

Annual Report

2013



Varengold
BANK

Disclaimer:

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Key Information about Varengold Bank AG (HGB)

	31 Dec 2013	31 Dec 2012	Change
Key figures per share	in EUR	in EUR	in EUR
Trading earnings per share	-2.28	-1.05	-1.23
Equity per share	5.38	6.04	-0.66
	01 Jan to 31 Dec 2013	01 Jan to 31 Dec 2012	Change
Profit and loss	in K EUR	in K EUR	in K EUR
Interest income	312	96	216
Commission income	2,034	3,373	-1,339
Net income from trading portfolio	3,095	1,997	1,098
Other operating income	-428	8	-436
Income from investments / securities	90	50	40
Administrative expenses	8,741	6,538	2,203
Depreciation and value adjustments	1,609	1,133	476
Income before tax	-5,247	-2,147	-3,100
Income/loss for the year	-3,681	-1,541	-2,140
	31 Dec 2013	31 Dec 2012	Change
Balance Sheet	in K EUR	in K EUR	in K EUR
Balance sheet assets without trust assets	53,034	12,575	40,459
Share equity	8,677	8,858	-181
Equity ratio in%	18 %	70 %	-52 %
Employees	57	56	1

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Dear Shareholders,

After a volatile and difficult development phase in recent years, European banks were able to recover slowly over the course of financial year 2013. Nevertheless, the number of banks had declined by the end of the year. Therefore, the VarengoldBank AG team was pleased to achieve an historic event in the history of the Company by obtaining an expansion license to become a deposit-taking institution. Since then, and with the renaming of the "Varengold Securities Trading Bank AG" into "Varengold Bank AG" the Company has reached a new business phase, both in terms of staff and company structure.

In 2013, the macroeconomic environment started to recover, benefiting from the relaxation of the sovereign debt crisis. However, the economic situation remained generally subdued. The German economy functioned, during the second half of 2013, as one of the leading economic drivers of the European region.

Varengold Bank AG concluded financial year 2013 with a net loss of EUR -3.7 million. Owing to continued low levels of managed customer deposits, contributions stagnated during this period in the asset management business. The Capital Markets Brokerage business achieved a similar result to last year despite significant restriction of lending capacity for the creation of new structures in the wake of an expansion license from the previous year. In the new Commercial Banking Division, we have initially focused on the development of business relationships with numerous domestic and foreign corporate clients, as well as the implementation of a full banking infrastructure. The range of products for new and existing customers was also expanded. Consequently, Varengold has been offering attrac-

tive call money accounts for private clients since mid-March of 2014, among other services.

In September 2013, the Company carried out a capital increase of 146,397 shares. The new shares were placed with an issue price of EUR 23.90 per share, resulting in a cash inflow of EUR 3,498,888.30. The Company was able to accelerate business development, in particular in the Asset Management division, together with international business partners. The corresponding earnings contributions have already materialized within the first months of financial year 2014.

In June of this year, an additional capital increase followed the approval of 159,571 shares at the Extraordinary General Meeting of January 15, 2014. The new shares were placed with an investor at an issue price of EUR 20.00 per share. Proceeds from the share placement will be used to further expand business activities and Varengold Bank's product portfolio.

Looking back at 2013, Varengold Bank's business activities were characterized by the considerable effects of the expansion license. The required investment for the reorganization and expansion of Varengold Bank AG's infrastructure as a deposit-taking bank did not deliver sufficient profits, particularly in 2013, but we now view the rest of 2014 with optimism. Varengold is currently in a more active transaction environment, compared with that of the previous year. This is especially true in light of realignment, which means that the Bank can take advantage of opportunities when they arise for the development of existing business and the construction of new bolt-on businesses. The Bank is well positioned to meet current and future

challenges and is now in a position to profit flexibly and consistently from attractive market opportunities wherever they exist.

We thank our customers, business partners and shareholders for their confidence in us. Furthermore, we would like to thank our staff for their dedication

and their outstanding performance, which has been essential to the success of Varengold Bank AG, and without whom we would not have been able to pass the milestone of the expansion permit and become a deposit-taking institution.

Hamburg, June 2014

The Board of Varengold Bank AG



Yasin Sebastian Qureshi

Steffen Fix

M. H. Dastmaltchi

Dr. Bernhard Fuhrmann

Frank Otten

Varengold Bank AG was founded in 1995 as an asset management boutique. We focused, in our early corporate years, on developing our own, specialized hedge fund strategies from the managed futures universe, which achieved top rankings internationally. Varengold today offers a comprehensive product and services portfolio, including asset management, commercial banking, investment banking and capital markets brokerage.

As an independent, German private bank, the Company has, for many years, enjoyed the confidence of institutional and private clients who have utilized our expertise in the provision of individual, transparent and efficient solutions. The safety and quality of our services are always at the forefront of our national and international activities and thus form the core of our ideology of intelligent investments

ALTERNATIVE INVESTMENTS AS A CORE COMPETENCE IN ASSET MANAGEMENT

Our two founders chose futures derivative financial instruments to form and implement our planned strategies as:

- They can be traded in both rising and falling markets.
- They can be assessed more objectively and precisely using real-time information, making them less risky
- Investments with high liquidity are guaranteed by the exchange
- They are available in all market-traded investment classes (stocks, bonds, commodities, currencies)
- They are extremely cost effective due to very low transaction costs in relation to trading volume

Steffen Fix and Yasin Sebastian Qureshi initially implemented proprietary trading strategies that focused on the systematic trading of commodities and stock indices. Their singular approach proved to be very successful and they were able to achieve positions among the top 10 in the ranking of the International Traders Research Inc. (ITR Ranking) for Managed Futures Managers. They soon recognized the benefits of diversification across various trading strategies: They integrated complementary strategies at the funds level for customized portfolios, which led to a reduced-risk return profile. The Asset Management Division, which selects and employs the services of external managed futures managers, was born with it and inherited a solid foundation based on many years of experience accrued by the founders.

The Company transformed its legal form of GmbH into a stock corporation in 1999. Four years later, Varengold received its license to become a securities trading bank (under Section 1, Paragraph 3d on page 3 of the German Banking Act). In the summer of 2013, the Bank continued its successful business evolution by expanding with a commercial banking license. As part of this new enterprise, Commercial Banking was established and more investment banking products were placed on the market.

CREATION OF THE CAPITAL - MARKETS BROKERAGE BUSINESS UNIT

As early as the Asset Management development stage, it became clear that the transparency of managed futures strategies was necessary for each transaction to ensure the successful monitoring and management of trading integrity and strategies.

It became important to develop a managed account platform to make the trading activities of individual managers visible. Varengold Bank AG employed the opportunities offered by the internet and became a pioneer in financial innovations with a settlement structure, real-time brokerage and online reporting. The capital markets brokerage business was established and attracted more customers. Among these were not only professional traders and private investors, but also companies with international cash flows that they wanted to hedge against currency fluctuations. Today, around 12,000 customers worldwide, with a transaction volume of EUR 15 billion annually, use Varengold's services to access international financial markets for products that are on the exchange and off the exchange such as Forex and Contracts for Differences (CFDs).

FOREX AND CFD TRADING WITH BANK VARENGOLD FX

In 2007, Varengold Bank AG presented "Varengold Bank FX", establishing the first platform to offer professional, private and institutional traders the opportunity to participate in and benefit from global FX trading. In addition, customers had the unique opportunity to trade various currency pairs and a wide range of international CFDs. All of this combined on a single trading platform - the world's most widely used commercial software MetaTrader 4. Varengold became a pioneer with the help of its unique brokerage technology. In addition to its continually expanding retail product portfolio, the bank provided institutional partners with personalized solutions offering direct access to global foreign exchange markets and thereby generating significant added value for other banks, hedge funds and brokers.

EXPANSION PERMIT, BOARD REPLACEMENT AND STRATEGY FOR THE FUTURE

The bank currently employs more than 60 employees and, in addition to its headquarters in Hamburg, has offices in Dubai and London. In June 2013, the Bank won an expansion license to conduct banking business under Paragraph 1, Sentence 2, Nos. 1, 2, 5 and 8 (deposits, credit, deposit and guarantee business). As a result, the bank successfully established its new business area of Commercial Banking and increased its range of services in the areas of investment banking and capital markets brokerage. As a deposit bank, the Bank wishes to continue increasing all of its business areas, in particular, its new Commercial Banking business. The existing infrastructure enables the bank to make significant economies of scale within our growth strategy, without incurring additional fixed costs. In September, the Supervisory Board appointed Frank Otten to the board as a replacement for Friedrich Verspohl, who retired in August. Mr. Otten is responsible for the Company's Commercial Banking and treasury operations.

 ASSET MANAGEMENT

For over a decade, Varengold Bank AG's asset management aim has been to increase the capital of its customers with the least amount of risk. With an individually managed account, clients can benefit from our innovative ideas and forward-looking expertise.

In our environment of low interest rates and uncertain risk premiums, market-independent yield contributions can be achieved through managed alternative investment components to make a valuable contribution to sustainable achievement of investment objectives.

Varengold provides its clients with unique process structures for research, risk management and asset allocation. Varengold has a team of experienced investment professionals in the area of alternative investments, which has achieved long-standing expertise and considerable investment success.

Institutional clients benefit from, among other factors, our well-established research network and the unique Varengold investment process. Through the independent operation of our own quantitative trading system, Varengold managed a unique added value through their expertise in untested trading systems. This is made possible through manager selection, taking a look "behind the scenes" and optimization. Starting from a well-defined, individually tailored mandate profile, the process of building a comprehensive market overview of the backgrounds of the long and short-listed leads up to the "beauty parade". Thus qualitative as well as quantitative criteria are employed in a process that is always transparent to customers.

Thanks to our modular structure, work for each institutional investor's request is a tailor-made solution. Varengold delivers the proper structure, from development on their implementation to continuous, current risk management and control.

Our asset management team has developed over decades, offering expertise unique in Germany to analyze the needs of our customers and to maximize their portfolio return.



COMMERCIAL BANKING

In commercial banking, Varengold Bank AG is a global partner, providing customized products and solutions for demanding clients and investors. Our business partners have the ability to use our products and solutions to settle transactions and business activities across national borders; we see this not only as a requirement, but as a part of who we are.

We take advantage of this segment of our long-standing expertise - especially with our new employees – and, based on our international expertise, offer tailored products and support services for business customers. Our Product and Relationship Managers allow direct access to our product range and act on specific requests. Regardless of where our customers are in the global market, at present or in the future, Varengold Bank AG will always remain a reliable partner.

Deposit Accounts

The bank offers private customers free money market accounts which offer the full flexibility of a daily disposable savings account with an attractive interest rate which provides a reliable basis for every investment portfolio. In addition to a guaranteed interest rate and monthly compounding, customers benefit from the statutory deposit guarantee of up to EUR 100,000.

Payment services

Cross-border payment has become increasingly important due to the increasing requirements of a globalized world. Varengold Bank AG is facing these requirements and offers customers around the world tailored solutions for international payments. To be

globally successful means being able to rely on safe, efficient and transparent payment services within - and across - borders.

Structured Finance

Companies are always faced with individual challenges that require customized financing structures. The specialists of Varengold's structured finance business assist in financing projects of small and medium-sized publicly-listed and privately-owned companies. We attach great importance to working closely with our customers to ensure an optimal structure for provided solutions. Discretion and integrity are also part of the way we see ourselves, as is our constant striving for excellent quality of services. The credit structured by Varengold Bank is generally at least EUR 1 million, and, through the existing syndication, hundreds of millions can be settled.

Export Trade & Finance

In the Export Trade & Finance business, Varengold Bank AG bundles selected solutions for financing as well as bank guarantees for international business activities. The Company-wide guarantee business covers classical payment guarantees, warranties and delivery and performance guarantees from particular transaction protection through to documentary loans.

INVESTMENT BANKING

Varengold Bank AG has many years of experience in global financial markets and always strives to offer its investors and partners a portfolio of excellent product solutions. In investment banking, Varengold combines this expertise with innovative counseling approaches that empower international partners, reinforcing old methods and successfully breaking new ground. Its strategic business success is always of primary importance to us.

According to our mission statement, intelligent investment banking is characterized by agility, long-term thinking and streamlined decision-making. This approach guarantees our customers, and us, that form of innovation, which is now vital for sustainable success in a period of changing markets.

Equity Capital Markets

Due to ever-changing markets and corporate environments, adjustments in financing structures or increasing equity are often necessary in order to prepare and be flexible for current and future entrepreneurial challenges.

The Equity Capital Markets team at Varengold supports our corporate clients in domestic and international equity and equity-linked transactions, assisting our clients to meet their strategic orientations. We offer optimal solutions both for planned growth as well as restructuring, and always aim at a short and long-term oriented cooperation with our customers. Our consulting services and solution structures here include IPOs, secondary placements (SPOs), capital increases, stock buy-backs as well as stake-building.

Debt Capital Markets

Our Capital Markets specialists offer our customers direct access to a wide range of corporate finance – on a world-wide basis. We structure the right solution for companies to provide them with efficient liquidity flow. We base our consulting approach on the highest values of independence, in which only our customers' needs and benefits are important. Our customers have access to the following in international bond markets:

- Private placements in Europe and Asia
- Corporate bonds
- Syndicated loans
- Convertible bonds
- Promissory notes

We make it possible for our customers to achieve their strategic business goals with solutions tailored to their needs, using innovative approaches and forward thinking, whether for growth targets, acquisitions or refinancing. As a global and forward-thinking bank, we develop long-term partnerships and sustainable concept implementation, which forms the basis of intelligent financing.



EUROPE IS DOING BUSINESS WHILE TOKYO SLEEPS -
WITH VARENGOLD, YOU DO BUSINESS WORLDWIDE,
AT ALL TIMES.

Forex investment is unique in the world as a form of trading as much around the clock as is possible globally, and thus has enormous growth potential. In contrast to other investment classes, you need not wait for the next trading day to use a good market position for profit. Varengold Bank AG offers its customers the latest technologies in order to fully exploit the potential of the market.

Forex refers to trading in foreign exchange markets worldwide and is one of the fastest growing asset classes.



CAPITAL MARKETS BROKERAGE

In 2007, Varengold Bank AG currency trading (forex trading) was merged into the Capital Markets Brokerage business, which is on the cutting-edge trading platform MetaTrader, accessible to a global audience.

Currency trading originally started after the fall of the Bretton Woods gold standard in 1973, which had existed between federal banks, and has become used since 1998 in companies and private investments as technology has increased. Today, the Forex market is the world's largest liquid financial market with a daily turnover of more than USD 5 trillion, which is available to anyone who owns a computer or a suitable cellular phone with an internet connection, allowing trading almost around the clock. Various international currency pairs are traded against each other and use existing leverage effects in order to achieve high returns. The timelessness of this market results from its placelessness. In contrast to stocks, bonds and commodities, there is no fixed Forex market. The currencies are traded in a virtual network of bank relationships.

MetaTrader is one of the best known and most popular trading platforms through which Varengold Bank AG provides its customers with online access to the worldwide foreign exchange markets. A special element here is that transactions are executed purely electronically. In contrast to other services, a manual order desk only springs into action if there is a technical breakdown. The bank passes on the resulting cost savings to its customers. In addition, the execution speed is increased, which is particularly noticeable in very fast market periods of high trading frequency.

As Varengold is a pioneer for MetaTrader-based Forex and CFD trading in Germany, their customers use this platform free of charge. The Varengold MetaTrader trading platform is one of the most stable systems in this area and, in addition to pure order placement, has many other functions that make it very popular with professional traders:

- Execution and booking in real time
- Unlimited charting capabilities
- Trading with a single mouse click
- Support of various timeframes
- Large number of technical indicators and studies
- Use of automatic trading systems (Expert Advisor)
- Real-time data export via DDE protocol
- Internal e-mail system
- Generation of confirmations
- Invoicing in real time

MetaTrader Varengold software is offered by Varengold Bank AG not only for computers, but also for cellular phones. This flexible trading platform guarantees every trader anywhere and at any time 100 % control over his trading account, making trading Forex and CFDs even more efficient.

In addition to the retail business, Varengold Bank AG also offers unique business solutions in the field of brokerage and enables institutional partners to participate directly in the global foreign exchange market. These solutions include both partnerships in the retail brokerage and individual white label, prime brokerage and platform solutions, in which Varengold covers broad market and customer segments. Private as well as business customers benefit from a direct connection to the interbank market and the resulting excellent order execution, as well as competitive conditions.



Varengold Bank AG remained an independent private bank even after their entry into the Entry Standard of the German Stock Exchange. Varengold Bank's shares (WKN: 547,930) have been listed on the Frankfurt Stock Exchange and XETRA electronic trading system since March 20, 2007. In addition, the stock is traded on the Stuttgart, Berlin and Düsseldorf stock exchanges.

Important key data (as of Dec 31, 2013)

Stock	Varengold Bank AG
WKN	547930
ISIN	DE0005479307
Stock symbol	VGB
Market segment	Free trading
Transparency Level	Entry Standard
First day of trading	March 20, 2007
Type of stock (type)	No par value, bearer common shares
Number of shares	1,611,834 shares (as of 25.06.2014: 1,771,405 shares)
Total Capital	EUR 1,611,834 (as of 25.06.2014: EUR 1,771,405)
Designated Sponsor	Close Brother Seydler Bank AG

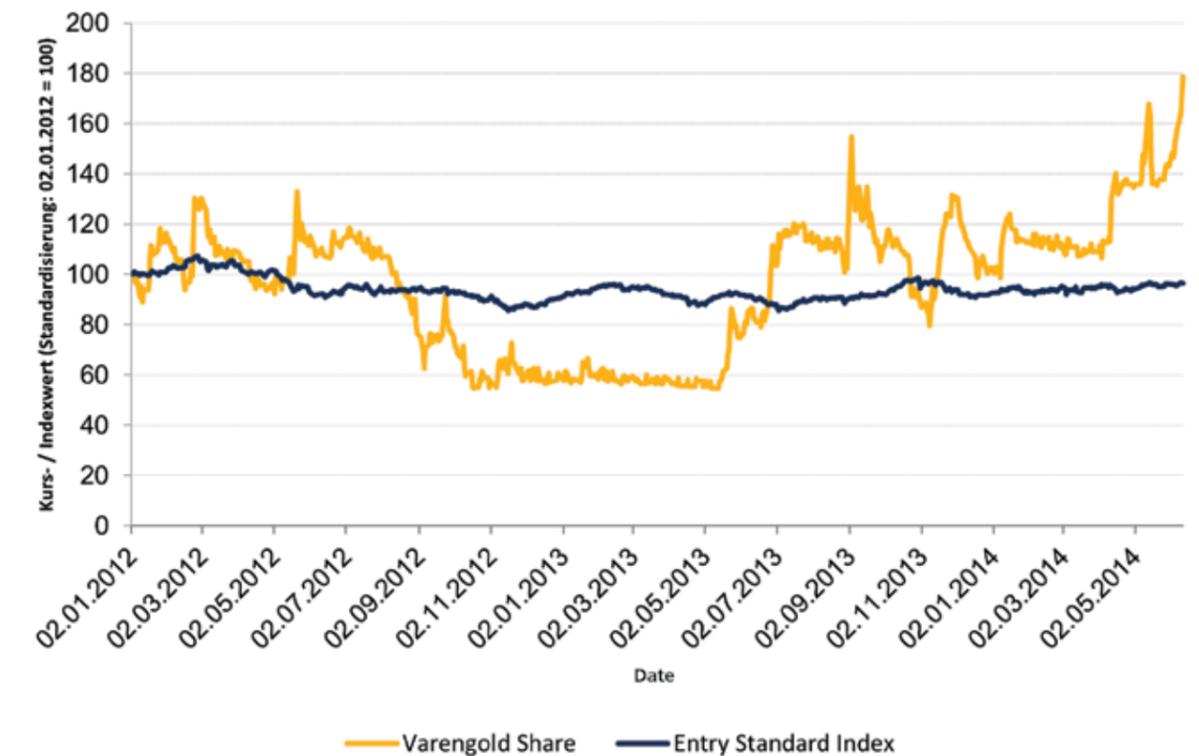
Conditions and Growth

In 2013, about 864 companies were floated on the stock market. During the year, investors subscribed a considerable volume of shares at a value of approximately USD 163 billion. A majority of the IPOs of a total of 222 companies were located in the USA. In Germany, however, only seven companies made the move to the Frankfurt Stock Exchange in 2013. With a placement volume of approximately EUR 2.5 billion, 2013 was the best issuance year since 2007. Altogether, prices on the stock markets increased significantly and this growth trend is certain to continue in 2014.

Varengold Bank AG's shares showed a more or less flat-line course in the first half of financial year 2013. However, after obtaining a commercial banking license and establishing the associated new business, we excelled in the second half with a clearly positive trend, which would continue through to the recent current year stock price. The highest price during the reporting period was EUR 12.39 on Sep 03, 2013, compared to the benchmark of the previous year of EUR 10.50, while the lowest value of 2012, EUR 4.34, was almost the same as the previous year (2013: EUR 4.35). The average share price of EUR 7.364 in 2013 hardly changed compared to the previous value of EUR 7.539, for the number of shares traded at 275,435 units in 2013 (2012: 280,902 units). The profit per share was lower on the balance sheet date of December 31, 2013 as compared with December 31, 2012, from EUR -1.05 down to EUR -2.28.

Shareholders' equity per share decreased during the reporting period slightly by EUR -0.66 to EUR 5.38 (2012: EUR 6,04).

Price history of Varengold's shares (2012 - 2014)





Dear Shareholders,

The Supervisory Board would like to thank all customers, shareholders and business partners of Varengold Bank AG for the confidence they have placed in us in a challenging environment, enabling us to open up new paths in the Company. We'd also like to thank our employees and the Board for their personal and professional commitment in 2013.

Cooperation between the Supervisory Board and Board of Directors

Over financial year 2013, we have fulfilled our responsibilities as the Supervisory Board to oversee the Board of Directors in accordance with statute and law. The monitoring objectives were already established at the beginning of the year. We have examined and scrutinized the extensive information provided to us both in Supervisory Board meetings and in individual discussions. The Board answered all questions and fully explained matters to the Supervisory Board to our satisfaction. In order to broaden our information base and to gain our own understanding of the Company's development, we have also made independent inquiries, concerning, for example, senior staff and external consultants. We have therefore always remained up to date and have received information from the Board of Directors on a monthly basis, in addition to the detailed reports in the joint meetings about the current state of the business. The continuous, comprehensive and timely written and oral reports provided by the Board of Directors to the Supervisory Board complied with the requirements under Section 90 of the AktG (German Stock Corporation Act).

Supervisory Board meetings in 2013

Altogether, we held four ordinary and two extraordinary meetings of the Supervisory Board in 2013, which took place on January 22, March 7, May 13, July 23, August 30 and October 22, 2013. All meetings took place with the participation of all Supervisory Board members and at least one member of the Board of Directors.

In the meeting on January 22, 2013, the current situation of the Company, particularly the specific development of individual lines of business, was discussed. Furthermore, the prospects of the Company were discussed with regard to an extension to their license for deposit-taking during 2013.

On March 7, 2013, the focus of the agenda was the Board's report on the meeting with the German Federal Financial Supervisory Authority (BaFin) in March, the possible restructuring of the Board of Directors under an expansion license, as well as the resolutions of the Supervisory Board to the updated rules of procedure for the Board of Directors. The focus of the meeting on May 13, 2013 was, among other things, the Board's report on the annual results for 2012 and a discussion about a decline in the Asset Management with Managed Futures division.

Furthermore, we discussed the annual report for 2012 with the auditors from NPP Niethammer, Posewang & Partner GmbH. The Board of Directors' presentation regarding developments in the first quarter of 2013 and the strategic direction of the bank, which may have some consequences for business areas and staff, were also discussed. Updated business plans were discussed in detail, as well as individual aspects of the approval to become a deposit-taking bank and corresponding additional business opportunities.

The approval or allowance from the German Federal Financial Supervisory Authority (BaFin) was the main agenda point of the meeting on July 23, 2013. The Board of Directors reported again in detail on the process and the further opportunities available for development of additional corporate business. A report was then presented on prevailing economic conditions, as well as planned capital increases by strategic investors, who had registered interest in collaboration or investment due to the new authorisations.

In the meeting on August 30, 2013, the agenda focused on the structure of the market as well as discussions for the succession of a suitable Board in the area of marketing with agreement from BaFin. The Board gave an update on economic conditions and the business of commercial banking, which is still in the founding and development phase.

On October 22, 2013, the Board of Directors reported on the current state of human resource planning, the economic situation and the impending preliminary results, which will be particularly influenced by the extension of the commercial banking license and the associated expenses. Best-case and worst-case scenarios were discussed in detail. Furthermore, the business plan for 2014 and the training of board members were also discussed.

In addition to these six joint meetings of the Board of Directors and the Supervisory Board, the Supervisory Board held two additional internal board meetings and intermittent, regular conference calls, both to address the themes of the meetings and to prepare the topics for upcoming joint meetings. Extra time was spent particularly on the expansion license for deposit-taking institutions, the increasing complexity of corporate governance and compliance issues, settled case law and supervisory cases pending in the courts.

The Supervisory Board has waived for this reporting year, as in previous financial years, the requirement for the Supervisory Board to consist only of three members in regard to the formation of committees, due to the company's size.

Granting the Audit Engagement to NPP Niethammer, Posewang & Partner NPP Niethammer, Posewang & Partner Audit Contract

In the ordinary General Shareholder's Meeting on August 8, 2013, audit firm NPP Niethammer, Posewang & Partner, Hamburg, was appointed as auditors for financial year 2013. The appointment contained clear rules on all details and the nature of the collaboration, among them a detailed consideration of the risk management early-warning systems.

Supervisory Board meeting held on May 6, 2014

Prior to the annual meeting, the Supervisory Board reviewed the draft of the audit report for the financial year 2013, as well as the management report for that year. All open issues were largely resolved on May 6, 2014, in the presence of the Board of Directors and the auditors.

On May 16, 2014, the Supervisory Board received the final version of the audit report and the management report. After a unanimous vote by the Supervisory Board on May 28, 2014, the auditor's opinion as of December 31, 2013, was provided to Varengold Bank AG with an unqualified confirmatory statement, in accordance per Section 9, paragraph 4 of the Articles of Varengold Bank AG, by circulating the written vote. Varengold Bank AG's annual report is therefore in place.

Further agenda points of the annual meeting on May 6, 2014 included a view of business growth within the first four months of this year (2014) as well as a discussion of the Company's business and risk strategies.

For the Supervisory Board Hamburg, Feb 6, 2014



RA Hans J.M. Manteuffel
Chairman of the Supervisory Board

For the year to December 31, 2013 in accordance with the Commercial Tax Code (HGB)

Varengold Bank AG Große Elbstraße 27
22767 Hamburg, Germany

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Varengold Bank AG, Hamburg

Balance sheet as at December 31, 2013

Assets

	EUR	Financial Year EUR	Previous Year K EUR
1. Cash reserves			
a) Cash on hand	892,57		2.0
b) Balances with central banks	4,127,276,18		0.0
- of which		4,128,168.75	2.0
with the German Central Bank: EUR 4,127.3K (previous year: EUR 0.0)			
Claims on banks			
2. a) repayable on demand	11,551,476,97		
b) Other receivables	110,450,00		4,278.0
			110.5
Customer receivables		11,661,926.97	4,388.5
3. - of which		6,910,947.77	2,071.1
to companies in which an interest is held:			
848.3K (previous year: EUR 854.4K)			
Notes and other fixed-income			
4. Securities			
a) Bonds and debt		19,188,474.91	0.0
aa) from public issuers			
-- of which			
with the German Central Bank			
(Bundesbank): EUR 19.0 million (prior yr: EUR 0.0)			
5. Shares and other variable-yield securities 1.150.250,58		1,150,250.58	479.8
6a. Trading portfolio		4,434,681.68	2,502.4
7. Shareholdings		286,220.94	221.4
8. Trust assets		77,377.01	17,817.2
9. Intangible assets			
a) Expenses for start-up of business operations	0,00		193.6
b) self-created industrial and similar rights and assets	241,153.50		426.7
Rights and values			
c) concessions acquired for a fee	680,164.50		826,2
		921.318,00	1,446.5
10. Fixed assets		419,677.50	538.9
11. Other Assets		552,502.19	17.3
12. Accruals		764,363.81	47.6
13. Deferred tax assets		2,615,689.90	858.9
Total assets		53,111,600.01	30,391.6

Liabilities

	EUR	Financial Year EUR	Previous Year K EUR
1. Liabilities to credit institutions			
a) repayable on demand	1.16		0.0
b) with agreed maturity dates or periods of notice	17,600,000.00		0.0
		17,600,001.16	0.0
2. Liabilities to customers			
a) Other liabilities			
aa) repayable on demand		22,592,871.10	1.164.2
3. Securitized liabilities			
a) Bonds issued		0.0	48.4
3a. Trading inventory		1,544,042.25	510.6
4. Trust liabilities		77,377.01	17,817.2
5. Other liabilities		701,669.16	898.6
6. Accruals and deferred income		41,920.44	0.0
7. Reserves			
a) Provisions for taxes		72,160.61	0.0
b) b) other reserves		945,066.20	578.3
8. Fund for general banking risks		859,448.88	515.5
- of which			
Allocations according to Section 340e, paragraph 4 of the HGB EUR 343.9K(previous year: EUR 221.9K) 343,9 TEUR (im Vorjahr: 221,9 TEUR)			
9. Share equity			
a) subscribed capital	1.611.834,00		1,465.4
b) Capital reserves	12.523.019,80		9,170.5
c) Retained earnings	18.400,00		18.4
d) Net profit	-5.476.210,60		-1,795.5
		8,677,043.20	8,858.8
Total liabilities		53,111,600.01	30,39.6
Other Commitments			
a) Irrevocable loan commitments		0.00	175.0

Varengold Bank AG, Hamburg

Profit and Loss Statement for the period
from January 1, to December 31, 2013

	Financial Year		Prior Year		Fiscal year		Prior year
	EUR	EUR	K EUR		EUR	EUR	K EUR
1. Interest income from							
a) Credit and money market transactions	261,343.32		176.5				
b) fixed income securities and debt register claims	50,321.50		0.0				
	<u>311,664.82</u>		<u>176.5</u>				
2. Interest expense	<u>-187,158.89</u>		<u>-80.2</u>				
		124,505.93	<u>96.3</u>				
3. Current income from							
a) shares and other variable-yield securities	77,206.04		15.5				
b) Investments	<u>12,473.13</u>		<u>34.4</u>				
		89,679.17	<u>-49.9</u>				
4. Fee and commission income	2,102,425.47		3,449.6				
5. Fee and commission expense	<u>-68,008.16</u>		<u>-77.1</u>				
		2,034,417.31	<u>3,372.5</u>				
6. Net income or net expense in the trading portfolio							
a) trading income	7,937,651.26		7,016.9				
b) an expense in the trading portfolio	<u>-4,842,213.14</u>		<u>-5,020.1</u>				
- of which Allocations according to section 340e, paragraph 4 of the HGB EUR 354.3K (previous year: EUR 221.9K)		3,095,438.12	1,996.8				
7. Other operating income		58,703.01	31.0				
8. General and administrative expenses							
a) Staff costs							
aa) wages and salaries	-3,836,985.23		-3,137.2				
ab) Social security contributions and expenses for pensions and other employee benefits including for pensions EUR 3.5K (previous year: EUR 3.4 K)	<u>-448,416.95</u>		<u>-451.8</u>				
	-4,285,402.18		-3,589.0				
b) Other administrative expenses	<u>-4,455,392.60</u>		<u>-2,948.9</u>				
		-8,740,794.78	<u>-6,537.9</u>				
9. Depreciation and amortization of intangible assets and property		-978,205.81	-911.9				
10. Other operating expenses		-487,111.19	-23.2				
11. Depreciation and value adjustments on receivables and certain securities and additions to provisions Lending business		-405,077.55	-185.7				
12. Depreciation and value adjustments on investments, shares in affili- ated companies and assets traded securities					-225,963.70		34.6
13. Income from ordinary activities					<u>-5,434,409.49</u>		<u>-2,146.8</u>
14. Taxes on income and earnings	1.757.102,45		608.1				
15. Other taxes	<u>-3.351,00</u>		<u>-2.7</u>				
					1,753,751.45		605.4
16. Net loss					<u>-3,680,658.04</u>		<u>- 1,541.4</u>
17. Tax loss carried forward					<u>-1,795,552.56</u>		<u>-254.1</u>
18. Total loss carried forward					<u><u>-5,476,210.60</u></u>		<u><u>-1,795.50</u></u>

NOTES

1. General Information

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

2. Accounting and valuation methods

The accounting and valuation methods have remained unchanged from the previous year.

For a better overview of specific unused items in the balance sheet and the profit and loss account, these were shown separately in accordance with Section 265, Paragraph 8 of the HGB.

In 2009, in accordance with Article 66, paragraph 5, of the EGHGB, expenses for the start of the trading infrastructure (EUR 330K) as well as expenses for the start-up of the Dubai offices (EUR 373K) were treated as assets. HGB Section 269 A. F. stipulates a restriction on distribution whereby such expenses are depreciated in accordance with Section 282 of the HGB from 2010 over four years. These were fully depreciated in the reporting year.

In accordance with Section 248, Paragraph 2, of the HGB, the right to elect to use 2010-2012 development costs as internally generated intangible assets over the years, was activated. There were no further asset creations in financial year 2013. The amortization of all intangible assets (EUR 189K) is reported under "Depreciation and amortization of intangible and tangible fixed assets". The intangible assets are amortized over four years. The asset conversion of these accounting aids is also subject to the distribution block.

The distribution, in accordance with Section 268, Para 8 of the HGB, is structured as follows:

	Book value K EUR	Deferred tax liabilities K EUR	Blocked amount K EUR
Internally generated intangible assets	241	78	163
Deferred tax liabilities			2,656
Total			2,819

Deferred tax liabilities arose from the capitalization of internally generated intangible assets. This is offset by deferred tax assets in the amount of EUR 2,693K from unused tax losses and write-downs made with non-permanent impairment. The deferred tax assets are subject to the distribution block. The Board expects the full use of the tax losses carried forward in the amount of EUR 8,247K and EUR 8,424K for corporation business tax in the next five years. A tax rate of 32.275 % was used for the calculation of deferred taxes.

The cash position and deposits in central banks are recorded at nominal value.

Claims to banks and customers were basically recorded at nominal value. To the degree required, possible counterparty risks were accounted for by the formation of specific valuation allowances. Bad debts were written off.

Bonds and other fixed-income securities and shares and other variable-yield securities are valued in accordance with the applicable rules for fixed assets at cost, less any value impairments to the lower fair value.

According to Section 340e, Paragraph 3, Sentence 1 of the HGB, financial instruments held for trading are measured at fair value, less a risk discount. On this basis (asset and liability), any open trading positions in the FX and CFD business are measured and recognized at fair value.

The fair value, according to Section 255, Paragraph 4, Sentence 1 of the HGB, is the market price of the financial instrument because there is an active market for all FX and CFD positions of Varengold Bank AG.

The risk premium is determined using the VaR method with a 99% confidence level, a holding period of one day and an observation period of 260 days with a historical simulation. The calculation of the Value at Risk is identical to the method used for internal purposes of risk monitoring in accordance with MaRisk. As at December 31, 2013, the risk premium of EUR 172K (December 31, 2012), decreased by EUR 47K (December 31, 2013) to EUR 125K, was provided in income.

Investments are valued in accordance with the applicable rules for fixed assets at cost, less any value impairments to the lower fair value.

The evaluation of customer funds resulting from fiduciary liabilities is based on the redemption amount, which is equal to the nominal value of the properties held as collateral, in particular with brokers and banks assets. Customer deposits are recorded in a separate account.

Purchased software is recognized under intangible assets, and tangible assets classified as assets are measured at amortized cost less scheduled depreciation. The fiscal depreciation rates are always used as a basis (asset depreciation).

Other assets are stated at their nominal value.

Furthermore, pre-paid license fees, seminars, rents and other contributions are reported. Liabilities are carried at their settlement amount.

Accruals and deferred income (mainly interest received in advance) are reported in accordance with Section 250, Paragraph 2 of the HGB.

Provisions are measured at the amount expected to become payable in accordance with reasonable commercial judgment. All provisions have a term of less than one year.

According to Section 340e, Paragraph 4, Sentence 1 of the HGB, in each financial year, an amount equal to at least 10 percent of the net income from the trading portfolio is booked to a special account on the balance sheet, the "fund for general banking risks" in accordance with Section 340 of the HGB. According to Section 340e, Paragraph 4, Sentence No. 2 of the HGB, the amount is booked into the special account until it reaches 50 per cent of the average of the last five years' net income from the trading portfolio (including a net gain in the year's trading portfolio) after adjusting for risk. The delivery of special items was recorded at the reporting date at the end of the financial year.

Income and expenses are accrued. The amounts are expressed in thousands of euros.

In the prepaid expenses, pursuant to Section 250, Paragraph 1 of the HGB, an earned premium was booked due to the purchase of bonds at a market value in excess of the nominal value (EUR 734K).

3. Currency conversions

The amounts under "Commission income", "Net trading income" and "net expense in the trading portfolio" are due to a considerable extent to foreign currencies: U.S. dollar (USD), Swiss francs (SFR), British pound (GBP), and Japanese Yen (JPY). During the year, cash-settled income with the current exchange rates was booked in the profit and loss account. The resulting foreign currency balances are translated at the following closing rates in Euro in accordance with Section 256a of the HGB:

1 EUR =	USD 1,3768
1 EUR =	SFR 1,2269
1 EUR =	GBP 0,8328
1 EUR =	JPY 144,50
1 EUR =	AED 5,0563
1 EUR =	CAD 1,4636

Gains or losses from foreign currency exchanges are included, in accordance with Section 340h of the HGB, in the profit and loss account, and reported in net interest income.

At December 31, 2013, the following balance sheet items were recorded in foreign currencies:

Balance Sheet Items	31 Dec 2013	31 Dec 2012
	K EUR	K EUR
Claims on banks	4,696	231
Customer receivables	2,475	0
Shares and other variable-yield securities	145	152
Trust assets	28	6,355
Other assets	92	5
Prepaid expenses (assets)	30	24
Trust liabilities	28	6,355
Other liabilities	78	203
Deferred income (liabilities)	42	0
Reserves	181	0

Changes in the value of the closing rate of converted trust assets shall be in the favor or to the detriment of the trustor.

4. Notes to the balance sheet

4.1 Overall Disclosures

4.1. Relationships with companies, in which an investment is held, and shareholders

	31 Dec 2013	31 Dec 2012
	K EUR	K EUR
Customer receivables	6,911	2,071
of which with companies, in which an investment is held	848	854
of which to shareholders	834	826

In positions which involve claims against Varengold Investment Corporation with its sub-fund (EUR 14K) and against the Hanseatic Brokerhouse Securities AG (EUR 834K).

Other liabilities	702	898
of which with companies in which an investment is held	108	126
of which to shareholders	0	126

These positions are liabilities against the Hanseatic Brokerhouse Financial Services GmbH, a 100% subsidiary of the Hanseatic Brokerhouse Securities AG.

4.1.2 Breakdown by remaining maturity

	31 Dec 2013	31 Dec 2012
	K EUR	K EUR
Claims on banks	11,662	4,388
to three months	11,662	4,388
Customer receivables	6,911	2,071
to three months	1,174	513
more than three months to a year	5,388	192
more than one year to five years	287	1,226
more than five years	62	140
Liabilities to credit institutions	17,600	0
to three months	17,600	0
Liabilities to customers	22,593	1,164
to three months	22,593	1,164

Except for loans to customers from the lending business in the amount of USD 3.3 million (maturity more than three months up to one year), all loans to customers that are denominated in foreign currency are due on demand.

4.2 Individual Disclosures

4.2.1 Loans and advances to customers

Loans and advances to customers consist largely of commissions and loans receivable. Liabilities are the related deposits of customers into Varengold Bank AG.

4.2.2 Notes and other fixed-income securities

	Purchase costs EUR	Nominal value EUR	Interest receivable EUR	Account EUR
Sovereign bonds, different countries				
Belgium	559,732.00	500,000.00	9,863.01	59,732.00
Spain	8,384,840.00	8,000,000.00	67,912.32	384,840.00
Italy	7,277,830.00	7,000,000.00	24,454.73	277,830.00
Slovenia	2,516,342.00	2,500,000.00	57,991.43	16,342.00
other bonds	995,022.00	1,000,000.00	28,253.42	-4,978.00
	19,733,766.00	19,000,000.00	188,474.91	733,766.00

A purchase of European government bonds took place in the context of open market operations (refinancing) at the ECB. As of the reporting date, hidden reserves of EUR 289.5K were recorded..

4.2.3 Investments

Varengold Bank AG holds the following unlisted shareholdings:

Corporation	Ownership pct.	Book value	Equity	Income
			31 Dec 2013	2013
	%	K EUR	K EUR	K EUR
Hanseatic Brokerhouse Securities AG, Hamburg	100.00	59	253*)	-869**)
Varengold Investmentaktiengesellschaft with a percent of assetsHamburg	48.99	157	2,624***)	-21****)
Lava Trading Ltd., Valletta, Malta	49.79	11	10	-10
Belagio Ltd., RAK Free Trade Zone	49.00	60	4	-56

*) preliminary equity as at December 31, 2013

***) preliminary balance sheet loss as at December 31, 2013

****) Company assets as at November 30, 2013 (different financial year)

*****) Income for November 30, 2013 (different financial year)

Varengold Investment Stock Company and Sub-Fund has not issued Varengold Enhanced Fund Corporate sharesolely for the Sub-Fund. The capital of this part of the Company's assets amounted to EUR 320K on Nov 30,2013. Varengold Bank AG claimed compensation with respect to this participation.

Hanseatic Brokerhouse Securities AG holds shares in Varengold Bank AG in the amount of 3.90% at the balance sheet date.

4.2.4 Gross Fixed Assets

	Purchase costs			Depreciation			Book value	
	01 Jan 2013	Sources 2013 K EUR	Uses / reclassification 2013 K EUR	Accumulated K EUR	Sources 2013 K EUR	Uses 2013 K EUR	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Notes and other fixed-income securities	0	19,188	0	0	0	0	19,188	0
Shares and other variable-yield securities	502	1,004	259	97	75	0	1,150	480
Investments	367	216	0	297	151	0	286	221
Intangible investment values	4,803	314	836	3,360	825	822	921	1,447
Expenses for start-up and extension of business operations	1,642	0	-3	1,639	190	0	0	194
Internally generated industrial and similar rights and assets	756	0	3	518	189	0	241	427
Concessions, industrial and similar rights and assets, and licences to such rights and assets	2,405	314	836	1,203	446	822	680	826
Tangible assets	1,308	35	5	918	153	4	420	539
Total	6,980	20,757	1,100	4,672	1,204	826	21,965	2,687

Intangible assets consist mainly of purchased software and licenses and intellectual property rights. The tangible assets are attributable to operating and office equipment (including leasehold improvements).

The additions in 2013 relate mainly to investments in fixed income securities and in new investments.

Compared to the previous year, depreciation on investments increased from EUR 12K to EUR 151K, and the amortization of shares and other variable-income securities from EUR 22K to EUR 75K.

4.2.5 Trading Inventory

The trading portfolio consists exclusively of derivative financial instruments.

Assets	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Trading portfolio assets FX	1,839	1,039
Trading portfolio assets CFD	2,643	1,635
Risk discount	-47	-172
Total	4,435	2,502

Liabilities	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Trading portfolio assets FX	113	88
Trading portfolio liabilities CFD	1,431	423
Total	1,544	511

According to Section 340e, Paragraph 3, Sentence 1 of the HGB, financial instruments held for trading are measured at fair value, less a risk discount. In this position (asset and liability) for any date, open trading positions in the FX and CFD business are measured and recognized at fair value.

Fair value, pursuant to Section 255, paragraph 4, sentence 1 of the HGB, is the market price of the financial instrument because there is an active market for all FX and CFD positions of Varengold Bank AG.

4.2.6 Trust assets and liabilities

Trust assets and trust liabilities include interests held under the Commission agreements client funds.

The trustee-administered client funds are held in euros and U.S. dollars depending on the transactions carried out for each of them.

The large reduction in the trust assets and trust liabilities was due to the granting of the commercial banking license in June 2013 and the related disclosure of client funds in the corresponding position liabilities to customers.

Trust assets are divided into the following assets:

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Claims on banks	77	17.817

Trust liabilities are divided into the following liabilities:

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Liabilities to customers	77	17.817

Trust assets and trust liabilities are solely attributable to the Capital Markets Brokerage division.

4.2.7 Other assets

This item includes receivables from detection agents (EUR 208K) receivables from customers in loyalty programs (EUR 182K), interest receivables from fixed-income securities (EUR 91K), receivables from paid deposits (EUR 31K) and receivables from the internal transfer of funds (EUR 30K) and a claim for payment to a test account with Interactive Brokers (EUR 10K).

4.2.8 Deferred tax liabilities

Deferred tax assets were recognized for the following items at December 31, 2013:

	Trade balance EUR	Tax balance EUR	Difference EUR	Tax rate %	Deferred assets Taxes EUR	Deferred liabilities Taxes EUR
Loss carried forward						
- Corporate tax	0.00	8,246,792.22	-8,246,792.22	15,825	1,305,054.87	
- Trade tax	0,00	8,423,837.22	-8,423,837.22	16,450	1,385.721,22	
Self-generated intangible assets	241.153,50	0,00	241.153,50	32,275		77,832.29
Shares/securities	1.150.250,58	1.158.759,01	-8.508,43	32,275	2,746.10	
					<u>2,693,522.19</u>	<u>77,832.29</u>
Active / passive Deferred tax Balance						<u><u>2,615,689.90</u></u>

The tax rate of 32.275 % is composed of corporation tax (15.0 %), a solidarity surcharge (0.825 %) and trade tax (16.45%), all combined.

The recognition of deferred tax assets is a business plan for a substantial capital increase based on tax losses that is expected within the forecasted period 2014-2018.

4.2.9 Other liabilities

This section essentially includes outstanding commission payments to partners for the provision of services in the amount of EUR 234K (DEC 31, 2012: EUR 331K). Other liabilities all have a residual maturity of up to one year.

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Liabilities from provision of services	389	729
Liabilities from bonus programs	182	0
Internal transfer of	66	0
Other liabilities	3	4
Liabilities from wages and salaries	1	101
Wage tax liabilities	58	64
Liabilities for social security	1	0
Liabilities for sales tax for current year	2	0
Total	702	898

4.2.10 Other provisions

This item is broken down as follows:

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Staff costs	123	0
Securities Trading Companies (EdW) Compensatory Fund	0	198
Vacation accrual	43	43
Outstanding invoices for IT services	28	0
Audit and annual report costs	44	35
General Shareholders' Meetings	35	40
Storage costs	5	5
Professional association fees	10	10
Reserves for BaFin	37	37
DATEV costs	0	1
Prime Brokerage Fees	43	33
Legal and consulting fees	449	120
Goodwill payments	20	56
Commissions	63	0
Marketing	22	0
Rents	23	0
Total	945	578

4.2.11 Fund for general banking risks

According to Section 340e, Paragraph 4, Sentence 1 of the HGB, an amount equal to at least 10 percent of the net income from the trading portfolio is booked to a special account on the balance sheet, the special "fund for general banking risks", in each financial year. According to Section 340e, Paragraph 4, Sentence 2 No. 2 of the HGB, this amount is allocated to the special fund until it reaches an amount of 50 per cent of the average net income of the last five years of the trading portfolio (including a net gain in the trading portfolio of the year), after adjusting for risk.

4.2.12 Share equity

Fully paid-up share capital (EUR 1,612K) is divided into 1,611,834 no-par value registered shares. The capital reserve (EUR 12,523K) comes mainly (EUR 5,371K) from the capital increase that occurred in the first half of 2012, and from the capital increase in the second half of 2013 (EUR 3,352K). In 2012, 13,100 new shares at a premium of EUR 40.35 per share were issued. In 2013, 146,397 new shares were issued at a premium of EUR 23.90 per share. The tax loss carried forward (EUR 1,796K) is included as a loss on the balance sheet (EUR 5,476K) in the total loss carried forward.

The Board of Directors was authorized in an Annual General Meeting resolution of August 8, 2012 to increase the share capital of the Company by August 7, 2017, with the approval of the Supervisory Board on one or on successive occasions, up to a total of EUR 732,718.00 through new issues of up to a total of 732,718 new bearer shares with no-par value (unit shares), with a pro rata share of the share capital of EUR 1.00 each, to raise denominated shares with no-par value of respectively EUR 1.00 against cash or contributions in kind (authorized capital). During the second half of 2013, the 146,397 par-value bearer shares were issued under exclusion of subscription rights of existing shareholders as a part of this authorized capital.

In an Annual General Meeting resolution of August 8, 2012, the Board of Directors was authorized to issue, by August 7, 2017, on one or on successive occasions, to the bearer and / or the bearers, convertible bonds, bonds with warrants, convertible participatory rights, participation rights, participation rights and / or income bonds (hereinafter referred to as "instruments") in an aggregate principal amount of up to EUR 5,000,000.00, with a maturity not exceeding 15 years, and to grant the holders of these financial instruments conversion or option rights to new no-par value bearer shares, with an amount of share capital of up to EUR 488,174.00, in accordance with the detailed measures of the instruments. The issuance of the instruments may be in exchange for cash and / or kind. In order to pay the instruments, the share capital was conditionally increased by resolution of the Annual General Meeting of August 8, 2012 by up to EUR 586,174.00, by issuing up to 586,174 no-par value bearer shares for the purpose of granting stock subscription rights.

In an Annual General Meeting resolution of August 8, 2012, according to Section 4, Paragraph 8 of the Articles of Association, there is a further increase in conditional share capital. The share capital is conditionally increased by up to EUR 140,000.00 by issuing up to 140,000 no-par value bearer shares („Conditional Capital 2012 II"). The conditional capital increase will only be carried out as the holders of stock options issued pursuant to the resolution of the Annual General Meeting August 8, 2012, under the stock option program of 2012, in the period up to August 8, 2017 (inclusive) of the Company, exercise their rights to subscribe shares of the Company, and the Company does not fulfill the subscription rights of its own shares, or a cash settlement is granted. The new shares will participate in profits distribution from the beginning of the financial year in which they are created in the exercise of subscription rights.

5. Notes to the profit and loss account

5.1 Interest income

Net interest income, foreign exchange losses of EUR 40K (previous year: currency exchange losses of EUR 37K).

Interest income consists of income from exchange rate differences and interest income from loans granted and fixed-income securities. Interest expenses are almost exclusively losses from exchange rate differences.

5.2 Income from shares and other fixed-income securities and equity investments

Income from shares and other fixed-income securities, income from shares and investments funds are included.

5.3 Fee and commission income / expenses

Commission income includes fees from the Capital Markets Brokerage division and the Banking division, as well as income from the Asset Management division. Fee and commission expenses relate mainly to management fees from the Asset Management business.

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Fee and commission income	2,102	3,450
Commission expenses	-68	-77
Commission surplus	2,034	3,373

5.4 Net income / expense in the trading portfolio

According to Section 340c, Paragraph 1, Sentence 1 of the HGB, the following income and expenses are included in the net result of the trading portfolio: Valuation losses and valuation gains of trading positions, commission income and commission expenses related to trading positions (e.g. expenses for sales partners), risk deductions, booking to the "funds for general banking risks" special account.

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Net income in the trading portfolio	7,938	7,017
Net expenses for the trading portfolio	-4,842	-5,020
Net income in the trading portfolio	3,096	1,997

5.5 Other operating income

Other operating income was primarily generated from services to third parties and from the reversal of provisions.

5.6 Staff costs

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Wages and salaries	3,837	3,137
Social benefits	445	449
Expenses for pensions and other benefits	3	3
Total	4,285	3,589

The increase in staff expenses results mainly from the modified employee structure due to the increased demands arising from the granting of the commercial banking license.

5.7 Other administrative expenses

	31 Dec 2013 K EUR	31 Dec 2012 K EUR
Cost of premises	494	367
Contributions and insurance	125	92
Vehicle expenses including leases (excluding road tax)	141	142
Advertising, entertainment, travel expenses	966	566
Maintenance of office equipment, hardware and software	945	543
Communications expenses	233	155
Office supplies, magazines, training	70	42
Consulting, accounting and auditing costs	1,103	907
Other management costs	378	135
Total	4,455	2,949

6. Other Information

6.1 Institutional bodies

6.1.1 Supervisory Board

Herr RA Hans J. M. Manteuffel Independent Attorney	Chairman
Herr Willi Müller Chartered Accountant	Vice Chairman
Herr Prof. Peter Andree Professor TU Hamburg-Harburg	

Mr. Manteuffel is also Vice Chairman of the Board of Volksbank eG Mönchengladbach, Mönchengladbach. The other members of the Supervisory Board do not accept other appointments to statutory supervisory boards or comparable control bodies within the meaning of Section 125, Paragraph 1, Sentence 3 of the AktG.

6.1.2 Board of Directors

Herr Yasin Sebastian Qureshi Trading, Legal, Human Resources, Strategy, Asset Management, IT and organization	Chairman
Herr Steffen Fix Business Development	
Herr Mohammad Hans Dastmaltchi Business Management, Sales and Marketing	
Dr. Bernhard Fuhrmann (from April 15, 2013) Risk Control, Finance, Back Office, Credit Processing, Compliance, Financial Control and Internal Audit	

Mr. Friedrich Verspohl (from April 15, 2013 to August 6, 2013)
Private / Corporate Customer Lending and Treasury

Mr. Frank Otten (from October 1, 2013)
Private / Corporate customer Lending and Treasury

Mr. Yasin Sebastian Qureshi and Mr. Steffen Fix are authorized representatives of The Company. Mr. Mohammad Hans Dastmaltchi, Dr. Bernhard Fuhrmann and Mr. Frank Otten are authorized representatives jointly with another member of the board or an authorized officer.

Mr. Qureshi is, in addition to his duties as CEO of Varengold Bank AG, the Chief Executive in the Varengold Investment Stock Company and Sub-Fund, Hamburg, and holds a position as a member of the Supervisory Board of the Hanseatic Brokerhouse Securities AG, Hamburg (as Chairman until March 13, 2013). Mr. Qureshi is also a member of the Supervisory Board of Public Picture AG (previously Battlefield AG), with headquarters in Hamburg. In addition to his duties as a board member at Varengold Bank AG, Mr. Fix is also on the Board of Varengold Investment Stock Company and Sub-Fund, Hamburg. Mr. Dastmaltchi, in addition to his office as director of Varengold Bank AG, is on the Supervisory Board of Varengold Investment Stock Company and Sub-Fund, Hamburg. Dr. Fuhrmann is, in addition to his office as director of Varengold Bank AG, active Chairman of the Supervisory Board of Hanseatic Brokerhouse Securities AG, Hamburg (from March 13, 2013). In addition to his activity as a Board member of Varengold Bank AG, Mr. Otten is also CEO of Arensburg Corporate Consulting.

6.1.3 Remuneration and loans

The total remuneration of the Board of Directors in the period January 1, 2013 to December 31, 2013 was EUR 1,086K (Dec 31, 2012: EUR 616K). They were paid EUR 1,086K (Dec 31, 2012: EUR 510K) in income-independent components and EUR 0 (Dec 31, 2012: EUR 106K) in profit sharing-related components.

The members of the Supervisory Board received, for their activities from January 1, 2013 to December 31, 2013, a total remuneration of EUR 113K (Dec 31, 2012: EUR 84K). Net interest income, foreign exchange losses of EUR 91K (previous year: EUR 67K).

At the reporting date, credit claims against the Board amounted to EUR 178K (Dec 31, 2012: EUR 189K). These are with interest of 5.0 to 5.12% per annum in the period January 1, 2013 to December 31, 2013 after repayments of EUR 25K.

Furthermore, as at the balance sheet date, credit claims against the Board were in the amount of EUR 41K (Dec 31, 2012: EUR 21K). These are assessed with an interest rate of 5.12 % per annum in the period January 1, 2013 to December 31, 2013, after repayments of EUR 2K.

6.2 Employees

The average number of staff employed on December 31, 2013 totaled 57 (Dec 31, 2012: 56), of which 18 (Dec 31, 2012: 17) were salaried employees. With the exception of twelve employees, all staff work in Germany.

6.3 Memberships

Varengold Bank AG has been a 2013 member of the German Banks Compensation Scheme GmbH (EdB) of Berlin since receiving its commercial banking license in June. Until the license was issued, Varengold Bank AG was a Member of the Securities Trading Companies Compensatory Fund (EdW) of Berlin.

6.4 Disclosure

Varengold Bank AG has published a Disclosure Report as at December 31, 2012 pursuant to Section 26 of the Banking Act, in conjunction with Section 319 onwards on Declared Solvency.

6.5 Other financial obligations

Other financial liabilities in the amount of EUR 1,088K (Dec 31, 2012: EUR 1,335K) includes all liabilities from rental and leasing contracts.

6.6 German Corporate Governance Code

Varengold Bank AG (ISIN DE0005479307) has been listed in the Entry Standard of the Frankfurt Stock Exchange since March 20, 2007. Varengold Bank AG is not obliged to publish a statement of compliance with the German Corporate Governance Code (Section 161 AktG), as the Company is not listed in Section 3, Para 2 of the Code.

Hamburg, May 13, 2014

Varengold Bank AG



Yasin Sebastian Qureshi



Steffen Fix



M. H. Dastmaltchi



Dr. Bernhard Fuhrmann



Frank Otten

1. OPERATING ENVIRONMENT

The aftermath of the financial crisis in recent years hung over the international financial markets like a sword of Damocles in 2013.

The global media were dominated in 2013 with political debates in the United States related to the fiscal cliff, the federal elections in Germany, discussions on how to avert the insolvency of Cyprus as well as fluctuating oil prices due to the events in the Middle East, and declining price levels for agricultural products. In the latter part of the year the general uncertainty about the development of the sovereign debt crisis slowly abated, and the confidence of international investors in the euro zone tangibly improved.

Central banks' monetary policies have continued to be very expansive. This boosted economies, was shored up with liquidity injections, and resulted in temporary price increases on international stock exchanges. The European Central Bank also cut its key interest rate until the end of 2013 in two stages, to a historic low of 0.25%. The exchange rate of the euro against the British pound and the U.S. dollar was higher at the end of 2013 than at the beginning. The valuation of the euro against the Japanese yen was particularly significant.

For the companies in the banking sector, 2013 was marked by major operational challenges. This saw a low interest rate environment, stringent regulatory requirements in Europe, and continued pressure from supervisory authorities. Among these pressures were, for example, the reform of the derivatives markets under the European Market Infrastructure Regulation (EMIR) and the introduction once again of the Minimum Requirements for Risk Management (MaRisk). Many regulatory and reform projects were approved in 2013; others remained under discussion or in preparation. Altogether bank profitability in the euro zone improved as compared to the two previous years.

The growth of the world economy was 2.2% in 2013, slightly below the previous year's results of 2.3%. There were significant differences in the various regions. Real economic output fell only slightly in the euro zone. In particular, exports contributed to economic growth acceleration in Central and Eastern Europe. The German economy expanded by 0.4 % in 2013. In Asia, economic growth continued, thanks particularly to China and India. The U.S. economy experienced moderate growth compared with previous years. For 2014, economic growth in the euro zone is expected for the first time in two years, according to the experts' economic forecasts.



2. Development of Varengold Bank AG

The temporary, difficult conditions in global financial markets were again noticeable for Varengold Bank AG. Business activities were influenced by investors' uncertainty in the midst of a volatile market environment. At the same time, 2013 developed into a historically significant year for the Company, in which particular regulatory issues were prominent.

Mr. Ole von Beust was welcomed to Varengold's Supervisory Board at the beginning of 2013. The existing majority stake of 71% in Hanseatic Brokerhouse Securities AG was increased to 100% in February of 2013. The close integration of the sales units of both companies provided an efficient use of market potential.

In April 2013, the Supervisory Board appointed Dr. Bernhard Fuhrmann and Friedrich Verspohl as members of the Board of Directors of Varengold Bank AG as a part of the already-planned expansion to become a deposit-taking institution. Mr. Verspohl left the Company for personal reasons in August 2013. Mr. Frank Otten was appointed as his successor in October 2013. Dr. Fuhrmann and Mr. Otten bring with them profound expertise and extensive professional experience in the national and international banking sector.

The Capital Markets Brokerage division was dominated by significant restructuring and optimization measures. Varengold has expanded the Company's internal sales on the international scene, in particular for institutional customers. Cash flows in this area were generally satisfactory, although the Company struggled in particular in the foreign exchange market due to exogenous monthly influences with very low margins. In addition to commission income of EUR 1,350K (previous year: EUR 2,694K), which declined due to very low trading activity, and the interest income of EUR 272K (previous year: EUR 167K), the Company earned net income of EUR 7,938K from its trading portfolio, an increase from EUR 7,017K in the previous year. Net expenses in the trading portfolio amounted to EUR 4,842K (last year EUR 5,020K). Income from ordinary activities for the year 2013 for the Capital Markets Brokerage division finished with an amount of EUR -4,856K (prior year: EUR -972K). Adjusted for the allocation to the general banking risks fund and the detected discounts to risk reduction in accordance with Section 340e of the HGB, this results in a loss of EUR -4 437K (previous year EUR -578m). This reduction in income is due to a number of factors: in addition to increased administrative expenses resulting from the expansion of business (e.g. London Branch) as well as the development of infrastructure related to obtaining a license as a deposit-taking institution, are special provisions, such as reserves for a legal battle with an institutional customer.

The overall somewhat negative trend from the previous year continued in financial year 2013 in the Asset Management division. The Company responded appropriately to the market trends and closed two established mutual funds, "HI Varengold CTA Hedge" and "Varengold Alternative Alpha", during the reporting period. The business generated commission income of EUR 752K (previous year: EUR 756K), with commission expenses in the amount of EUR 68K (previous year: EUR 77K). Reported profit on ordinary activities for financial year 2013 in the Asset Management division is EUR -234K (prior year: EUR -503K). It is reduced by a special item (value adjustment of an investment). Meanwhile, innovative alternative investment solutions for institutional customers as well as arbitrage strategies and structuring of contracts remain a part of our product portfolio.

In June 2013, the Company laid the cornerstone for the realignment of the Bank, as the Company received permission to conduct banking business within the meaning of Section 1, Para 1, Sentence 2, Numbers 1, 2, 5 and 8 of the Banking Act (deposit business, lending, guarantees) from the Federal Financial Services Authority. With the implementation of this approval, the Company was rebranded from "Varengold Securities Trading Bank AG" to "Varengold Bank AG" in accordance with Section 32, Paragraph 3 of the Banking Act under its compensation schemes for German banks. This licensing and the subsequent expansion of business activities was accompanied by a greater commitment of internal capacity. This modern period was characterized by additional costs such as the implementation of a core banking system and the necessary regulatory structure and human capital to handle future business activities. Varengold initially focused on the development of business relationships with numerous domestic and foreign corporate clients in the new business area of Commercial Banking. Income will be achieved only in 2014.

The Annual General Meeting of Varengold Bank AG took place in Hamburg on August 8, 2013. Members of the Board of Directors and the Supervisory Board for financial year 2012 voted with a clear majority of 99.99% to elect NPP Niethammer, Posewang & Partner GmbH as Varengold's auditor for financial year 2013.

At the end of the third quarter, Varengold Bank AG carried out a capital increase through a rights offering on the market. In this offering, 146,397 new no-par value bearer shares with an issue price of EUR 23.90 per share were placed with an international business partner. This resulted in a cash inflow of EUR 3,498,888.30 and thus increased the share capital of the Company to EUR 1,611,834.00.

The entire period was characterized by very low client trading activities in the Capital Markets Brokerage division, cost increases for implementation of an infrastructure as a result of a commercial banking license, and substantial special provisions that increased expenses. Overall, these financial strains could not be offset by the income and ongoing cost savings. This resulted in a net loss of EUR -3681K (previous year EUR -1541K) for financial year 2013.

B. COMPANY POSITION

1. Asset position

In 2013, total assets, net of Trust assets and Trust liabilities, increased by 321.78 % from EUR 12,574K to EUR 53,034K. Trust assets decreased by 99.57% from EUR 17,817K to EUR 77K. The increase in total assets, excluding trust assets, is due primarily to the almost complete reclassification of the trust assets as loans and advances to credit institutions after the Company received its license as a deposit-taking institution. Furthermore, balance sheet totals increased without trust assets through investments in fixed income securities and short-term borrowing from the Bundesbank.

Asset and capital structure

The asset and capital structure, adjusted for the trust assets and trust liabilities, can be presented as compared to the previous year, as follows:

<i>Assets</i>	2013	2012	Change
Short-term exposures (<1 year)	97.0 %	82.4 %	14.6
Short-term receivables (<5 years)	3.0 %	17.6 %	-14.6
Equity ownership / shares in affiliated companies	0.54 %	1.76 %	-1.22
Fixed assets	2.5 %	15.8 %	-13.3

<i>Capital</i>	2013	2012	Change
Short-term exposures (<1 year)	82.0 %	25.5 %	56.5
Other accounts	1.62 %	4.10 %	-2.48
Share equity	16.36 %	70.45 %	-54.09

The equity ratio –in view of the accounting for deferred tax assets amounting to EUR 2.6 million (previous year EUR 0.9 million) - is about 18% (previous year about 70 %). This decrease is due to the new structure as a deposit-taking institution. In addition to the amounts owed to customers (EUR 22,593K, previous year EUR 1,164K), to which the Company refers to point 4.2.1 of the Notes, there are still liabilities to banks (EUR 17,600K, previous year: 0) and other liabilities to our suppliers and business partners (EUR 702 K, prior year: EUR 399K), which were almost completely transferred in the following month, and provisions with a balance sheet value of EUR 1,017K (prior year: EUR 578K). Short-term debt (liabilities and reserves) are higher than the short-term assets. Varengold Bank AG has a parent asset and capital structure.

Use was made of the option to convert deferred tax assets as per Section 274 HGB, as tax losses are expected within the next five years. As a supportive measure to achieve sustainable profitability during this period, an increase of equity in the amount of approximately EUR 3 million is assumed for the 2014 financial year.

Total intangible assets amounting to EUR 241K are recognized (previous year: EUR 427K), which are amortized over 4 years. The block on distribution, after the deduction of deferred tax liabilities and attribution of the reported backlog of deferred tax assets, is EUR 2,857K (previous year EUR 1,479K).

2. Financial position

The financial statements for 2013 are used to make the following cash flow statements necessary for business administration (SG), prepared in accordance with the rules of the German Association for Financial Analysis and Asset Management (DVFA) / Schmalenbach Society:

Varengold Bank AG, Hamburg	2013	Prior Year	Change
<i>Cash flow statement 2013</i>	In K EUR	In K EUR	In K EUR
Income	3,681	-1,541	-2,140
+/- Depreciation / write-ups of fixed assets	1,129	946	183
= Cash Flow as per DVFA / SG	-2,552	-595	-1,957
+/- Increase / decrease in trading provisions	-125	173	-298
+/- Increase/decrease in banking provisions for risks	0	0	0
+/- Increase / decrease in funds for general banking risks	344	222	122
+/- Deferred income taxes, net	-1,757	-608	-1,149
= Cash flow adjusted for non-cash expenses / income	-4,090	-808	-3,282
-/+ Profit / loss from the disposal of fixed assets	-77	0	-77
+/- Increase/decrease in reserves	439	214	225
-/+ Increase/decrease in loans and advances to customers, usual assets and other assets	-6,092	298	-6,390
+/- Increase/decrease in loans and advances to customers, usual liabilities and other liabilities	21,225	526	20,699
+/- Change in net trading assets	-774	-1,071	297
+/- Increase/decrease of shares and other non-fixed interest securities	-670	0	-670
+/- Increase/decrease in debt securities	-19,188	0	-19,188
+/- Increase/decrease in debts to banks	17,600	0	17,600
= Cash Flow from operating activities	12,463	-33	12,496
Proceeds from disposal of fixed assets	92	0	92
- Payments for investments in tangible fixed assets	-35	-307	272
- Payments for investments in tangible fixed assets	-314	-328	14
- Payments for investments in tangible fixed assets	-216	-502	286
= Cash flow from investing activities	-473	-1,137	664
Proceeds from capital (subscribed capital)	146	133	13
+ Proceeds from capital increases (capital reserve)	3,353	5,371	-2,018
= Cash Flow from financing activities	3,499	5,504	-2,005
Net change in cash and cash equivalents	11,399	3,526	7,873
+ Trade inventory at the start of the financial year	4,391	865	3,526
= Trade inventory at the end of the financial year	15,790	4,391	11,399
Composition of cash and cash equivalents at end of financial year:			
Cash reserve	4,128	2	4,126
Loans and advances to credit institutions	11,662	4,389	7,273
Trade inventory at the end of the financial year	15,790	4,391	11,399

Interest income of the Company rose from EUR 176K in 2012 to EUR 312K in 2013. Furthermore, interest expenses rose to EUR 187K, so that a net interest income of EUR 125K was achieved. Cash flow from operating activities increased overall by EUR 12,496K in 2013 to EUR 12,463K. With the cash inflow from financing activities in the amount of EUR 3,499K, there was a capital increase from the third quarter of 2013. 146,397 new shares were issued at a price of EUR 23.90 per share. Cash flow from investing activities (EUR-473K) was negative because the Company used cash for investments in intangible assets and financial assets as well as tangible assets. The Company recognized a net cash inflow in financial year 2013 in the amount of EUR 11,399K. Cash and cash equivalents increased from EUR 4,391K at the beginning of the year to EUR 15,790K at year-end.

In addition to their receivables totaling EUR 11,662K (previous year: EUR 4,388K) from credit institutions, the Company operates accounts with brokers that need to be reported, due to the legal classification of the broker under the Banking Act, as receivables from customers. At the balance sheet date, the Company has approximately EUR 653 K (previous year: EUR 179K) in cash and cash equivalents with brokers.

Claims to customers include the income from the Managed Futures funds of EUR 5K in the fourth quarter of 2013 (previous year: EUR 16K).

3. Income

In 2013, income from the participation in the Varengold Investment Stock Company with Sub-fund was EUR 12K (previous year: EUR 34K). Furthermore, income from securities of EUR 77K were achieved (previous year EUR 15K).

Commission income of the Company rose from EUR 3,450K in 2012 to EUR 2,102K in 2013. Commission expenses were reduced by 11.69% from EUR 77K to EUR 68K. Commission income decreased from EUR 3,373K to EUR 2,034K. The reduction in fee income is significantly reduced by the trading activities of clients in the Capital Markets Brokerage, although the customer deposits rose during the reporting period. This reduction was roughly offset by the increase in income in Forex and CFD trading. Trading income recorded a further increase. This rose from EUR 7,017K in 2012 to EUR 7,938K in 2013. Trading portfolio expenses at year-end amounted to EUR 4,842K (prior year: EUR 5,020K). Net income from the trading portfolio increased from EUR 1,997K to EUR 3,095K. Adjusted for the allocation to the fund of general banking risks, and the detected discounts to risk reduction in accordance with Section 340e HGB, this led to income from trade inventory of EUR 3,314 million.

Commission expenses were reduced by 11.69% to EUR 31K from EUR 59K.

General and administrative expenses of the Company increased by EUR 2,203K (6,538K to 8,741K). This was caused in particular by an increase in personnel costs (from EUR 3,589K to EUR 4,285K), advertising, entertainment and travel expenses (from EUR 566K to EUR 966K), and expenses for maintenance of office equipment, hardware and software (from EUR 543K to EUR 945K). Advisory, accounting and auditing costs increased (from EUR 907K to 1,104K), office costs (from 367K to 494K EUR), communication costs (from 155K

to 233K EUR), expenses for contributions and insurance (92K to 125K EUR), office supplies, magazines and training expenses (from 42K to 70K EUR) and the remaining other operating expenses (from 135K to 378K EUR) led further to an increase in general and administrative expenses.

Administrative expenses are EUR 416K, external expenses (counseling, etc.), which are directly associated with the development of the necessary infrastructure as a deposit-taking institution.

Depreciation and impairment losses on intangible and tangible assets increased from EUR 912K in 2012 to EUR 978K in 2013.

Other operating expenses were increased significantly by the provision for litigation with an institutional client of EUR 23K in 2012 to EUR 487K in 2013.

Depreciation and value adjustments include value adjustments on receivables, special items, such as the allowance of an old loan in connection with the restructuring of sales in Dubai, which was implemented in early 2014. Expenses increased from EUR 186K in 2012 to EUR 405K in 2013.

The depreciation and impairment losses on investments increased - mainly due to the revaluation of an investment - from EUR 35K in 2012 to EUR 226K in 2013.

In sum, the income from normal business activities of the Varengold Bank AG amounted to EUR -5,434K (previous year: EUR -2,147K), the net loss amounted to EUR -3,681K(previous year: EUR -1,541K).

C. RISKS

In general, it is not possible to earn income without entering into risks in the banking business. Consequently, consciously dealing with risk, and the active and ongoing management, identification and monitoring of risk are core elements of the performance-based management of Varengold Bank AG's business.

To control the internal and external risks associated with the business of the Company, the Bank applies a risk-control and risk-management system that conforms to the "Minimum Requirements for Risk Management" (MaRisk) of the Federal Financial Supervisory Authority (BaFin).

Events that are expected by definition carry a lower risk. The primary focus of this risk management system is the categorization of significant risks into counterparty risk,

liquidity risk, market risk, operational risk and other risks which, among other things, include the risk to reputation, strategic risks and risk concentrations.

To manage these risks, a regular monitoring and evaluation of the identified risks is carried out as part of the risk management system. The whole process includes the following steps built on each other:

- Risk identification
- Risk measurement
- Risk control
- Risk Control and Risk Reporting

The Board of Directors determines the amount of the allowable total risk and its categorization among the various types of risk. In this context, care is permanently taken to ensure that the businesses are backed with adequate equity.

Varengold Bank AG is responsible for controlling risk to monitor adherence to the risk strategy.

All risk reduction measures are generally conducted in a commercially reasonable manner, which takes into account the size of the institution, the capital resources and special business model in an appropriate manner.

In its business Varengold Bank AG undertakes activities that are targeted to their market opportunities, and is solely responsible for any associated risks.

D. Opportunities for Varengold Bank AG

Altogether, the Bank should continue to increase its international reach and increase its range of products for existing and new customers.

The customer equity in the Capital Markets Brokerage is to be stabilized and enhanced by focusing on the institutional customer base, the connection of new white label partners and by conducting seminars and webinars in cooperation with subsidiary Hanseatic Brokerhouse Securities AG. At the end of 2013, this amounted to EUR 18.5 million. In the Asset Management sector, the infrastructure in the hedge fund area is to be used in cooperation with strategic partners to a greater degree than in the two previous years. Commercial banking will be further expanded in 2014, its product portfolio, the granting of Lombard loans, the letter of credit business, settlement of international payments and Treasury, among others. The Treasury Division introduced free money accounts for private clients with attractive interest rates in mid-March 2014.

At the operational level, Varengold Bank AG has focused on their strategic business goals for business growth, organizational stability and customer satisfaction. The company would like to be able to respond with flexibility and short-term pathways to changing market conditions in the context of improving efficiency. The business activities will be further developed and less volatile to force a winning competitive edge in the international market.

E. SUPPLEMENTARY REPORT

An Extraordinary General Meeting of the Company took place on January 15, 2014 in Hamburg, at which it was agreed to increase the share capital against cash contributions with the exclusion of subscription rights to shareholders. In May 2014, the company placed 159,571 shares at an issue price of EUR 20.00 per share. No other developments of particular importance occurred after completion of the 2013 financial year.

F. FORECAST

The transformation of Varengold Bank AG from a securities trading bank to a deposit-taking institution still requires investments in staff and infrastructure. The progress achieved so far allows the Board to assume that significant yield increases in all key areas of the bank - also supported by the planned capital increase in 2014 - will lead to a slight profit in financial year 2014.

Free and Hanseatic City of Hamburg, in April 2014,
the Board of Directors of Varengold Bank AG



Yasin Sebastian Qureshi



Steffen Fix



M. H. Dastmaltchi



Dr. Bernhard Fuhrmann



Frank Otten

SEGMENT REPORTING



Reporting period 01Jan – 31 Dec 2013	Total	Capital Markets Brokerage	Asset Management	Private and company customers
	K EUR	K EUR	K EUR	K EUR
Interest income	312	249	40	23
Interest expense	187	185	2	0
Commission income	2,102	1,154	752	196
Fee and commission expense	68	0	68	0
Current income from shares, securities and investments	90	0	90	0
Net income in the trading portfolio	7,938	7,938	0	0
Net expense in the trading portfolio	4,842	4,842	0	0
Other operating income	59	31	28	0
Administrative expenses	8,741	7,538	664	539
Depreciation	1,609	1,211	393	5
Other operating expenses	487	470	17	0
Income from ordinary business activities	-5,433	-4,874	-234	-325

All three business segments achieved negative results in financial year 2013. The significant increase in losses in the division's capital markets brokerage as compared to financial year 2012 can be attributed to a variety of causes: reductions in commission income due to lower trading activity, accompanied by substantial increase in net income in the trading portfolio, clearly higher administrative expenses due to business expansion (e.g. London Branch), marketing and infrastructure costs (especially IT) from the license as a deposit-taking institution, special provisions in the depreciation and other operating expenses due to continuing a legal dispute with a former client as well as a provision for an old loan receivable in connection with the founding of a sales unit in Dubai.

The results of the division's asset management and private and corporate customer lending business remained at the previous year's level. Asset Management income resulted primarily from commission profits from Varengold Investment Stock Company with Sub-Funds. The income of this division is impacted by the revaluation of an investment that is included in the item depreciation.

The retail and corporate customer lending division in 2013 produced only low yields (the investment results of customer deposits on the assets side of the division is assigned to Capital Markets Brokerage). Operating expenses during the reporting period served to establish the necessary infrastructure in this business area.

AUDITOR'S REPORT

Objections within the meaning of Section 322 paragraph 2 sentence 1 No. 3 of the German Commercial Code should be raised to the Financial Statements to December 31, 2013, and not to the management report. We therefore grant an unqualified audit certification to the Financial Statements of Varengold Bank AG, Hamburg, December 31, 2013 (Appendix 1) and to the management report of the Company on December 31, 2013 (Appendix 2).

We have audited the financial statements - comprising the balance sheet, profit and loss account and the notes - with the bookkeeping system and the management report of Varengold Bank AG, Hamburg, for the business year from January 1 to December 31, 2013. The accounting records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the basis of our audit on the financial statements, including the accounting and the management report.

We conducted our audit in accordance with Section 317 HGB and promulgated by the Institute of Auditors (IDW) and generally accepted German auditing standards. Those standards require that we plan and perform the audit to detect misstatements materially affecting the presentation of operations in the annual financial statements in accordance with the principles of proper accounting and in the management report of the net assets, financial position and results, with reasonable assurance.

In determining the audit procedures, we took into account our knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements. During the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and management report are examined primarily on an evidence-sampling basis. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of the tests conducted, the financial statements comply with legal requirements and, in compliance with generally accepted accounting principles, give a true and fair view of the assets, financial and earnings position of the company. The management report is consistent with the financial statements as a whole, and provides a suitable view of the Company's position and suitably presents the opportunities and risks of applicable future developments.

Without qualifying our opinion, we draw attention to the comments in the annual report on the financial position of Varengold Bank AG.

Hamburg, May 14, 2014



NPP Niethammer, Posewang & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Sven Ole Raap
Wirtschaftsprüfer

Stephan Buchert
Wirtschaftsprüfer

CORPORATE INFORMATION

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Steffen Fix
M.H. Dastmaltchi
Dr. Bernhard Fuhrmann
Frank Otten

Supervisory Board
RA Hans J.M. Manteuffel (Chairman)
Willi Müller
Prof. Peter Andree

Corporate Register
District Court of Hamburg, HRB 73684

Regulatory authority
Varengold Bank AG is registered with the Federal Financial Supervisory Authority under number (109 520) 100 and its registration is published under www.bafin.de.

Approvals Varengold Bank AG

Varengold Bank operates an investment business within the meaning of Section 1, Para 1, Sentence 2, No. 1 of the Banking Act, credit business in accordance with Section 1, Sentence 2, No. 2 of the Banking Act for the purchase and sale of financial instruments in its own name and for outside accounts (financial commission business) in accordance with Section 1, Paragraph 1, Sentence 2, No. 4 of the Banking Act, depot business per Section 1, Paragraph 1, Sentence 2, No. 5 of the Banking Act as well as guarantee business per Section 1, Paragraph 1, Sentence 2, No. 8 of the Banking Act. In addition, Varengold Bank AG is licensed as an investment and acquisition brokerage according to Section 1, Paragraph 1a, Sentence 2, Numbers 1 and 2 of the Banking Act, investment advisor per Section 1, Paragraph 1a, Sentence 2, No. 1a of the Banking Act, investment management per Section 1, Paragraph 1a, Sentence 2, No. 11, of the Banking Act, financial portfolio management in the sense of Section 1, Paragraph 1a, Sentence 2, No. 3 of the banking act, as well as proprietary trading per Section 1, Paragraph 1a, Sentence 2, No. 4 of the Banking Act for its own account (Section 32, Paragraph 1a of the Banking Act), for factoring per Section 1, Paragraph 1a, Sentence 2, No. 9 of the Banking Act, and financial leasing in the sense of Section 1, Paragraph 1a, Sentence 2, No. 10 of the Banking Act.

Deposit insurance

Varengold Bank AG is part of the German Banks compensation scheme (EdB).



Notes on the content

This report was produced with the utmost care. Rounding, typographical and printing errors still cannot be excluded. With the addition of rounded amounts and percentages, rounding differences may occur. All names that were used only in the masculine form, shall apply *mutatis mutandis* in the feminine form. This report contains forward-looking statements. Forward-looking statements are statements that are not only historical facts, but they also include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections available to the Board of Varengold Bank AG at the time of preparation of this Annual Report. Forward-looking statements speak only as of the date on which they are made. We expressly point out that all of our forward-looking statements involve known or unknown risks and uncertainties, and are based on assumptions relating to future events beyond our control. We cannot accept any liability for the accuracy, completeness, or actual occurrence of the information. The Board assumes no obligation to update such statements to reflect new information or future events. A number of important factors could therefore cause actual results to differ materially from forward-looking statements. Such factors include a change in general economic conditions or the competitive environment, the threat of deterioration in earnings from special charges as well as the state of the financial markets, from which Varengold Bank AG achieves substantial portions of their income. This work is protected by copyright. All rights, especially the rights of distribution, reproduction, translation, reprinting and reproduction and storage in data processing systems are, even when only partially used, are reserved by Varengold Bank AG.

Varengold Bank AG

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