

# **Varengold Bank AG**

**based in Hamburg**

Securities Identification Code 547 930

ISIN-No. DE0005479307

We hereby invite the shareholders of our company to the

## **Extraordinary General Meeting**

on

**Thursday, 20 January 2015, 10.00 am**

**(Doors open at 9.30 am)**

at

Haus der Wirtschaft Service GmbH

Kapstadtring 10

22297 Hamburg.

**This English version of the agenda for the extraordinary general meeting is for information purposes only. Legally binding is solely the German version of the agenda.**

## **Agenda**

### **1. Resolution to amend the “Purpose of the Company” statute.**

At the time of notification of the invitation to the General Meeting, the Company currently plans to extend its business purpose to the operation of a multilateral trading system (§ Section 1. Sentence 1a No.2. 1b German Banking Act (KWG). The corresponding requests for compliance with regulatory financial supervision are currently being drafted and coordinated with the German Federal Financial Supervisory Authority (BaFin). The extension of the authorisation to operate a multilateral trading system will, among other things, facilitate a platform for the CFD und FX-business that is significantly more efficient. Contracts for Difference (CFDs) are difference contracts that offer the possibility of trading the change of course of financial products. The FX-or Forex operations constitute the world's largest over-the-counter foreign exchange trading in which currency pairs are traded against one another at all times)

The filing of a licensing application and a final decision from the BaFin are still pending. In view of a possible positive decision regarding the extension of its existing license, the Company yet seeks to obtain the consent of the General Meeting for an amendment. This presents the advantage for the company and its shareholders, in the event of a positive decision by the BaFin, that the work in the new business area can be accommodated as quickly as possible and, accordingly, no expenses for a further extraordinary General Meeting would be incurred.

The Articles of Incorporation in § Section 2(1) (Purpose of the Company) shall be amended. The following amendments to the articles of incorporation shall only be transmitted by the Management Board to the commercial registry in the event of the decision corresponding to a positive notice of compliance on behalf of the BaFin.

The Management Board and Supervisory Board recommend, in the event the licences applied for are granted, to amend § Section 2(1) of the Company's Articles of Association as follows and moreover to proceed as follows:

a) § Section 2(1) of the statute (Purpose of the Company) shall be amended as follows:

In § Section 2 1) of the statute under `the following financial services' a further indent shall be inserted which provides:

"the operation of a multilateral system that pools the interests of a large number of people in the purchase and sale of financial instruments within the system and according to specific provisions in such way as to lead to a contract to buy such financial instruments (operation of a multilateral trading system under § Section 1 (1a) Sentence 2 No.1b KWG)."

b) The Management Board is instructed, to file the aforementioned amendments to the Articles of Incorporation with the companies' register only if the German Federal Financial Services Regulatory Authority has granted the company the proposed licence extension and these amendments to the Articles of Incorporation should thus come into effect under the German banking Act.

c) Should the licence extension applied for not be granted before the next ordinary General Meeting, the aforementioned amendments to the articles of incorporation shall have lapsed. The Management Board is instructed in such case to not register the aforementioned amendments to the Articles of Incorporation with the companies' register.

## **2. Resolution concerning the remuneration of the Supervisory Board**

The requirements of a financial institution towards the Supervisory Board contain specific sectoral features that require a strong increase in the workload. The German Banking Act (*Kreditwesengesetz – KWG*) sets forth special substantive requirements for members of supervisory bodies in the institutes and contains provisions on the monitoring by the elected officers. The members of the supervisory bodies of an institute must thus be reliable, have the necessary expertise for performing its supervisory function as well as carrying out the assessment and monitoring of the business that the respective company owns and operates, and devote sufficient time to the execution of their duties. Furthermore, the supervisory body must as a whole have the knowledge, capacities and experience for performing the supervisory duties as well as for those that are necessary for the assessment and monitoring of the senior management of the institution.

The German Federal Financial Services Regulatory Authority ("BaFin") specifies corresponding additional requirements for time management (availability, in practice associated with a greater number of meetings) and advanced training: The members of the supervisory body must ensure that they always make their decisions on the basis of a current level of awareness. They must thus be constantly involved in changes within the company, for example with new legislation or developments in the field of financial products both within the company as well as on the market. There has been vigorous development in the

regulatory environment of the Banking sector since the onset of the economic and financial crisis. The work has been conducted at the highest regulatory level, the Financial Stability Board, and has not been concluded and must still be implemented at the European and national levels.

Moreover, the Supervisory Board is involved in Compliance-Risk Management under § Section 91(2) of the German Stock Corporation Act (AktG), since the BaFin requires a proactive approach from the supervisory body. This also requires that the members of the Supervisory Boards monitor and assess the company's business strategy and risk situation. It follows from there that the mandate holders, apart from participating in meetings and their preparation, also accompany the company between meetings as well, in particular where there is a significant change in the risk situation.

Before this backdrop, the compensation level decided in the Extraordinary General Meeting of 18 December 2012 by the Supervisory Board is considered no longer adequate.

Under § Section 11(1) of the Articles of Association of the Varengold Bank AG, the amount of payable annual compensation of the Supervisory Board after the end of the financial year is set by the General Meeting.

The management board and supervisory board thus propose to resolve:

“The Supervisory Board shall thus be entitled to total annual remuneration of EUR 300,000.00 (three hundred thousand euros). The Supervisory Board decides upon the allocation among its members with due regard of the activities of its members in chairmanship. The Company shall reimburse all members of the Supervisory Board for the expenses incurred and for turnover tax to be paid on their remuneration. The insurance premiums for the insurance policy taken out for the company for the members of the Supervisory Board, the Directors and Officers Liability Policy (so-called D&O insurance), shall be borne by the company.”

### **3. Resolution on the increase of the share capital against cash contributions under exclusion of the subscription right**

The Management Board and Supervisory Board recommend passing the following resolution:

"a) the share capital of the company which currently totals EUR 1,771,405.00, comprising 1,771,405 bearer shares without nominal value (no-par shares), will be increased in exchange for cash by up to EUR 176,963.00 to up to EUR 1,948,368.00 by issuing up to 176,963 new bearer shares without nominal value (no-par shares) with an equivalent amount in the share capital of EUR 1.00. The new shares will carry dividends from 1 January 2016. The legal subscription rights of the shareholders are excluded. A maximum of two (2) investors will be admitted to subscribe.

b) The Management Board shall be authorised, with the consent of the Supervisory Board, for specifying the further details of the capital increase and its execution, in particular the selection of a subscriber or subscribers, and the terms and conditions governing the issuance of shares. This also includes the setting of the subscription price ("issue price"). The subscription price must not substantially fall or fall below more than (3) percent ("discount") of the average closing stock exchange price of the company's shares on the Frankfurt Stock Exchange (Xetra trading) during the last five business days before setting of the issue price by the Management Board, and the closing price of the company's shares on the Frankfurt Stock Exchange (Xetra trading) on the day the issue price is set by the Management Board. The subscription price must amount to at least EUR 20.00 per share ("Minimum Amount").

c) The capital increase shall only be carried out if a minimum of 100,000 shares are subscribed. The registration of the implementation of the capital increase with the commercial register must be submitted to the commercial register no later than 20 July 2015. Otherwise, the resolution concerning the increase of the share capital is invalid.

d) The Supervisory Board shall be authorised to adjust the company's articles of incorporation that affect only the wording corresponding to the implementation of the cash capital increase."

**Report of the Management Board pursuant to §§ Section 186(4)(2) of the German Stock Corporation Act (AktG) on agenda item 3 to suspend subscription rights**

Pursuant to § Section 186 (4)(2) of the German Stock Corporation Act (AktG) the Management Board has prepared a written report concerning the reason for the exclusion of subscription rights. The material content of the Management Board Report is disclosed hereafter. In the General Meeting, the Management Board brought forth further data regarding the grounds for the submittal of the capital increase resolution.

"The exclusion of shareholders' subscription rights should be permitted if the prerequisites of § Section 186 (3)(4) of the German Stock Corporation Act (AktG) are met. This applies in particular if the capital increase against cash contributions does not exceed a total volume of 10% of the share capital and the stock market price does not fall significantly below the issue price for the new shares. This authorisation to exclude the subscription right shall put the Management Board and Supervisory Board in a position to take advantage of short-term favourable capital market conditions for strengthening the equity position. In particular:

(1) Capital limit

The proposed capital increase falls within the limits prescribed by law, the allowable amount of the increase (10% corresponding to 177,140 shares) will not be exceeded.

(2) Favourable capital market conditions

The cash capital increase resolved by the Extraordinary General Meeting on 15 January 2014 was successfully concluded. Altogether, 159,571 new shares were issued at a subscription price of EUR 20.00 per share and thus well above the then and also current market price. Entry in the commercial register was carried out on 18 June 2014. The placement was preceded by several intensive investor contacts, from which some investors have signalled interest and willingness to commit to a shareholding of up to 10% in the Varengold Bank AG at an issue price which, if necessary, is also above the market price. By waiving the time-consuming and costly subscription rights process, this opportunity could be exploited in the near future.

(3) The Company's interest in optimising proceeds

The Company is planning the operation, subject to authorisation, of a multilateral trading system (§ Section 1(1a)(2) No.1b KWG). Multilateral trading systems are market-like Networks that bring together a large number of suppliers and consumers on the financial market according to certain rules. Thus, under TOP 1, a corresponding addition to the company's Articles of Incorporation is proposed. The extension of the authorisation to operate a multilateral trading system will, among other things, facilitate a new platform for the CFD und FX-business that is significantly more efficient. Contracts for Difference (CFDs) are difference contracts that offer the possibility of trading the change of course of financial products. The FX-or Forex operations constitute the world's largest over-the-counter foreign exchange

trading in which currency pairs are traded against one another at all times) The submission of applications and a final decision by the Federal Financial Supervisory Authority are however still pending.

In the view of the Management Board and of the Supervisory Board, it is in the best interests of a sustainable future continuity of the company to promote the further strategic development of the company with shareholders' equity and incorporate a maximum of two new investors for this purpose. The new funds should be specifically employed for developing the multilateral trading system. In addition, the Commercial Banking and Asset Management business divisions as well as their product portfolios should be reinforced. Company interests would best be served this way. Further diversification of revenue sources through the new business segment will also strengthen the company's market position.

The exclusion of subscription rights is thus the appropriate and necessary means for taking advantage of the favourable situation described above (capital market conditions) and supplying equity capital to the company in the short-term and in the appropriate scope. In particular, could also benefit the company to set a subscription price significantly above the market price, which would not be allowed in a cash capital increase without exclusion of subscription rights. It is additionally significant for the Management Board in this context that together with the Investor or investors who have up until now expressed an interest in the subscription to the Management Board, there exists a real possibility for the company to unlock new markets and attract new customers.

#### (4) Issue price of the new shares

The issue price, in order to best reduce the costs of raising capital while obtaining higher transaction security, must not substantially fall or fall below more than (3) percent ("discount") of the average closing stock exchange price of the company's shares on the Frankfurt Stock Exchange (Xetra trading) during the last five business days before setting of the issue price by the Management Board, and the closing price of the company's shares on the Frankfurt Stock Exchange (Xetra trading) on the day the issue price is set by the Management Board. The subscription price must amount to at least EUR 20.00 per share ("Minimum Amount"). On 9 December 2014 (2.15pm) Varengold Bank AG was quoted at EUR 14.310 (Xetra).

#### (5) The proper issue price

The issue price is in terms of the inner or as the case may be, on the basis of value assigned by so-called "Stock Exchange Multiples" ("Equity-Value" – so-called "simplified business appraisal") appropriate for the stock since every share is significantly below the issue price:

An analysis of the Price/Book value ratio ("P/B") as a substance oriented performance indicator for assessing the market valuation of the Company reveals that an issue price of EUR 20.00 would be the most profitable for the Company. At 31 December 2013 the book value per share was EUR 5.92 with a P/B of 1.35. At 30 June 2014, the book value per action corresponded to EUR 6.67 with a P/B of 1.99. On the basis of 30 June 2014, an issue price of EUR 20.00 with a book value per share of EUR 6.67 corresponded to a P/B of 3.30. An additional minimum issue amount of EUR 20.00 was voted. This was significantly higher than the market price prior to convening the General Meeting. On 9 December 2014 (2:15pm) Varengold Bank AG was quoted at EUR 14.310 (Xetra). It is further agreed that that the issue price must fall or more than (3) percent of the average closing stock exchange price of the company's shares on the Frankfurt Stock Exchange (Xetra trading) during the last five business days before setting of the issue price by the Management Board, and the closing price of the company's shares on the Frankfurt Stock Exchange (Xetra trading) on the day the issue price is set by the Management Board.

The company's shares are listed in the Entry Standard of the German stock market and will be traded among other things on the Xetra platform. Shareholders not participating in the capital increase willing to acquire have in principle the option for maintaining their relative participation in the company via the stock exchange of obtaining shares or, for example, in the event that shareholders want to wholly or partially reduce their shareholding in the company on the basis of the shift in the shareholder structure.

With a view to the issue price and in accordance with legal requirements, the Management Board declared that a potential investor or investors shall in no way be granted an issue price exceeding the market price or as compensation for other pecuniary benefits.

(6) Consideration of company interests as well as shareholders' needs

Upon careful consideration of the circumstances described above, the Management Boards and the Supervisory Board are convinced that the exclusion of the subscription right of the shareholders under § Section 186(3)(4) of the German Stock Corporation Act (AktG) – even bearing in mind the fundamental adverse dilution effect for the remaining shareholders – is

provided as objectively justified, suitable, appropriate and in the interest of the company , without being inappropriately disadvantageous to the interests of the remaining shareholders. Moreover, the new shares will carry dividends from 1 January 2016.

In the consideration of the Management Board and Supervisory Board the fact that there is a lack of alternatives that could be executed in the short-term also exerted particular influence. A rights issue would have the disadvantage that it would be impossible to take advantage of favourable conditions on the capital market and issue the shares at a subscription price significantly higher than the market price. The pecuniary and voting right interests of shareholders are thus protected"

## **Number of voting shares**

The total number of the shares that are each entitled to one vote comes to 1,771,405 at the date of this convocation to the General Meeting.

## **Participation requirements**

Only those shareholders who notify in due time the proof of ownership of shares to the General Meeting shall be entitled to attend the General Meeting, to exercise the right to vote and to table motions. The registration must be in writing (§ 126 BGB) or in text form (§ 126b BGB) in either the German or English language. Shareholders shall indicate their authorisation to attend the General Meeting with a certificate by the depository institution of their shareholdings drawn in text form (§ 126b BGB) in either the German or English language and at the beginning of the 21st day prior to the General Meeting, i.e. **Thursday, 30 December 2014, at midnight 24:00 hours**. The registration and share ownership certificate must be received no later than **Thursday, 13 January 2015, midnight**, at the following address:

Varengold Bank AG  
c/o Bankhaus Gebrüder Martin AG  
Securities Processing  
Kirchstrasse 35  
73033 Göppingen  
Fax: 07161-969317  
E-Mail: bgross@martinbank.de

## **Proxy voting**

Voting rights can be exercised by proxy, for example a credit institution, a shareholders' association or any other third party, as well as by a proxy voting representative appointed by the company. The granting of a power of attorney, its revocation and proof of the power of proxy to the company must be in text form (§ 126b BGB). The revocation can also be carried by a personal appearance in the General Meeting. Should a shareholder appoint more than one proxy, the Company can dismiss one or more of them. A proxy form may be found on the back of the admission ticket.

For granting proxy to a credit institution, shareholders' association or entity under § German Stock Corporation Act 135 (AktG) or an equivalent person or Institution, there are special

provisions; shareholders are requested in such case to consult with the proxy in due time as to the form of proxy that such person may require.

### **A Company nominated proxy**

We offer our shareholders a proxy appointed by the Company to be authorised even before the General Meeting. The shareholders who wish to grant proxy powers to the proxy nominated by the Company must register for such by the due date of the General Meeting. The proxy designated by the Company is available only for the voting proxy and not for exercising other rights. Inasmuch as proxies appointed by the Company are granted power of proxy, they must be given instructions regarding how to exercise the voting rights. The notice of power of attorney by proxies who are appointed by the Company is excluded when there are no underlying special instructions. The proxy empowered by the Company is obligated to vote as instructed. Please find these powers of attorney and instructions to the proxy appointed by the company together with the admission ticket with to the General Meeting (a copy suffices) must be sent for organisational reasons no later than **Friday, 16 January 2015** (date of receipt by the Company) to the following address:

Varengold Bank AG  
Investor Relations – aoHV 2015  
Große Elbstraße 27  
22767 Hamburg  
Fax: 040 – 668649 – 49  
E-Mail: hv@varengold.de

As an alternative, it could be handed over to the proxy representative during the General Meeting. Shareholders may find a form for issuing power of attorney and voting instructions to the proxy representative appointed by the company at the Internet address [www.varengold.de](http://www.varengold.de) under the heading "About Us" and then under "Investor Relations", further under "Financial Calendar and General Meeting", available for downloading; or they may be requested by telephone weekdays (Mon. – Fri.) between 9:00am and 17:00am at: 040 / 66 86 49 - 0.

### **Motions and election proposals from shareholders**

Motions from shareholders under § 126 of the German Stock Corporation Act (AktG) or election proposals under § 127 of the German Stock Corporation Act (AktG) are to be delivered exclusively to the following address:

Varengold Bank AG  
Investor Relations – aoHV 2015  
Große Elbstraße 27  
22767 Hamburg  
Fax: 040 – 668649 - 49  
E-Mail: hv@varengold.de

Counter motions or proposals of candidates by shareholders that are received at the aforementioned address no later than **midnight 24:00 hours on Monday, 5 January 2015**, will be made available in accordance with the requirements of §§ 126, 127 of the German Stock Corporation Act (Aktiengesetz) at the Internet address: [www.varengold.de](http://www.varengold.de) under the heading, "About us", in the "Investor Relations" section and then in the "Financial Calendar and Annual General Meeting". You will also find any comments by management posted there.

Hamburg, December 2014

Varengold Bank AG  
The Management Board