 26 August 2015, the Company is authorised pursuant to Section 71 (1) 8) AktG to acquire own shares by 25 August 2020 with a theoretical interest in the current share capital of up to 10% or EUR 194,836.00, or, if this value is lower, the Company's share capital in existence on the date such authorisation is exercised for any permissible purposes within the context of statutory restrictions. The shares acquired as a result of this authorisation together with other Company shares, which the Company has already acquired and still holds, or which are assigned to it pursuant to Sections 71d and 71e AktG, may not amount to more than 10% of the respective share capital at any given time. The authorisation may not be used for the purpose of trading in own shares. The authorisation can be used by the Company in full or in part, on one or a number of occasions. Shares can be acquired through the stock exchange or as part of a public purchase offer to all shareholders at the Board of Managing Directors' discretion. The equivalent for acquired shares (excluding incidental acquisition costs) may not be more than 10% more or less than the stock market price.

The Board of Managing Directors is authorised with the approval of the Supervisory Board to use Varengold Bank AG shares, which have been acquired based on the authorisation, for purposes other than sale via the stock exchange or in the context of an offering to all shareholders, even under exclusion of acquisition or shareholders' subscription rights.

Authorisation to acquire own shares for the purpose of security trading pursuant to Section 71 (1) 7) AktG

Through a resolution passed by the general meeting on 26 August 2015, Varengold Bank AG is also authorised to acquire and sell own shares for the purpose of security trading. The volume of shares to be acquired for this purpose may not exceed 5% of the share capital existing on 26 August 2015 at the end of any day (or EUR 97,418.00) or, if this value is lower, the share capital of Varengold Bank AG in existence on the date this authorisation is exercised. Together with the own shares acquired for other reasons, which are held by Varengold Bank AG or which must be attributed to it according to Sections 71a et seq. AktG, the shares acquired as a result of this authorisation may not at any time exceed 10% of the share capital existing on 26 August 2015 (or EUR 194,836.00) or, if this value is lower, the share capital of Varengold Bank AG in existence on the date this authorisation is exercised. The lowest price in each case at which an own share can be acquired may not be more than 10% lower than the average value of the share prices (closing auction prices or comparable successor prices for shares of Varengold in Xetra trading/OTC or a comparable successor system to Xetra on the Frankfurt Stock Exchange) on three trading days prior to the respective date of the acquisition. The highest price in each case at which

own shares may be acquired may not exceed this value by more than 10 %. The Board of Managing Directors determines further details of the respective use of this authorisation with the approval of the Supervisory Board. This authorisation applies until 25 August 2020 (authorisation to acquire own shares for the purpose of security trading pursuant to Section 71 (1) 7) AktG).

12.1.4. Authorised capital

Authorised capital 2018

The Board of Managing Directors is authorised up until 21 August 2023 through a resolution passed by the general meeting on 20 August 2018 with the approval of the Supervisory Board to increase the Company's share capital on one or several occasions by up to a total of EUR 3,105,211.00 by issuing a total of 3,105,211 new no-par value bearer shares (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00 against cash contributions or non-cash contributions ('Authorised Capital 2016'). Ordinary shares and/or non-voting preferential shares may be issued. The New Shares can be acquired by one or several banks stipulated by the Board of Managing Directors or a company which operates according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG with the obligation to offer these to the shareholders (indirect subscription right). The Board of Managing Directors is authorised, with approval of the Supervisory Board, to exclude the subscription rights of shareholders, in particular in the following cases:

- for capital increases against contributions in kind for the granting of shares for the purpose of acquiring companies, parts of companies or participating interests in companies, or to acquire other contributions in kind. The proportionate amount of share capital attributable to shares issued under exclusion of the shareholders' subscription rights may not exceed a total of 20 % of the Company's share capital on the date of the general meeting's resolution; this maximum percentage is reduced by the proportionate amount of share capital attributable to shares that were issued during the term of this authorisation due to other authorisations under exclusion of subscription rights against contributions in kind;
- to exclude fractional amounts from the subscription right;
- if the capital increase is against cash contributions and the total proportion of the share capital applicable to the New Shares in respect of which the subscription right is excluded does not exceed EUR 621,042.00 or, if this amount is lower, a total of 10 % of the share capital existing at the time of exercising authorisation, and the issue price of the New Shares is not significantly lower than the stock market price of already listed Company shares of the same class and with the same terms at the time of the final determination of the issue amount by the Board of Managing Directors within the meaning of Sections 203 (1) and (2), 186 (3) (4) AktG. This maximum percentage threshold is reduced by the proportionate amount of the share capital which is due to shares that were issued during the term of this authorisation as a result of other authorisations according to or in line with Section 186 (3) (4) AktG and under exclusion of subscription rights;
- to the extent necessary to grant the holders of convertible bonds, convertible participation rights or options a subscription right of the same extent that they are due as a shareholder after exercising the conversion privilege and/or option right;
- for distribution of shares to members of the Board of Managing Directors, executive management organisations of the Company or affiliated companies within the meaning of Section 15 AktG, executives of the Company and/or affiliated companies, or employees of the Company and/or its affiliated companies under employee participation schemes. A capital increase excluding subscription rights to implement employee equity participation schemes may only be performed at most in the amount of 10 % of the share capital in existence when the New Shares are issued. Where shares are to be given to members of the Board of Managing Directors, this will be the sole responsibility of the Company's Supervisory Board
- in order to fulfil a greenshoe option agreed with issuing banks for the issue of the Company's shares.

The total amount of shares issued under exclusion of subscription rights against cash and non-cash contributions may not exceed 20% of the share capital on the effective date or - if this value is lower - at the time of exercising this authorisation. To be offset against the aforementioned maximum limit of 20% of the sum of subscription right exclusions are shares that have been issued or may still be issued to service option or conversion rights or to fulfil conversion obligations from option or convertible bonds,

provided the debt securities are issued during the term of this authorisation in corresponding application of Section 186 (3) (4) AktG under exclusion of subscription rights. Furthermore, shares that are issued under exclusion of subscription rights during the term of this authorisation based on an authorisation to use treasury shares in accordance with Sections 71 (1) 8) (5), 186 (3) (4) AktG should also be offset against the limit mentioned. Lastly, shares issued or sold during the term of this authorisation until the time of their utilisation in direct or corresponding application of Section 186 (3) (4) AktG should also be offset against the limit mentioned.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to define the further details and terms of the capital increases and share issue from authorised capital.

The Authorised Capital 2018 was entered in the commercial register for the Company on 18 September 2018. The full amount is still available at the date of the Prospectus.

12.1.5. Convertible, exchangeable securities or securities with warrants, including terms and conditions and procedures for conversion, exchange or subscription

The Company is not currently authorised to issue convertible or warrant-linked bonds.

12.1.6. Option rights for Varengold Bank AG shares

Authorisation to launch a share option programme 2012 issuing share options with subscription rights to Company shares

The general meeting on 8 August 2012 authorised the Board of Managing Directors, with the approval of the Supervisory Board, to issue up to 140,000 share options with subscription rights to Company shares with a time to maturity of up to seven years by 8 August 2017 (inclusive) as part of the share option programme 2012, with the proviso that each share option grants the right to subscribe to one Company share. The share options were destined solely for subscription by members of the Board of Managing Directors as well as selected managers and other top performers in the Company. Only the Supervisory Board was authorised to issue share options to members of the Company's Board of Managing Directors.

Up to 95,000 share options could be issued to members of the Board of Managing Directors and up to 45,000 share options to selected managers and other top performers in the Company in the context of the 2012 share option programme during the period 9 August 2012 to 8 August 2017 (inclusive). Each share option entitles the holder to subscribe to a share in Varengold Bank AG against payment of the strike price. The strike price for a Varengold Bank AG share, i.e. the price payable when purchasing a share after exercising a share option right, is the mathematical mean of the closing price of Varengold stock trading on Xetra on the thirty stock exchange trading days prior to the distribution of the share options ('exercise price').

The subscription rights arising from the share options may be exercised for the first time upon expiry of a waiting period of at least four years after they have been issued. Subscription rights may be exercised within seven years of the share option issue, outside the respective restriction periods, and such exercise requires that the price of the Varengold share in Xetra trading has exceeded the exercise price by at least 30% on the last 30 stock exchange trading days prior to the exercise date (performance target).

The general meeting on 8 August 2012 decided on contingent capital 2012/II of up to EUR 140,000.00 to service share options (see Section 'Contingent capital'). Contingent capital 2012/II was entered in the commercial register for the Company on 29 October 2012.

Based on the authorisation granted by the general meeting on 8 August 2012, the Board of Managing Directors decided on 4 December 2013, with the approval of the Supervisory Board, on a share option programme 2012 for selected managers and top performers at Varengold AG. A total of 45,000 share options were allocated to specific top performers from the share option programme prior to expiry of the authorisation. (see Section 9.2 'Employee profit-sharing scheme'). In a resolution passed on 15 January 2014, the Supervisory Board launched a share option programme 2012 for members of the Board of Managing Directors based on the authorisation granted by the general meeting. A total of 40,500 share

options were issued from this programme to members of the Company's Board of Managing Directors prior to expiry of the authorisation; 31,000 of these share options can no longer be exercised as the respective Board members have since left the Company (see Section 8.1.1 'Board of Managing Directors').

12.1.7. Contingent capital

The Company still has one contingent capital amount:

Contingent capital 2012/ II

Pursuant to Article 4 (3) of the Articles of Association, the share capital is contingently increased by up to EUR 140,000.00 by issuing up to 140,000 no-par value bearer shares (ordinary shares) (contingent capital 2012/I). The contingent capital will only be increased insofar as the holders of share options issued by the Company in accordance with the resolution passed by the general meeting on 8 August 2012 as part of the 2012 share option programme during the period before 8 August 2017 (inclusive), make use of their subscription rights to shares in the Company, and the Company does not distribute own shares or make a cash settlement in fulfilment of the subscription rights. New shares carry a profit-sharing entitlement from the start of the financial year in which they arise as a result of exercising a subscription right. (see Section 'Option rights for Varengold Bank AG shares')

Contingent capital 2012/II was entered in the commercial register on 29 October 2012. It still exists in full.

12.2. Company's Articles of Association

12.2.1. Change to shareholders' rights

In accordance with Section 20 of the Issuer's Articles of Association, resolutions of the general meeting will be adopted by a simple majority of the votes cast and, if a capital majority is required, by a simple majority of the share capital represented, unless stipulated otherwise by law or the Articles of Association. The requirement for a simple majority will also apply – insofar as legally permissible – to amendments to the Articles of Association and capital measures. The Company's Articles of Association currently contain no provisions stipulating a larger majority of votes.

Apart from this, the Company's Articles of Association contain no provisions regarding changes to the rights of shareholders that differ from statutory provisions.

12.2.2. Change in Company control

The Articles of Association of Varengold AG contain no provisions regarding a change in control of the Company.

12.2.3. Shareholding threshold values for disclosure

The Articles of Association of Varengold Bank AG contain no individual provisions regarding disclosure obligations for shareholdings.

Since the Basic Board segment of the Open Market of the Frankfurt Stock Exchange involves OTC trading and is not an organised market in accordance with Section 2 (11) WpHG and Varengold Bank AG is not listed on a stock exchange in accordance with Section 3 (2) AktG, the provisions in Sections 33 et seq. WpHG regarding the disclosure and publication of shareholdings do not apply to Varengold Bank AG.

Consequently, the obligations to report shareholdings in Varengold Bank AG comply with Section 20 AktG. In accordance with this section, an undertaking must report to the Company immediately in writing as soon as it owns more than one quarter of the shares in a public limited company under

German law with its registered address in Germany. Section 16 (2) (1) and (4) AktG apply when determining whether an undertaking owns more than one quarter of the shares. Specific add-back criteria must also be met. If the undertaking is a corporation, it must notify the Company immediately in writing as soon as it owns more than a quarter of the shares excluding add-backs. There is also an obligation to report if an undertaking owns a majority share in accordance with Section 16 (1) AktG or if its interest no longer reaches the reporting threshold. The Company must publish the existence of an interest reported to it or the notification that the interest no longer reaches the reporting threshold immediately in the Company's designated publications.

12.2.4. Provisions in the Articles of Association regarding changes to capital

Changes relating to the Company's share capital, in particular capital increase, capital decrease or creation of authorised or contingent capital are made in accordance with applicable statutory regulations through a resolution passed by the general meeting by a simple majority of the votes cast and a three-quarters majority of the share capital represented when passing the resolution.

The Company's Articles of Association and its certificate of incorporation contain no provisions regarding changes relating to the share capital or provisions that are more rigorous than the statutory provisions.

13. Notes to the financial information

13.1. Notes to the financial information

13.1.1. Financial information

The Company has produced annual financial statements for the 2016 and 2017 financial years in accordance with the HGB (Sections 340 to 340h HGB) in conjunction with RechKredV [(Accounting Regulations for Banks and Financial Services Institutions). The annual financial statements have been audited by auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Alsterufer 1, 20354 Hamburg, and each statement was given an unqualified audit certificate.

In addition, the Company produced a half-yearly report in accordance with HGB/RechKredV for the period 01 January 2018 to 30 June 2018. The half-yearly report to 30 June 2018 has not been audited or been subjected to an audit review.

The financial information referred to above, including the cited audit certificates, is reproduced in Section 15 'Financial information'.

The cash flow statement for the period 1 January to 30 June 2018 (with year-on-year comparison) as well as the cash flow statements for the 2016 and 2017 financial years were prepared by the Company itself based on an internal assessment of the accounts and are unaudited.

13.1.2. Other audited information

Except for the information, which has been taken from the audited financial statements of Varengold Bank AG and reproduced in Section 15 'Financial information', this Prospectus contains no other information that has been audited by the auditors and been issued with an audit certificate. Financial information in this Prospectus that has not been audited has been calculated by Varengold Bank AG itself and is identified as unaudited information.

13.1.3. Important changes in the financial situation or trading position of the Issuer

The following significant changes in the financial situation or trading position of Varengold Bank AG have occurred since 30 June 2018.

- The Company's general meeting on 21 August 2018 decided on a new authorised capital of EUR 3,105,211.00.
- By resolution of the Annual General Meeting on 15 August 2018, Varengold Verwaltungs Aktiengesellschaft was dissolved with immediate effect and is therefore currently in liquidation.
- On 5 November 2018, the new US sanctions against Iran entered into force. These result in restrictions on payment transactions related to Iran-related businesses.

13.2. Selected financial information

The following overviews contain selected financial information relating to Varengold Bank AG from the annual financial statements audited in accordance with the HGB for the 2016 and 2017 financial years as well as the unaudited half-yearly report in accordance with the HGB for the period 1 January to 30 June 2018. In respect of the information for the period from 1 January to 30 June 2017, these are comparable prior-year figures from the unaudited half-yearly report in accordance with the HGB for the period from 1 January to 30 June 2018.

13.2.1. Selected financial information from the profit and loss accounts

Period	1 January - 30/06/2018 (HGB) TEUR (unaudited)	1 January - 30/06/2017 (HGB) TEUR (unaudited)	1 January - 31/12/2017 (HGB) TEUR (audited)	1 January - 31/12/2016 (HGB) TEUR (audited)
Interest income	4,218.9	555.5	5,311.2	4,474.2
Interest expenses less positive interest from banking business	-789.8	-1,203.0	-1,470.3	-2,896.4
Current income from shares and other variable-income securities	298.3	649.4	571.4	553.7
Commission income	9,303.2	14,072.8	19,607.3	20,927.3
Commission expenses	-1,195.0	-8,253.8	-9,485.0	-15,211.1
Net income from trading portfolio	105.2	35.7	148.8	5,684.7
Other operating income	96.9	143.9	267.4	2,065.5
General administrative expenses	-7,079.5	-6,675.5	-13,421.2	-15,546.9
Depreciation and write-downs of intangible and tangible assets	-66.2	-91.8	-173.4	-328.4
Other operating expenses	-388.5	-473.5	-1,077.5	-362.3
Depreciation and write-downs of receivables and certain securities and allocations to provisions in the lending business	-3,295.6	-335.5	0.0	-1,802.8
Depreciation and provisions against participating interests, shares in affiliated companies and securities treated as assets	0.0	-442.8	-340.2	-80.1
Result from ordinary business activities	1,208.0	675.4	555.6	-2,522.6
Extraordinary income	0.0	0.0	19.9	1,668.0
Extraordinary expenses	0.0	0.0	0.00	-605.8
Taxes on income and earnings	-1,671.7	-456.6	-551.9	-24.7
Other taxes	-0.4	-0.1	-0.8	-0.8
Annual net profit/loss	-464.1	218.7	23.5	-1,485.9
Loss carry-forward from previous year	-19,946.8	-19,970.3	-19,970.3	-18,484.3
Net loss	-20,410.9	-19,751.6	-19,946.8	-19,970.3

13.2.2. Selected financial information from the balance sheets

Reporting date	30/06/2018 (HGB) TEUR (<i>unaudited</i>)	31/12/2017 (HGB) TEUR (<i>audited</i>)	31/12/2016 (HGB) TEUR (<i>audited</i>)
Cash reserve	313,510.8	79,973.9	455,705.3
Loans and advances to banks	31,513.8	23,935.4	16,003.3
Due from customers	234,773.0	250,607.9	75,555.6
Debt securities and other fixed-income securities	17,544.8	22,333.7	29,153.7
Shares and other variable-income securities	58,397.8	57,663.2	29,775.2
Trading portfolio	3,864.3	3,774.1	137.3
Participating interests	698.0	698.0	668.2
Shares in affiliated companies	2,230.6	2,260.6	2,775.0
Intangible assets	82.4	116.4	213.0
Tangible assets	155.4	159.9	169.6
Other assets	1,633.5	1,744.8	1,399.0
Deferred income	326.0	91.3	42.0
Deferred tax assets	725.4	1,852.6	2,297.5
Total assets	665,455.1	445,211.6	613,894.5
Bank loans and overdrafts	32,442.9	30,366.6	1,237.3
Amounts due to customers	599,261.0	387,369.1	589,684.4
Trading portfolio	0.0	0.0	0.0
Other liabilities	1,010.5	747.9	921.7
Deferred income	428.8	679.8	590.3
Provisions	3,519.3	2,588.0	2,882.8
Instruments of additional regulatory core capital	5,000.0	5,000.0	5,000.0
Subscribed capital	6,210.4	4,140.3	2,922.6
Capital reserves	37,974.6	34,248.4	30,607.4
Revenue reserves	18.4	18.4	18.4
Net loss/Loss carry-forward	-20,410.9	-19,946.8	-19,970.3
Total liabilities	665,455.1	445,211.6	613,894.5
Liabilities arising from guarantees and warranty agreements	3,978.2	1,999.0	1,120.5
Irrevocable loan commitments	30,626.0	14,980.0	0.0

13.2.3. Varengold Bank AG equity capital resources

The following cash flow statements for the 2016 and 2017 financial years and for the period 1 January to 30 June 2018 are used to present the Varengold Bank AG cash flow sources and amounts.

The cash flow statement for the period 1 January to 30 June 2018 (with year-on-year comparison) as well as the cash flow statements for the 2016 and 2017 financial years have been prepared by the Company and are unaudited.

The cash flow statements have been produced in accordance with Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA)/ Schmalenbach-Gesellschaft für Betriebswirtschaft (SG) standards. They show the inflow and outflow of funds according to type of activity (operating activity, investment activity and financing activity). Positive amounts (+) refer to inflows of funds and negative amounts (-) to cash outflows.

13.2.4. Notes to cash flows in the period 1 January to 30 June 2018

Period		1 January - 30/06/2018 HGB TEUR (unaudited)	1 January - 30/06/2017 HGB TEUR (unaudited)	Change TEUR (unaudited)
Year-end result		-464.1	218.7	-682.8
+/-	Depreciation/Write-ups of fixed assets	337.3	830.6	-493.3
= Cash flow in accordance with DVFA / SG standards		-126.8	1,049.3	-1,176.1
+/-	Increase/Decrease in risk provisions - trading portfolio	-0.5	-0.1	-0.4
+/-	Increase/Decrease in risk provisions - lending business	54.4	39.6	14.8
+/-	Increase/Decrease in funds for general banking risks	0.0	0.0	0.0
+/-	Income from the release of provisions	0.0	-24.7	24.7
+/-	Deferred income taxes, net	1,127.2	392.7	734.5
= Cash flow adjusted for non-cash expenses / income		1,054.3	1,456.8	-402.5
-/+	Profit/Loss from the disposal of fixed assets	0.0	0.0	0.0
+/-	Increase/Decrease in reserves	931.4	877.6	53.8
-/+	Increase/decrease in amounts due from customers, and other assets	15,656.9	-27,073.3	42,730.2
+/-	Increase/decrease in customer liabilities, other accounts payable and other miscellaneous liabilities	211,903.5	76,695.3	135,208.2
-/+	Change in net trading assets	-89.6	428.6	-518.2
-/+	Increase/Decrease of shares and other variable-income securities	-632.5	-15,556.2	14,923.7
-/+	Increase/Decrease in debt securities	4,445.8	1,264.9	3,180.9
+/-	Increase / Decrease in bank loans and overdrafts	3,721.8	-137.3	3,859.1
= Cash flow from operating activities		235,937.3	36,499.6	199,437.7
+	Proceeds from disposals of fixed assets	0.0	0.0	0.0

-	Disbursements for investments in fixed assets	-24.6	0.0	-24.6
-	Disbursements for investments in intangible assets	-2.7	-9.9	-7.2
-	Disbursements for investments in financial assets	0.0	0.0	0.0
= Cash flow from investment activities		-27.3	-9.9	-17.4
+	Proceeds from capital increases (subscribed capital)	2,070.1	0.0	2,070.1
+	Proceeds from capital increases (capital reserves)	3,726.3	0.0	3,726.3
+	Inclusion of subordinated liabilities	0.0	4,738.0	-4,738.0
= Cash flow from financing activities		5,796.4	4,738.0	4,738.0
Net change in cash and cash equivalents		242,780.7	42,684.5	200,076.2
Cash and cash equivalents at beginning of half-year		87,483.1	245,829.3	-383,125.6
= Cash and cash equivalents at end of financial year		330,243.8	513,293.0	-183,049.2
Composition of cash and cash equivalents at end of half-year:				
Cash reserve		313,510.8	496,868.0	-183,357.2
Loans and advances to banks		31,513.8	20,788.1	10,725.7
Bank loans and overdrafts		-14,780.8	-4,363.1	-10,417.7
Cash and cash equivalents at end of half-year		330,243.8	513,293.0	-183,049.2

The reduction in **Cash flow in accordance with DVFA / SG standards** in the first half of 2018 compared with the same period in the previous year results essentially from the considerably lower half-yearly result for the first half of 2018 (TEUR -464.1) (HY 1 2017: TEUR 218.7).

The cash flow statement in accordance with DVFA / SG standards is widely known to have little significance for financial institutions and for this reason only the key items are explained.

In the first half of 2018, **Cash flow from operating activities** increased from TEUR 36,499.6 to TEUR 235,937.3 compared with the same period in the previous year. This results primarily from the increase in customer liabilities.

Cash flow from financing activities of TEUR 5,796.4 in the first half of 2018 was due solely to proceeds in relation to the capital increase carried out in February 2018 in the course of which 2,070,141 new shares were offered at a price of EUR 2.80 per share. Of the TEUR 5,796.4, TEUR 2,070.1 was attributable to proceeds relating to the share capital and TEUR 3,726.3 to payments into the capital reserve.

To summarise, the Company posted a cash inflow of TEUR 242,760.7 in the first half of 2018 compared with TEUR 42,684.5 in the first half of 2017. Cash and cash equivalents fell from TEUR 496,868.0 at the end of the half year period 2017 to TEUR 313,510.8 at the end of the half year period 2018.

13.2.5. Notes to cash flows in the 2016 and 2017 financial years

Period		1 January - 31/12/2017	1 January - 31/12/2016	Change
		HGB TEUR (<i>unaudited</i>)	HGB TEUR (<i>unaudited</i>)	TEUR (<i>unaudited</i>)
Year-end result		23.5	-1,485.9	1,509.4
+/-	Depreciation/Write-ups of fixed assets	-203.4	408.5	-611.9
= Cash flow in accordance with DVFA / SG standards		1,104.0	-1,077.4	897.5
+/-	Increase/Decrease in risk provisions - trading portfolio	0.0	-200.9	-200.9
+/-	Increase/Decrease in risk provisions - lending business	384.0	172.5	211.5
+/-	Increase/Decrease in funds for general banking risks	0.0	0.0	0.0
-	Income from the release of provisions	-47.9	-387.6	339.7
+/-	Deferred income taxes, net	444.9	0.0	444.9
= Cash flow adjusted for non-cash expenses / income		601.1	-1,493.4	2,094.5
-/+	Profit/Loss from the disposal of fixed assets	0.0	71.7	-71.7
+/-	Increase/Decrease in reserves	-246.9	1,385.6	-1,632.5
-/+	Increase/decrease in amounts due from customers, and other miscellaneous Assets	-175,831.2	-48,923.8	-126,907.4
+/-	Increase/decrease in customer liabilities, other accounts payable and other miscellaneous liabilities	-202,399.7	768.2	-203,167.9
+/-	Change in net trading assets	-3,636.8	315,044.1	-318,680.9
+/-	Increase/Decrease of shares and other variable-income securities	-26,075.5	-29,855.3	3,779.8
+/-	Increase/Decrease in debt securities	5,898.7	-24,762.8	30,661.5
+/-	Increase/Decrease in bank loans and overdrafts (not due on demand)	13,903.1	137.3	13,665.8
= Cash flow from operating activities		-388,488.3	213,865.0	-602,353.3
	Proceeds from disposals of fixed assets	0.0	5.8	-5.8
-	Payments for investments in fixed assets	-64.2	-83.4	19.2
-	Disbursements for investments in intangible assets	-2.9	-58.6	55.7
-	Disbursements for investments in financial assets	-29.8	-120.6	90.8
= Cash flow from investment activities		-96.9	-256.8	159.9
	Proceeds from capital increases (subscribed capital)	1,217.7	974.2	243.5
+	Proceeds from capital increases (capital reserves)	3,641.0	11,690.2	-8,049.2
= Cash flow from financing activities		4,858.7	12,664.4	-7,805.7
	Net change in cash and cash equivalents	-382,125.4	224,779.2	-607,904.6
+	Cash and cash equivalents at beginning of financial year	470,608.5	245,829.3	224,779.2
= Cash and cash equivalents at end of financial year		87,483.1	470,608.5	-383,125.4
Composition of cash and cash equivalents at end of financial year:				
Cash reserve		79,973.9	455,705.2	-375,731.3
Loans and advances to banks		23,935.4	16,003.3	7,932.1
Bank loans and overdrafts (due on demand)		-16,426.2	-1,100.0	-15,326.2
Cash and cash equivalents at end of financial year		87,483.1	470,608.5	-383,125.4

The increase in **Cash flow in accordance with DVFA/SG standards** in the 2017 financial year compared with the previous year resulted essentially from the positive annual result of TEUR 23.5 for the 2017 financial year (2016: TEUR -1,485.9).

The cash flow statement in accordance with DVFA / SG standards is widely known to have little significance for financial institutions and for this reason only the key items are explained.

The trading portfolio increased in the 2017 financial year and led to a change in the net portfolio of TEUR -318,681. Amounts due from customers and other assets increased to TEUR 175,831.2 (under **Cash flow from operating activities**).

Cash flow from financing activities was positive in 2016 and 2017 due to the capital increases implemented in these years. The Company increased its capital in the first half of the 2016 financial year, which resulted in an inflow of equity capital totalling TEUR 12,664.4. 974,184 new shares were issued in the process at a price of EUR 13.00 per share. The inflow of funds from financing activities of TEUR 4,858.7 in the 2017 financial year related to the capital increase in May 2017. 1,217,730 new shares were issued as part of this capital increase at a price of EUR 3.99 per share.

To summarise, the Company posted a **Cash outflow** of TEUR -382,125.4 in 2017 compared to an inflow of TEUR 224,779.2 in 2016. The cash reserve decreased accordingly from TEUR 455,705.2 at the beginning of the year to TEUR 79,973.9 at the end of the 2017 financial year and consisted solely of deposits at the German Bundesbank.

13.2.6. Restrictions with regard to recourse to equity capital resources available

Pursuant to Article 92 CRR, institutions like Varengold Bank AG must have a hard core capital ratio of at least 4.5%, a core capital ratio of 6.0% and an overall capital ratio of 8.0% at all times. Furthermore, In October 2016, BaFin determined an additional capital surcharge of 2.0% for Varengold Bank AG in the context of the Supervisory Review and Evaluation Process (SREP) and the total amount to be paid by the Company (to the individual and affiliated companies) Group level) to 10%. According to the BaFin announcement, this additional surcharge will be set at 1.5% in 2018 and thus the total capital ratio at 9.5%. Additionally, pursuant to Sections 10c (1) and 10d KWG, Varengold Bank AG must observe an additional capital conservation buffer consisting of 1.875% (as of 2019: 2.5%), a hard core capital as an institution-specific capital buffer consisting of hard core capital between 0% and 1.875% (as of 2019: 2.5%) and the combined capital buffer consisting of Common Equity Tier 1 capital pursuant to Section 10i KWG. In accordance with BaFin regulations, as long as its core capital is less than EUR 10 million, Varengold Bank AG must also maintain a liquidity portfolio (with credit ratings 1 and 2) corresponding to at least the amount of Varengold Bank AG liabilities to repay deposits due on demand or in connection with the performance of securities services for entrusted funds (cash securities in particular). As at 31 December 2017, the core capital of Varengold Bank AG stood at EUR 23.2 million.

Moreover, there are no restrictions regarding recourse to the capital resources available that have affected or could adversely affect Varengold Bank AG business transactions directly or indirectly.

13.3. Business capital, capital resources and debt

13.3.1. Note on business capital

As at the date of this Prospectus, Varengold Bank AG has adequate business capital to cover in full its current requirements and foreseeable business requirements for the next 12 months.

13.3.2. Capital resources and debt

The following key figures have been calculated by the Company for Varengold Bank AG based on an internal assessment of the accounts as at 31 August 2018 and have not been audited or been the subject of an audit review. There have been no significant changes to Varengold Bank AG capital resources and debt since 31 August 2018.

Capitalisation	31/08/2018 HGB TEUR (<i>unaudited</i>)
Short-term liabilities	474,112
of	
- of which guaranteed	0
- secured	0
- not guaranteed/unsecured	0
Long-term liabilities	123,069
of	
- of which guaranteed	0
- secured	0
- not guaranteed/unsecured	0
Equity capital	24,532
of*	
- Subscribed capital	6,210
- Capital reserves	37,975
- Revenue reserves (statutory reserve)	18
Total	621,713
<i>* Equity also includes a balance sheet loss of € 19.671.</i>	
Net debt	31/08/2018 HGB TEUR (<i>unaudited</i>)
A. Cash on hand	277,650
B. Cash equivalents	
C. Securities	4,086
D. Cash at bank and in hand (A + B + C)	281,736
E. Short-term finance receivables	209,572
F. Short-term bank liabilities	35,846
G. Short-term element of long-term liabilities	0
H. Other short-term financial liabilities	437,477
I. Short-term financial liabilities (F + G + H)	473,323
J. Short-term net gearing (I) – – (E) – – (D)	-17,985
K. Long-term bank liabilities	0
L. Issued bonds	0
M. Other long-term financial liabilities	123,858
N. Long-term gearing (K + L + M)	123,858
O. Net gearing (J) + (N)	105,873

13.3.3. Contingent liabilities and indirect liabilities

The following key figures have been calculated by the Company for Varengold Bank AG based on an internal assessment of the accounts as at 31 August 2018 and have not been audited or been the subject of an audit review:

The contingent liabilities of Varengold Bank AG amounted to TEUR 41,662 as at 31 August 2018. These are essentially a single guarantee that runs until 24 January 2019, and several small guarantees to a single customer with different terms, the latter are all secured by cash.

There are no indirect liabilities of Varengold Bank AG as at 31 August 2018.

13.4. Profit forecast

13.4.1. Profit forecast for 2018 financial year

The Company issued a profit forecast for the 2018 financial year as part of the 2017 annual financial statements under Section 'C3 Opportunities Report' of the audited management report (reproduced in this Securities Prospectus on pages F-60 f.). This profit forecast was prepared as of the reporting date of 30/03/2018. Due to business development and the associated reworking of the profit forecast, the Company decided to prepare an updated profit forecast as at 04/10/2018. This is reproduced below and shows unchanged earnings before taxes on income and earnings ranging between EUR 1.7 million and EUR 2.2 million.

This profit forecast was audited by auditors and tax advisers NPP Niethammer, Posewang & Partner GmbH. The certificate for this audit is presented subsequent to the notes relating to the profit forecast.

General:

The profit forecast was produced in compliance with IDW accounting standard IDW RH HFA 2.003. The profit forecast was based on the accounting principles set out in the HGB, AktG and RechKredV. Refer to the relevant sections in the annual financial statements as at 31/12/2017 and in the interim report as at 30/06/2018 for details of the reporting, accounting and valuation methods.

The profit forecast does not represent a description of facts and should not be interpreted as such by potential investors. In fact, it is a statement of the expectations of the Company's management regarding the income, expenditure, depreciation and value adjustments of Varengold Bank AG. Potential investors should not be led to an inappropriate extent by the profit forecast when making their decision to invest.

The profit forecast is based on the assumptions made by the Company's management detailed below. These assumptions relate to factors which can be influenced by the Company (even if only to a slight extent) and those that cannot. Even though the Company holds the view that these assumptions have been made by its management to their best of their knowledge at the time of the profit forecast, they could prove incorrect or unfounded. If it transpires that one or more of the assumptions were incorrect or unfounded, actual results may differ considerably from the profit forecast.

Factors which the Bank cannot influence and relevant assumptions:

Factor: Unforeseeable events, such as force majeure

The Bank assumes that there will be no unforeseeable material events that will have a significant impact on the Bank's business activities, such as force majeure (fire, flood, earthquake or terrorist activities), significant macroeconomic events or war.

Factor: Political and regulatory landscape

The Bank works on the premise of a politically stable environment and assumes there will be no significant changes in legal and statutory framework conditions.

The Bank assumes in particular that there will be no increased capital requirements for Varengold Bank AG.

Factor: Economic development

The Bank assumes the economy (GDP) in the euro zone will expand by just under 2.3% per annum in 2018 with inflation of approx. 1.7% per annum.

Factor: Country risks and risks associated with Brexit

The Bank assumes there will be no significant country risks, in particular no restrictions on capital movements. The Bank is not expecting the Brexit decision to have an impact on the business activities of the Bank's London branch in the medium term as only short-term business is transacted there.

Factor: Competitive environment

The Bank assumes the competitive environment in the markets in which the Bank is active will remain largely stable.

Factor: Foreign exchange rate

The Bank performs currency hedging transactions and therefore assumes that fluctuating exchange rates will not have a significant impact on the Bank's result.

Factor: Interest rate developments

The Bank assumes that long-term interest rates in the euro zone will remain unchanged in the short- to medium-term. The Company also expects there to be no more changes in euro interest rates compared with USD interest rates.

Factors which the Bank is able to influence and relevant assumptions/explanations:

The starting position is the first half of 2018 with earnings before taxes on income and earnings of TEUR 1,208.

Factor: New business in the business areas

New business totalling around EUR 27 million (on a pro rata basis for 2018) is planned for the second half of the year in Marketplace Banking, based on ongoing talks with new customers and associated contract negotiations. EUR 6.8 million has already been achieved in the period between July and September.

Factor: Interest rate margin with new business

The average planned interest rate for new business in Marketplace Banking in the second half of the year is 4.8%. By contrast, the average interest rate for existing business is 5.5%. The reduction in the average interest rate is due to high individual new business volumes at significantly lower interest rates and higher collateralisation of new business. This leads to planned interest income from new business of approx. TEUR 470.

Interest expenses and currency expenses of TEUR 532 are planned for the second half of the year, which are TEUR 258 less than in the first half of the year. The influencing factors are explained below.

In the first half of the year, the interest rates for the instant-access product 'Kampagne' remained constant at 0.45%. The interest rate for the instant-access product 'Standard' was 0.10%. These interest rates were retained in the forecast.

In the first half of the year, the interest rate on fixed-term deposits (12/24/36 months) was lowered from 0.7% / 0.95% / 1.2% to 0.55% / 0.66% / 0.85%. The average interest rate on fixed-term deposits currently stands at 0.69%. This average interest rate was updated in the forecast.

With average instant-access deposits of EUR 355 million and fixed deposits of EUR 224 million, interest expenses in the first half of the year amounted to TEUR 790. Because of lower interest rates and the introduction of negative interest rates of 0.4% on customer deposits > TEUR 100 and 0.6% on customer deposits > EUR 1 million from September 2017, we are planning reduced interest expenses of TEUR 532 accordingly in the second half of the year.

The introduction of negative interest rates for customer deposits is not expected to have a negative impact on deposit-taking business.

Factor: Commission income from new business generated by the business areas

Commission income in Commercial Banking is largely attributable to payment transactions. In Commercial Banking, the base case target for the second half of the year is net commission income of EUR 3.9 million (after EUR 9.3 million in the first half of the year). In the best case, further commission income of TEUR 500 is expected. The target for the second half of the year is commission expenses of EUR 0.9 million (after EUR 1.2 million in the first half of the year).

In Marketplace Banking, the target is commission income of TEUR 288 for the second half of the year (after TEUR 7 in the first half of the year). Target commission expenses for the second half of the year are TEUR 22 (after TEUR 20 in the first half of the year).

Factor: Existing business

Based on the contractual terms of existing business, the Bank is not expecting any significant changes in the portfolio. Extensions and volume increases are expected to more or less offset expiring business. Overall, the target is interest income and current income of EUR 5.9 million for existing business for the second half of the year.

Projected other operating income (EUR 1.4 million) and expenses (EUR 2.4 million) mainly include exchange differences and income from the hedging of exchange differences. Overall, the Bank expects expenses of close to EUR 1.0 million from exchange differences.

Factor: Personnel expenses

Based on 2017 and the first half of 2018, and taking account of planned personnel changes, personnel expenses of TEUR 4.1 are forecast for the second half of the year (first half of the year: EUR 3.7 million).

Factor: Operating expenses

Operating expenses of EUR 3.2 million are forecast for the second half of the year (first half of the year: EUR 3.4 million).

Depreciation of tangible and intangible assets of TEUR 69 will be reported in the second half of the year, similar to the first half of the year (TEUR 66).

Factor: Risk costs

The Bank will increase its general bad debt provision by approx. TEUR 79 for 2018. The contingency reserve pursuant to Section 340f HGB (EUR 3 million) was taken into account in the first half of the year. The Bank has no plans to further increase the reserve pursuant to Section 340f HGB in the second half of the year.

Factor: extraordinary expenses and income

No extraordinary income and expenses are expected.

As the profit forecast refers to a period that is not yet over and this forecast has been prepared based on assumptions regarding future uncertain events and actions, it is naturally full of considerable uncertainties. It is possible on account of these uncertainties that the profit actually generated by the Company will deviate significantly from the profit forecast.

13.4.2. Certificate

To Varengold Bank Aktiengesellschaft, Hamburg:

We have audited the profit forecast produced by Varengold Bank Aktiengesellschaft, Hamburg, for the period 1 January 2018 to 31 December 2018, to see whether it has been produced correctly based on the principles indicated in the notes relating to the profit forecast and whether these principles are consistent with the Company's accounting standards and reporting, accounting and valuation methods. The profit forecast includes earnings before taxes on income and earnings for the period from 1 January 2018 to 31 December 2018 as well as notes relating to the profit forecast.

Producing the profit forecast, including the factors and assumptions presented in the notes relating to the profit forecast, is the responsibility of the Company's legal representatives.

Our task is to issue an opinion based on our audit of whether the profit forecast has been produced correctly based on the principles presented in the notes relating to the profit forecast and whether these principles are consistent with the Company's accounting standards and reporting, accounting and valuation methods.

Our task does not include an audit of the assumptions made by the Company and underlying the profit forecast or an audit of the historical financial information included in the notes. Neither does it include an audit of the other explanations and information provided in the Securities Prospectus.

We conducted our audit in accordance with IDW auditing standards issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) [Institute of Public Auditors in Germany]: *Prüfung von Gewinnprognosen und -schätzungen i.S.v. IDW RH HFA 2.003 und Bestätigung zu Gewinnschätzungen auf Basis vorläufiger Zahlen (IDW PH 9.960.3)* [Audit of profit forecasts and estimates in accordance with IDW RH HFA 2.003 and confirmation of profit estimates based on previous figures (IDW PH 9.960.3)]. According to these standards, an audit must be planned and performed so that significant errors made during the preparation of the profit forecast based on the principles presented in the notes relating to the profit forecast as well as during the drafting of these principles in accordance with the Company's accounting standards and reporting, accounting and valuation methods, can be identified with sufficient certainty.

As the profit forecast refers to a period that is not yet over and this forecast has been prepared based on assumptions regarding future uncertain events and actions, it is naturally full of considerable uncertainties. It is possible on account of these uncertainties that the profit actually generated by the Company (earnings before taxes on income and earnings) for the period from 1 January 2018 to 31 December 2018 will deviate significantly from the profit forecast.

We believe that our audit provides a reasonable basis for our opinion. In our opinion based on our audit findings, the profit forecast has been produced correctly based on the principles presented in the notes relating to the profit forecast. These principles are consistent with the Company's accounting standards and reporting, accounting and valuation methods.

Hamburg, 5 October 2018

NPP Niethammer, Posewang & Partner GmbH
Auditors
Tax advisers

Stephan Buchert
Auditor

Sven Ole Raap
Auditor

14. Taxation in the Federal Republic of Germany

The following section contains a brief summary of several important German taxation principles that are or may be significant in connection with the acquisition, holding or transfer of shares. The information in this section does not purport to be exhaustive and does not provide a complete explanation of all possible tax relevant issues. This presentation does not take account of specific facts and circumstances that could be relevant to certain share purchasers. The summary is based on the national German tax law applicable at the date of the Prospectus and on provisions of typical double taxation agreements currently in place between the Federal Republic of Germany and other countries. Provisions may change in both areas in the short term, in some circumstances also retrospectively.

Prospective purchasers of shares are advised to consult their tax adviser regarding the tax implications of any purchase, holding and selling of shares or transfer without payment, and concerning the procedures that must be followed in order to receive any potential refund of capital gains tax. Only these advisers will be in a position to fully consider the particular tax situation of individual shareholders.

The Company accepts no responsibility for the withholding of tax at source.

14.1. Taxation for the Company

Corporation tax

The Company is liable for corporation tax on its taxable income at a uniform rate currently standing at 15% plus solidarity surcharge of 5.5% on the corporation tax liability (total 15.825%). Dividends or other profit shares received by the Company from domestic or foreign corporations are essentially disregarded when determining the income of the Company if the participating interest directly amounted to at least 10% of the share or nominal capital at the beginning of the calendar year; if no share or nominal capital is available, the participating interest in assets, or in the case of associations, the participating interest in total business assets, is relevant. However, where dividends or other profit shares are disregarded, 5% of the relevant revenues are considered to be non-deductible operating expenses and thus subject to tax. If the participating interest in a subsidiary is less than 10% at the beginning of a calendar year, dividends and other profit shares are fully liable for tax (so-called free float dividends). If a participating interest of at least 10% is acquired in the subsidiary through a single acquisition process during a calendar year, the acquisition is deemed to have taken place at the beginning of the calendar year. Participations via a co-entrepreneurship are attributable to the company on a pro rata basis. Profits earned by the Company from the sale of shares in a domestic or foreign public limited company are not subject to corporation tax regardless of the participating interest amount, even at 95%. The 10% minimum participating interest does not apply here. Accordingly, losses from the sale of such shares are generally not tax-deductible.

The 95% exemption from corporation tax and the corresponding exemption from the solidarity surcharge do not apply to dividends and profits on the disposal of shares, which must be assigned to the Company's trading book (see Section 14.2.3 'Special regulations for companies in the financial and insurance sector').

Interest expenses are fully deductible in the amount of the interest income. The tax deduction is however limited by the interest rate cap. Accordingly, tax deduction of the net interest expense is limited to 30% of the profit determined in accordance with the applicable tax provisions before interest, taxes and depreciation ('taxable EBITDA'). However, the interest rate cap must not be used if interest expenses exceed interest earned by less than EUR 3 million ('tax threshold'). Moreover, the interest rate cap must not be used unless the undertaking is part of a group and there is no detrimental shareholder loan financing. If the undertaking is part of a group, the interest rate cap must not be used unless the equity ratio of the undertaking wanting to deduct the interest expenses falls more than two percentage points below the group equity ratio. Non-deductible interest expenses can generally be carried forward to subsequent years with no time restrictions. Taxable EBITDA which has not been fully utilised for interest deduction can also be carried forward to the following five financial years. 25% of deducted interest expenses must be re-added for business tax purposes.

Business tax

In addition, the taxable trading profit generated by German corporations or their permanent establishments in Germany is also subject to local business tax. To determine the business tax assessment basis, the profit calculated for corporation tax purposes is modified by additions and reductions. Certain financing expenses are deductible only to a limited extent for business tax purposes if all relevant expenses exceed the total amount of EUR 100,000 per year. The amount of business tax depends on the local authority or authorities in which the Company maintains its permanent establishments. The standard basic tax rate is 3.5%; the respective local authority applies its relevant assessment rate on top of the basic tax rate. The resulting business tax is at least 7% and varies according to the assessment rate applied by the local authority in which the permanent establishment is located.

For business tax purposes, 95% of profits from the sale of shares to another joint stock company are in principle exempt from business tax. The 95% business tax exemption only applies to dividends if the Company has a participating interest of at least 15% in a distributing German joint stock company at the beginning of the levying period, or at least 10% in a distributing non-German EU joint stock company in accordance with Council Directive 90/435/EEC of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States in the respective valid version (**'Parent-Subsidiary Directive'**). In the case of a distributing foreign non-EU joint stock company, the requirement for 95% business tax exemption of the dividends is that the Company has had a continuous participating interest in this foreign joint stock company of at least 15% since the beginning of the levying period. There are also additional requirements for dividends from distributing foreign non-EU joint stock companies. Under the conditions of a double taxation agreement, dividends may also be eligible for benefits. Also for business tax purposes, special regulations apply to dividends and profits from the disposal of shares, which must be assigned to the trading book (see *Section 14.2.3 'Special regulations for companies in the financial and insurance sector'*)

Use of losses

The Company is restricted in the use of its losses. A loss carry-back is possible only for corporation tax and only in the immediately preceding assessment period up to an amount of EUR 1.0 million. A loss carry-forward is possible with no time restrictions, both for corporation tax and business tax purposes. However, loss carry-forwards in the following assessment periods can only be deducted without restriction up to a total amount of income or trading profit up to a maximum of EUR 1.0 million. If the total amount of Company income or trading profit exceeds the sum of EUR 1.0 million, the deduction of loss carry-forwards is only possible for 60% of the excess amount ('minimum taxation'). Unused tax loss carry-forwards can generally be carried forward with no time restrictions and deducted in subsequent assessment periods within the limits indicated.

For certain indirect or direct transfers of subscribed capital, membership rights, participation rights or voting rights to the Company or in comparable circumstances ('detrimental acquisition of participating interest'), unused losses can be fully or partially extinguished. On 29 March 2017, the Federal Constitutional Court ruled that the provision set out above regarding the deduction of losses by corporations in the version valid from 2008 to 2015 is unconstitutional. However, the Federal Constitutional Court did not have to decide on the provisions in force since 2016. It is therefore not clear at present whether and to what extent the relevant provisions regarding deduction of losses by corporations will be further amended by German legislation. Loss carry-forwards can also cease to apply or their use restricted in the case of certain changes of corporate form (mergers, splits, divisions etc.)

14.2. Taxation of shareholders

14.2.1. Taxation of dividends

On behalf of shareholders, German corporations are obliged to withhold from the dividend disbursements made by them capital gains tax of 25% and a solidarity surcharge levied on the capital gains tax of 5.5% and, for individual investors where applicable, also church tax of 8% or 9% of the capital gains tax and pay it to the competent tax office. The basis of assessment for capital gains tax is the dividend approved by the general meeting.

However, the Company does not assume responsibility for the withholding and payment of capital gains tax. Since 1 January 2012, the capital gains tax deduction for dividends from domestic public limited companies, whose shares are in domestic collective safekeeping in accordance with Section 5 DepotG (German Safety Deposit Act) or in separate safekeeping pursuant to Section 2 DepotG, has been transferred by the legislative authority to the domestic credit or financial services institution paying the dividends, including the domestic branch or subsidiary of an international company in accordance with Sections 53 and 53b KWG, domestic securities trading company or domestic securities trading bank ('domestic depositary bank'). Capital gains tax is deducted by the collective security deposit bank insofar as shares have been entrusted to it for collective deposit and it pays the capital gains to a foreign agency, or by the party liable for capital gains, insofar the collective security depositary bank to which shares have been entrusted makes no dividend payments.

The domestic depositary bank receives the full dividend amount from the Company for the purpose of deducting capital gains tax, retains tax of 25 % plus the solidarity surcharge levied on capital gains tax of 5.5 % and plus church tax where applicable, on behalf of the shareholder, pays this to the competent tax office and distributes the remaining net amount to the shareholder. If church tax is deducted, capital gains tax is reduced by 25 % of the church tax applicable to the dividends.

The capital gains tax on dividend earnings is deducted regardless of this and paid whether and to the extent the dividends are liable for tax at shareholder level or not, and whether the shareholder is domiciled in Germany or abroad.

Based on the Act to reform the taxation of investments, full offsetting of withheld and remitted capital gains tax on dividends (including solidarity surcharge and church tax where appropriate) against a shareholder's tax liability requires that (i) the shareholder has been the economic owner of the shares for a consecutive period of 45 days during a period of 45 days prior to and 45 days after the capital gains due date, (ii) the shareholder continuously bears at least 70% of the risk arising from a reduction in the value of the shares (risk of a change in minimum value) during this minimum holding period, taking account of counter claims and claims by related parties, and (iii) the shareholder is not obliged to pay the capital gains wholly or mainly, directly or indirectly, to other parties. If not all the conditions referred to above are met, three-fifths of the capital gains cannot be offset against income and corporation tax liability; however, it will be deducted when calculating income on request. Individuals liable for income or corporation tax, for whom no tax has been deducted based on tax exemption in particular, or who have received a rebate of deducted tax, and who do not meet the above criteria in relation to offsetting capital gains tax, must notify their competent tax office and make a payment of the omitted tax deduction on capital gains. The restrictions with regard to the offsetting of capital gains tax will not apply if the shareholder's capital gains does not exceed EUR 20,000.00 during the assessment period or the shareholder has been the economic owner of the shares for at least one year when the capital gains is accrued.

Shareholders domiciled in Germany

Taxation of dividends paid to shareholders resident in Germany, whose shares are held as private assets

In the case of individual investors who are liable for tax in Germany without restriction (as a rule persons resident or ordinarily resident in Germany) and who hold shares as private assets, dividends form part of earnings from financial assets. Dividends are generally subject to specific taxation at a fixed income tax rate of 25% plus solidarity surcharge of 5.5% (total 26.375%) and plus church tax where applicable.

Expenses in connection with dividends are not tax deductible as income-related expenses; only a saver's allowance of EUR 801.00 (EUR 1,602.00 in the case of married couples or civil partners) is allowed as a tax-exempt amount per year.

Income tax is deducted in the case of dividends by the domestic depositary bank from taxable earnings by retaining capital gains tax. Capital gains tax retention generally discharges tax obligations (flat rate tax). This means that with the tax deduction, the income tax liability of the shareholder is settled in this respect and the shareholder's dividends no longer need to be declared in annual tax returns.

However, investment income, which is subject to capital gains tax, can be transferred by shareholders for inclusion in the assessment procedure by making such a request in their tax declaration in order to take advantage of a saver's allowance that has not yet been used, for example. In this case, such income included in the assessment is taxed at the flat rate of 25 % (plus solidarity surcharge and, where applicable, church tax). Taxpayers can also request that dividends are taxed in accordance with general regulations at the progressive income tax rate (plus solidarity surcharge and, where applicable, church tax) if this leads to lower income tax ('favourable assessment'). Gross earnings less the saver's allowance are also relevant in terms of taxation in this case and the deduction of income-related expenses is excluded. In the case of taxation in accordance with the shareholder's personal tax rate, retained capital gains tax (including solidarity surcharge and, where applicable, church tax) is offset against the shareholder's tax liability or any overpayment reimbursed.

At the shareholder's request, capital gains tax will also not discharge the shareholder's tax liability if the shareholder has a direct or indirect participating interest of at least 25% in the Company during the investment period for which the application is first made, or has a direct or indirect participating interest of at least 1% in the Company and has a professional role within it that may have a significant impact on its economic activity. The partial income method is applied in such cases according to which 60 % of dividend income is subject to taxation at the progressive income tax rate (plus solidarity surcharge and, where applicable, church tax). The income-related expenses in connection with investment income are deductible at 60 % in this case; deduction of the savings allowance is not possible in this case. An application of this kind continues to apply to the following four assessment periods unless it is withdrawn.

If a shareholder submits a non-assessment certificate or an application for exemption, where exemption volume has not been fully utilised to date, dividends can be collected without deduction of capital gains tax.

If amounts from the tax deposit account for disbursement to a shareholder, who holds shares in private assets, are deemed to have been used, these payments are not generally subject to capital gains tax.

Shareholders, who hold shares in private assets and are liable for church tax, are no longer required to apply for the withholding of church tax on taxed capital gains from 1 January 2015. Taxes are withheld and forwarded automatically to the religious community levying the tax. All agencies obliged to deduct tax from investment income enquire about the religious affiliation of all shareholders once a year in preparation for the automatic deduction of church tax from flat rate tax at the Bundeszentralamt für Steuern (BZSt) (Federal Central Tax Office). Based on the information provided by the BZSt, the agency obliged to deduct tax withholds the church tax applicable to the flat rate tax and pays this to the tax office. If the shareholder who the agency obliged to deduct tax asks the BZSt about is not a member of a religious community collecting taxes or if the shareholder has applied to the BZSt for a non-disclosure notice, the BZSt will report back a neutral '**zero value**' to the respective agency. If a zero value is returned, a shareholder belonging to a religious community is obliged to declare church tax on their own tax return.

Taxation of dividends paid to shareholders domiciled in Germany, whose shares are held in business assets

Where the shares appertain to business assets, capital gains tax of 25% plus solidarity surcharge and, where applicable, church tax, is also generally withheld from dividend earnings. In these cases, however, this is flat-rate withholding tax. In such cases, withheld capital gains tax including solidarity surcharge (and church tax, where applicable) is offset against the shareholder's respective tax liability or reimbursed in the event of overpayment.

Moreover, the taxation of dividends from shares, which are held in business assets, depends on whether the respective shareholder is a corporation, sole trader or a partnership (co-entrepreneurship).

If the shareholder is an established taxable **corporation**, domiciled in Germany, the dividend is generally exempt from corporation tax and the solidarity surcharge if the participating interest directly amounts to at least 10% of the share capital at the beginning of the calendar year. However, 5% of the dividend is deemed to be non-deductible operating expenses and thus subject to corporation tax plus solidarity surcharge. Actual expenses directly relating to dividends are generally fully deductible, subject to other deduction restrictions. If the participating interest is directly less than 10% of the share capital at the

beginning of the calendar year, the dividend is fully subject to corporation tax. If a participating interest of at least 10% is acquired in the Company through a single acquisition process during a calendar year, the acquisition is deemed to have taken place at the beginning of the calendar year. However, this provision has no impact on the treatment of shares that already exist at the beginning of the calendar year, and also does not apply if shares of less than 10% are acquired through various acquisitions in the current calendar year but the purchases as a whole reach the limit of 10%. If the corporation has a participating interest in the Company through a co-entrepreneurship, the shares for determining the relevant 10 % of the corporation only have to be assigned on a pro-rata basis. Retained and paid capital gains tax (including solidarity surcharge) is offset against the corporation tax liability or reimbursed at the respective overpayment amount.

Dividends are also exempt from business tax after deduction of expenses that are directly related to them if the corporation had a participating interest of at least 15% of the share capital of the Company at the start of the relevant tax assessment period (reporting date principle) ('preferential business tax treatment'). In this case, the 95% tax exemption for corporation tax purposes generally also applies to business tax. If the participating interest is less than 15% of the share capital at the beginning of the calendar year, the dividend is fully subject to business tax.

If the shareholder is an established taxable **sole trader** (individual investor) resident in Germany and holds the shares as business assets, only 60% of dividend payments is subject to income tax plus solidarity surcharge (partial income method). Accordingly, only 60% of operating expenses that are directly related to dividend income is tax deductible, subject to other deduction restrictions. Retained and paid capital gains tax (including solidarity surcharge) is offset against the income tax liability or reimbursed at the respective overpayment amount. In addition, dividends are subject to business tax in full unless the shareholder had a participating interest of at least 15% of the share capital of the Company at the beginning of the relevant assessment period ('preferential business tax treatment'). In the latter case, business tax on dividends is not applicable. Any related operating expenses lower the amount of reduction and are therefore not tax deductible. Depending on the local business tax rate and personal tax circumstances, any applicable business tax may generally be credited against the investor's income tax in full or in part.

If the shareholder is a commercial **partnership** (co-entrepreneurship), income tax or corporation tax and the solidarity surcharge are levied not at the level of the partnership, but at the level of the respective partner. Taxation of the respective partner depends here on whether the partner is a corporation or an individual investor. If the partner is a corporation, the dividend is essentially 95% tax-free (see above under '*Corporation*'). When calculating the 10% limit, participating interests through a co-entrepreneurship are assigned to the co-entrepreneurs on a pro-rata basis. If the partner is an individual investor, 60% of the dividends are subject to income tax plus solidarity surcharge (see above under '*Sole trader*').

If shares are allocated to a permanent establishment in Germany of a commercial business in the partnership, dividends after deduction of business expenses directly related to the dividends are subject to business tax in full if the partnership does not have a participating interest of at least 15% in the share capital of the Company at the beginning of the relevant assessment period ('preferential business tax treatment'). If the business tax participation exemption is applicable, the dividends are not subject to business tax if individual investors have a participating interest in the partnership. If corporations have a participating interest in the partnership, 5% of dividends are generally subject to business tax as non-deductible business expenses at the level of the partnership. For an individual investor as a partner, the business tax paid by the partnership and applicable to the share is generally credited against the individual investor's income tax in full or in part, depending on the local business tax assessment rate and personal tax circumstances.

Special characteristics:

There are no special regulations for dividend payments from the Company's tax-specific deposit account.

The principles outlined above apply accordingly to parties liable for church tax ('Taxation of dividends paid to shareholders resident in Germany, whose shares are held as business assets') where it should be taken into account that in the case of operationally held participating interests, capital gains tax will

not generally discharge the shareholder's tax liability and church tax will be calculated at the general rate

Shareholders domiciled abroad

Shareholders (individual investors or corporations) resident outside Germany holding their shares in a permanent establishment or fixed place of business in Germany or as a business asset for which a permanent representative has been appointed in Germany, are subject to the same tax regulations as shareholders resident in Germany holding their shares as business assets. Retained and paid capital gains tax (including solidarity surcharge) is offset against their domestic income tax liability or reimbursed at the respective overpayment amount.

For shareholders (individual investors or corporations) holding their shares neither as business assets nor in a permanent establishment or fixed place of business in Germany, nor as a business asset for which a permanent representative has been appointed in Germany, the tax liability in Germany will be deemed discharged upon the withholding of capital gains tax (reduced where applicable in accordance with a double taxation agreement or the Parent-Subsidiary Directive).

If the shareholder is a foreign corporation, two-fifths of withheld and remitted capital gains tax on dividends will be refunded upon request, subject to certain conditions. In the case of dividends, which are distributed to a company resident in a European Union Member State in accordance with Annex 2 of EStG (German Income Tax Act) in conjunction with Section 43b EStG and the so-called Parent-Subsidiary Directive—or to a corporation, which is resident in a country with which the Federal Republic of Germany has reached a double taxation agreement, the withholding of capital gains tax can be dispensed with in full or in part or any withheld capital gains tax reimbursed upon request in the event of a dividend payment, if other pre-requisites exist (such as specific participating interest amount, holding period and involvement through established business operations in general economic transactions).

Moreover, the following also applies to disbursements to shareholders not resident in Germany: If the Federal Republic of Germany has reached a double taxation agreement with the respective shareholder's country of residence and if the shareholder holds their shares neither as business assets of a permanent establishment or fixed place of business in Germany nor as business assets for which a permanent representative has been appointed in Germany, which is considered a permanent establishment in accordance with the provisions of the applicable double taxation agreement, the capital gains tax rate can be reduced in accordance with the applicable double taxation agreement. Capital gains tax is reduced such that the difference between the total amount withheld, including the solidarity surcharge, and the capital gains tax actually due in accordance with the relevant double taxation agreement, is refunded by the German tax authorities on request. Forms for the refund procedure are available from the Bundeszentralamt für Steuern, An der Kùppe 1, 53225 Bonn, Germany as well as from German embassies and consulates.

14.2.2. Taxation of gains on disposals

Shareholders domiciled in Germany

Taxation of gains on disposals made by shareholders domiciled in Germany, whose shares are held in private assets

Capital gains generated upon the sale of shares by individual investors liable for tax in Germany without restriction who hold the shares as private assets are generally subject to income tax, regardless of any holding periods, at the rate of 25% plus solidarity surcharge and church tax, where applicable. In the event of liability for church tax, the tax is reduced by 25 % of the church tax applicable to the capital gains.

Any losses arising from the sale of shares may only be offset against profits from the sale of other shares, but not against other income from capital assets, for example dividends, and not with income of any other kind. Losses not offset in the current year can however be carried forward to future assessment periods and offset against profits from sales of shares.

If the shares are held in safe custody or are administered by a domestic bank or domestic financial services institutions (including domestic branches of such foreign institutions in accordance with Sections 53 and 53b KWG, a domestic securities broker or a domestic securities trading bank, ('domestic depositary bank') or the sale of the shares is conducted by such institutions which credits or disburses the proceeds from the sale, the respective institution has to withhold capital gains tax on sale proceeds at the flat rate of 25% (including solidarity surcharge and also church tax where applicable. Withholding this tax discharges the income tax due on earnings from capital assets.

If capital gains tax on sale proceeds is not withheld by the domestic depositary, for example because the shares are held in safe deposit account by a foreign bank, shareholders are obliged to declare the sale proceeds on their income tax return. The income tax on the sale proceeds will then be determined as part of the general assessment.

If shares have been held in safe custody or administered by the same domestic depositary bank since their acquisition, the tax deduction is calculated as the difference between the amount of the sale after deduction of expenses that are directly related to the sale transaction, and the acquisition cost. Under certain conditions, prior payments from the tax deposit account may lead to reduced acquisition costs for shares in private assets and thus increase the sale proceeds liable for tax. If the domestic depositary bank has changed since the acquisition of the shares and the acquisition costs are not proven or such proof is not admissible, the assessment basis for the capital gains tax deduction is 30% of the proceeds from the sale of the shares.

The saver's allowance will be taken into account when withholding capital gains tax if the shareholder has applied to the domestic depositary bank for exemption.

Proceeds from the sale of shares, which have been subject to the deduction of capital gains tax, may be included in the general assessment procedure upon request if losses can be offset by doing so, for example. Income tax is then assessed at the flat rate plus solidarity surcharge and church tax, where applicable, and offset against flat rate tax that has been withheld.

In addition, shareholders can apply for a favourable assessment so that the capital gains are subject to the general collectively agreed tax rate in the general assessment procedure, if this results in a lower tax burden for the shareholder. Capital gains less the saver's allowance are also relevant in terms of taxation in this case and the deduction of income-related expenses is excluded. Capital gains tax that has been withheld initially is offset in the context of general assessment or refunded in the event of overpayment.

However, 60% of the proceeds from the sale of shares are subject to tax at the individual, progressive income tax rate plus solidarity surcharge and, if applicable, church tax (partial income rule), if the individual investor or, in the case of acquisition without payment, their legal predecessor, had a direct or indirect participating interest of at least 1% in the Company's capital at any point during the five years preceding the sale. Consequently, only 60% of any losses arising from the sale of shares as well as any expenses directly relating to the sale can also be deducted. Other requirements should also be taken into account with regard to the deduction of losses where appropriate. In this case, proceeds from the sale of a subscription right are also subject to the partial income rule. Capital gains tax is also deducted by the domestic depositary bank in the case of such participating interest, but has no discharging effect on overall tax liability. Shareholders are therefore obliged to declare sale proceeds on their personal tax returns. Capital gains tax withheld and remitted (including solidarity surcharge) is offset against the shareholder's tax liability in the context of tax assessment or refunded in the event of any overpayment.

Taxation of gains on disposals made by shareholders domiciled in Germany, whose shares are held in business assets

Where the shares appertain to business assets, capital gains tax of 25% plus solidarity surcharge and, if applicable, church tax, is also withheld in principle. In these cases, however, this is flat-rate withholding tax. Capital gains tax withheld and remitted (including solidarity surcharge) is offset against income tax or corporation tax liability or refunded in the event of overpayment. The above statements under 'Taxation of dividends paid to shareholders resident in Germany, whose shares are held as business assets' apply accordingly to church tax.

The taxation of proceeds from the sale of shares which are held as business assets depends on whether the respective shareholder is a corporation, sole trader or a partnership (co-entrepreneurship).

95 % of gains made by **corporations** resident in Germany from the sale of shares are in principle exempt from corporation tax, the solidarity surcharge and business tax regardless of the size of the participating interest and holding period of the shares sold. 5% of the capital gains is deemed to be non-tax deductible business expenses and therefore subject to tax corporation tax plus solidarity surcharge and business tax. Actual operating expenses related to the sale of the shares can however be deducted in full in the profit calculation. Any loss of value of shares and capital losses are not taken into account for tax purposes.

If the shares of a **sole trader** resident in Germany are held as business assets, 60% of proceeds from the sale of shares, regardless of the size of the participating interest and the holding period, are subject to income tax (plus solidarity surcharge and church tax, where applicable). The personal progressive income tax rate applies here. Operating expenses that are directly related to capital gains, losses in value of shares and capital losses are therefore also only 60 % deductible (partial income method). If shares are allocated to a permanent establishment in Germany of a commercial enterprise of the shareholder, 60% of capital gains are subject to business tax; capital losses reduce the business tax base to 60%. Business tax is generally credited against a shareholder's individual income tax on a flat-rate basis (in full or in part).

If the shareholder is a commercial **partnership**, (co-entrepreneurship), income tax or corporation tax are levied not at the level of the partnership, but at the level of the respective partner. Here, taxation depends on whether the partner is a corporation or an individual investor. If the partner in the partnership is a corporation and thus liable for corporation tax, 95% of capital gains at partner level is essentially exempt from corporation tax and the solidarity surcharge. 5 % of the capital gains is deemed to be non-deductible operating expenses and is thus subject to corporation tax plus solidarity surcharge (see above under '*Corporations*'). If the partner is an individual investor and thus liable for income tax, 60% of capital gains is subject to income tax plus solidarity surcharge (and church tax if applicable). Only 60% of the operating expenses directly relating to capital gains and capital losses is deductible (see above under '*Sole traders*').

In addition, 60% of capital gains at partnership level are subject to business tax if individual investors have a participating interest, and 5% if corporations have a participating interest, if the shares are held as assets in a permanent establishment in Germany of a commercial business in the partnership. The business tax paid by the partnership can generally be credited on a pro rata basis against the partner's income tax in full or in part, depending on the local business tax assessment rate and personal tax circumstances, and assuming the partner is an individual investor. Operating expenses directly relating to capital gains, capital losses and other reductions in gains are non-deductible for business tax purposes if they apply to an interest held by a corporation. These are taken into account at 60% insofar as they apply to an interest held by an individual.

Shareholders domiciled abroad

If the shares are sold by an individual investor resident abroad with limited liability for tax in Germany, who (i) holds their shares as business assets in a permanent establishment or fixed place of business in Germany or as business assets for which a permanent representative has been appointed in Germany, or who (ii) themselves, or in the event of acquisition without payment, their legal successor, had a direct or indirect participating interest of at least 1% in the Company's capital at any point during the five years preceding the sale of the shares, 60% of the capital gains realised is subject to income tax in Germany at the shareholder's personal tax rate, plus 5.5% solidarity surcharge. In addition, 60% of capital gains are subject to business tax if the shares are allocated to a permanent establishment in Germany of a commercial business belonging to the individual investor. Business tax is generally credited against a shareholder's individual income tax on a flat-rate basis (in full or in part). However, most double taxation agreements make provision for scenario (ii) broad exemption from German taxation.

95% of capital gains from participating interests, which meet the above requirements and are realised by a corporation domiciled abroad with limited tax liability in Germany are generally exempt from corporation and business tax. 5% of gains are considered to be non-deductible operating expenses and thus subject to corporation tax (plus solidarity surcharge) and business tax if applicable.

Most double taxation agreements exclude the taxation of capital gains by Germany in the case of shares that are not held as operating assets in a permanent establishment or fixed place of business or as operating assets for which a permanent representative has been appointed.

14.2.3. Special regulations for companies in the financial and insurance sector

Insofar as banks and financial services institutions hold or sell shares, which are attributable to the trading portfolio within the meaning of Section 340e (3) HGB, the 40% exemption from income tax (so-called 'partial income method') and the 95% exemption from corporation tax and, where applicable, business tax and the corresponding exemption from the solidarity surcharge apply neither to dividends nor to capital gains. In other words, dividend income and capital gains are subject to tax in full. The same applies to shares to be reported as current assets by financial companies within the meaning of the German Banking Act in which banks or financial services institutions have a direct or indirect participating interest exceeding 50% at the time of addition to business assets.

These principles also apply to banks, financial services institutions and finance companies with a registered office in another Member State of the European Community or another signatory to the Agreement on the European Economic Area. These principles also apply to life insurance and health insurance companies or pension funds insofar as the shares are attributable to capital assets.

Dividends, however, are exempt from business tax in the cases referred to above if the shareholder had a participating interest in the Company's share capital of at least 15% at the start of the relevant tax assessment period. This exemption does not apply, however, to life insurance and health insurance companies with regard to shares, which are attributable to capital assets; the exemption also does not apply to pension funds. Specific exceptions may also be applicable to shareholders liable for corporation tax who are resident outside Germany in another EU Member State, if the Parent-Subsidiary Directive (Council Directive 90/435/EEC of 23 July 1990 in the current valid version) is applicable to such shareholders.

14.3. Inheritance and gift tax

The transfer of shares to another person by way of gift or causa mortis (bequest) is currently subject to German gift or inheritance tax, only if

- (a) the testator, donor, heir, donee, or other recipient was domiciled or had their usual place of residence, their company management or registered address in Germany or held German citizenship or had not lived abroad for more than five consecutive years without having been domiciled in Germany, or
- (b) the shares made up part of the testator's or donor's business property, for which a permanent establishment was maintained or a permanent representative was appointed in Germany, or
- (c) the testator or donor, either alone or together with other closely-related persons as defined in Section 1 (2) AStG (German Foreign Tax Law), held, directly or indirectly, at least 10% of the share capital of the German corporation at the time of the testator's death or donor's gift.

Special regulations apply to certain German citizens, who are neither domiciled nor have their usual place of residence in Germany, and to German citizens who have moved away from the Federal Republic of Germany.

The tax assessment base is the joint value of the shares. This is generally the stock market price. Different personal allowances and tax rates apply depending on the relationship between the testator or donor and the recipient.

The few inheritance tax double taxation agreements currently in force typically make the provision that inheritance or gift tax may only be assessed in the cases described in (a) above and, with restrictions, in the case of (b).

14.4. Other taxes

No German capital transaction tax, value added tax, stamp duties, or other similar taxes are currently imposed on the purchase, sale or transfer of shares. Under certain circumstances, however, it is conceivable that an enterprise may opt for value added tax liability in cases that would otherwise be tax-exempt. Wealth tax is not currently imposed in Germany.

The sale or transfer of shares is also not currently subject to stock exchange tax in Germany. However, the ten Member States (including the Federal Republic of Germany) agreed on 11 October 2016 to introduce a joint financial transaction tax system as part of 'enhanced cooperation'. Originally, the European Commission published a proposal on 14 February 2013 for a directive aimed at introducing a financial transaction tax. According to this proposal, participating Member States may impose an EU financial transaction tax on all financial transactions from 1 January 2014 in which (i) at least one party to the transaction is resident in a participating Member State and (ii) a financial institution domiciled in the territory of a participating Member State is party to the transaction and conducts the transaction either on their own behalf or on behalf of another person or in the name of a party to the transaction. The proposed directive has been defined in broad terms and may also apply to transactions conducted by financial institutions in non-participating countries if none of the parties is deemed resident in a participating Member State, but the respective financial instrument has been issued by an agency resident in a participating Member State. In such cases, both parties are to be regarded as resident in this participating Member State. Income from securities may be adversely affected by the application of this tax if the points indicated apply. The tax rate will be at least 0.01% of the nominal value in the case of financial transactions relating to derivative contracts and at least 0.1% of the return or of the market price in the case of all other taxable financial transactions and will be deducted by the financial institution. Precise details of the financial transaction tax are currently still under discussion by the Member States and consequently the scope of the tax to be introduced has not yet been established. It cannot be ruled out that other Member States will be in favour of the introduction of the financial transaction tax.

15. Financial information

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Since this English translation of the German prospectus for the capital increase of Varengold Bank AG is made for information purposes only, translations of the above-mentioned interim report and financial statements are not included additionally.

The English translations of the interim report and the financial statements are available on the website of Varengold Bank AG under the following path:

<https://www.varengold.de/en/investor-relations/financial-reports/>

16. Latest business development and business prospects

In the 2018 financial year to date, business development at Varengold Bank AG was again influenced by the sustained period of low interest rates, geopolitical factors, increasing regulatory requirements and the ongoing process of digitisation in the financial services sector. The Company assumes that these factors will continue to have an impact on the Company's business activities in the near future.

Since the end of 2017, following the adaptation of its business strategy, Varengold Bank AG has built up its current Marketplace Banking business area. For the remainder of the second half of 2018, the Company will continue to expand this business area, particularly in the Fronting Services segment. Given the increasing digitisation of the financial services sector, the Board of Managing Directors expects significant growth and increased customer demand in this area over the next few years, as the networking of banks and Fintechs makes it possible to combine the regulatory framework and innovation.

In the Commercial Banking segment, Varengold Bank AG has established a solid customer base for Trade Finance transactions and intends to continue to develop further as a specialist provider for business customers with a focus on trading in the regions of Eastern Europe and the Middle East. In this segment, also known as Transaction Banking, Varengold Bank AG will continue to concentrate on foreign trade-oriented customers in niche markets for the remainder of the second half of 2018, supplying them with basic Transaction Banking products and Trade Finance products.

The opening of an additional branch office in Sofia, Bulgaria, in May 2018 will enable the Company to expand its business activities to South East Europe. The branch in Sofia will carry out its business operations in two phases: in the first phase, currently ongoing, customers are being acquired whose product requirements are largely covered by Hamburg. Alongside this, the branch will set up the infrastructure required to be able to open Bulgarian accounts and handle payment transactions in phase two in 2019.

To optimise customer engagement, the corporate identity will be relaunched in the fourth quarter of 2018, including the public launch of a new website designed in particular to position the 'Varengold' brand as modern and appealing.

No other trends, uncertainties, requests, obligations or occurrences are known that could have a significant impact on the prospects of the Varengold Group over the remainder of the 2018 financial year.

17. Glossary

17.1. General glossary

para.	paragraph
AG	Aktiengesellschaft [public limited company under German law]
AktG	Aktiengesetz [German Companies Act]
AStG	Außensteuergesetz [German Foreign Tax Act]
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht [Federal Financial Supervisory Authority]
Basic Board	unofficial, private sector stock exchange segment and a sub-segment of the Open Market (OTC market) of the Frankfurt Stock Exchange.
Subscription agent	→Small & Mid Cap Investmentbank AG
Subscription ratio	Ratio of 2:1, at which the New Shares can be subscribed by shareholders of Varengold Bank AG, i.e. two old shares entitle subscription to one New Share.
EStG	Einkommensteuergesetz [German Income Tax Act]
EUR	EUR (euro)
Issuer	Varengold Bank AG
OTC market	Trading segment on German stock exchanges with minimal listing and listing follow-up obligations
Company	Varengold Bank AG
Hanseatic Brokerhouse AG	Hanseatic Brokerhouse Securities AG, Hamburg
HGB	Handelsgesetzbuch [German Commercial Code]
ISIN	Abbreviation for International Security Identification Number. An ISIN uniquely identifies a security. It consists of a two-digit country code (for example, DE for Germany) followed by a ten-digit numerical identifier.
KWG	Gesetz über das Kreditwesen (Kreditwesengesetz) [German Banking Act]
New Shares	Up to 3,105,211 new, no-par value bearer shares (ordinary shares) of Varengold Bank AG from the capital increase against a cash contribution passed in a resolution by the general meeting on 21 August 2018 with shareholder subscription rights and carrying a profit-sharing entitlement from 1 January 2018.
Open market	Term for over-the-counter trading on the Frankfurt Stock Exchange
RechKredV	Verordnung über die Rechnungslegung der Kredit- und Finanzdienstleistungsinstitute [Accounting Regulations for Banks and Financial Services Institutions]
Securities Act	Securities Act of 1933 in the respective valid version
SMC Investment Bank AG	Small & Mid Cap Investmentbank AG, Barer Straße 7, 80333 Munich

SolvV	Regulation on appropriate equity capital resources for institutions, groups of institutions and financial holding companies (Solvency Regulation)
Stakeholder	Stakeholder (also stakeholder groups) means any people, groups or institutions which are directly or indirectly affected by the activities of a company or have any kind of interest in such activities. A company's stakeholders generally include its shareholders, management, supervisory board members, employees, customers, suppliers, banks and lenders.
Subsidiary	Company in which Varengold Bank AG has a direct or indirect shareholding of more than 50%.
UmwG	Umwandlungsgesetz [German Transformation Act]
Varengold Asia Group	Group of companies consisting of Varengold Capital Securities Limited and Varengold Capital Holdings Limited as well as their subsidiaries Varengold Capital Asset Management Limited, Varengold Capital Investment Company Limited, Varengold Capital Management Limited and Varengold Capital International Company Limited and Varengold Investment Funds SPC.
Varengold Group	Group of companies consisting of Varengold Bank AG as well its direct and indirect →subsidiaries Varengold Verwaltungs Aktiengesellschaft (in liquidation), Varengold Capital Securities Limited, Varengold Capital Holdings Limited, Varengold Capital Asset Management Limited, Varengold Capital Investment Company Limited, Varengold Capital Management Limited and Varengold Capital International Company Limited and Varengold Investment Funds SPC.
WKN	Security identification number
WpPG	Wertpapierprospektgesetz [German Securities Prospectus Act]
WpÜG	Wertpapiererwerbs- und Übernahmegesetz [German Securities Acquisition and Takeover Act]
ZAG	Gesetz über die Beaufsichtigung von Zahlungsdiensten (Zahlungsdiensteaufsichtsgesetz)[German Payment Services Supervision Act]

17.2. Industry-based glossary

AIF	Abbreviation for Alternative Investment Fund
Banking book	All banking transactions conducted by a financial institution, which cannot be attributed to the trading book, are recorded in the →banking book. Banking book and trading book are bank regulatory terms with complementary definitions. Items in the banking book are not intended for trading.
CFD	Contract for Difference These are futures contracts, which do not refer to the full price of the underlying instrument, but only to the change in price. These contracts are designed similar to futures contracts, however there is no obligation to deliver physical goods or securities. Due to the often extremely high leverage resulting from low margins, these are highly speculative transactions where losses exceeding the capital invested can be incurred very quickly
CRR	Abbreviation for Capital Requirement Regulation Term for Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for banks and investment firms, which, in the context of Basel III includes requirements regarding the appropriate equity capital resources of institutions, groups of institutions, groups of financial holding companies and mixed groups of financial holding companies.
CRR financial institution	According to Section 1 (3d) KWG in conjunction with Section 4 (1) 1) →CRR, an undertaking, the business activity of which is to take deposits or other repayable funds from the public and extend loans for its own account. CRR financial institutions are therefore financial institutions that only take deposits and conduct lending business. The provision of services, such as payment transaction processing, is not part of their remit. CRR financial institutions are therefore not universal banks.
Cum/ex or cum/cum trades	Securities transactions on or around the dividend record date
Letter of credit	Obligation of a bank (issuing bank) to make a payment to a third party (letter of credit beneficiary, for example, an exporter) on behalf of and on the instruction of a customer (letter of credit applicant, for example, an importer) in return for handing over required documentation, provided the credit terms have been met (documentary credit). Letters of credit are a secure form of processing payment and lending transactions in the context of international goods deliveries.
EdB	Entschädigungseinrichtung deutscher Banken [German statutory compensation scheme for depositors and investors]
Eurex	Abbreviation for European Exchange; one of the world's largest futures and options exchanges for financial derivatives (futures and options), which arose in 1998 from the merger between DTB (Deutsche Terminbörse) and SOFFEX (Swiss Options and Financial Futures Exchange) belonging to SWX Swiss Exchange.
ECB	European Central Bank

Financing facility	Financing frameworks that banks provide to other economic entities.
Fintech	Abbreviation for financial technology; designation of an industry that uses modern technologies in the area of financial services
Fintechs	Companies operating in the Fintech sector.
Forex	Abbreviation for Foreign Exchange Market
Fronting Services	Provision of transactions requiring a licence for lending platforms and Fintechs that do not have an appropriate banking licence of their own.
Trading book	The trading book means all positions in financial instruments and commodities held by a financial institution for short-term trading purposes or in own portfolio in order generate profit (Article 4 (86) Regulation (EU) No 575/2013). A trading book includes in particular financial instruments and commodities that are taken over in order to make short-term use of existing or expected differences between the sale and purchase prices or movements of market rates, prices, valuations or interest rates to achieve own trading gains. Financial instruments and commodities are only permitted in the trading book insofar as they are tradeable and are held by an institution either with intent to trade or in order to hedge other positions held in the trading book.
Liquidity spread risk	Liquidity spread risk is the risk that the interest premium, which a debtor acquiring liquidity has to pay on account of the credit risk, increases and consequently higher refinancing costs reduce profit.
Lombard loan	Loan extended against the pledging of securities.
MaRisk	Abbreviation for Minimum Requirements for Risk Management; administrative instructions published in a memo by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) for the organisation of risk management in German financial institutions.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
MENA	Abbreviation for Middle East & North Africa
P2P	Acronym for 'peer-to-peer', i.e. one individual to another.
P2P lending marketplaces	P2P lending marketplaces offer individuals the opportunity to place financing requests on an online brokering portal and have their borrowing needs financed by private investors. The portals usually carry out a preliminary check (scoring) and then list the financing request, setting out the purpose and a fixed interest rate. One or more investors can then service the loan request. Although banks act as cooperation partners of the platform providers in some cases, lending generally takes place without the direct influence, risk assessments or formal requirements associated with lending by a bank. This is attractive for many users, as processes are accelerated, borrower credit rating requirements are generally

	lower, and framework conditions are often more flexible than with traditional bank loans.
Risk-bearing capacity	Capacity for bearing risks and to cover risks if they occur using own resources. When determining risk-bearing capacity, the calculated risks are contrasted with risk-bearing potential.
SFC	Abbreviation for Securities and Futures Commission in Hong Kong.
SEPA	Abbreviation for Single Euro Payments Area Term for standardised procedure allowing cashless payment transactions within Europe.
SME	Acronym for small and medium-sized enterprises
Solvency	Equity capital resources In banking terms, this means the availability of a financial institution's internally generated funds, i.e. unrestricted and unencumbered assets. Equity capital serves to hedge banking risks thus safeguarding claims by creditors even in the event of unfavourable developments. The higher the solvency, the greater the safety for such claims.
Structured products	Umbrella term for securities created by banks, capital investment companies or other financial services providers ('structured') and indicating the performance of the underlying investment, for example, shares, indexes, bonds, currencies, commodities, futures, options or other financial instruments.
SREP	Supervisory Review and Evaluation Process (ECB)
S.W.I.F.T	Society for Worldwide Interbank Financial Telecommunication, abbreviated to S.W.I.F.T., is an organisation based in Belgium founded in 1973, which standardises messaging and transaction traffic for more than 10,000 banks worldwide via secure telecommunication networks (SWIFT network).
TGV	Abbreviation for Teilgesellschaftvermögen (sub-fund)