Varengold
BANK

Annual Report 2024

Key data

Key figure per share	31/12/2024 in EUR	31/12/2023 in EUR
Earnings per share	-0.16	1.45
Market capitalisation	26,915,280	30,932,486

Profit and Loss Account	1/1/2024 to 31/12/2024 in TEUR	1/1/2023 to 31/12/2023 in TEUR
Interest income	40,833	42,887
Current income from shares and other variable-yield securities and shares in affiliated companies	440	422
Commission result	4,437	20,095
Other operating income	1,892	2,628
Administrative expenses	-38,930	-37,984
Depreciation, amortisation and write-downs	-4,543	-140
Transfer to fund for general banking risks	-4,000	-5,400
Income from ordinary business activities	129	22,506
Year-end result	-1,576	14,523

Balance Sheet	31/12/2024 in TEUR	31/12/2023 in TEUR
Total assets	1,004,544	1,353,852
Equity capital	77,836	79,411

Preliminary remarks

The sections in this Annual Report relate solely to the mandatory disclosures required in the context of publishing the annual financial statements for the 2024 financial year. The additional voluntary content published in previous Varengold Bank AG annual reports unfortunately had to be omitted when writing this Annual Report. The reason for this is the delayed audit of the annual financial statements and therefore the audit report, and consequently the intention was to fulfil the obligation to publish as quickly as possible based on the minimum requirements.

Contents

Letter to shareholders

Dear Shareholders,

The 2024 financial year was another demanding year with considerable challenges, comprehensive changes and decisive developments. Despite the adverse impact of one-off effects (provisions and allocation to contingency reserves) that were recognised retrospectively, the operating result before taxes remained consistent at around TEUR 129. At the same time, at TEUR 51,288, net income was down around 23% year-on-year (2023: TEUR 66,682). In spite of extensive cost-cutting, administrative expenses of TEUR 38,930 remained at the previous year's level (2023: TEUR 37,984), as provisions were formed for severance payments to the members of the Board of Managing Directors who left at the beginning of March 2025. Without this one-off effect, administrative expenses would have been 17.25% below the previous year's level.

For Varengold Bank, 2024 was initially marked by the ongoing special audit and the close co-operation with the special representative KPMG. In addition to the resulting focus on optimising risk management, the initiation of projects required by the regulatory authorities and the appointment of the auditing firm PKF Treuwerk AG as the new auditor were also on the agenda.

The election of the new Chairman of the Supervisory Board, Dirk Auerbach, in August 2024 saw the focus shift to the Bank's realignment. In September 2024, the Board of Managing Directors and Supervisory Board began adjusting the business model, focusing on the supply of credit as the anchor product. As well as the established Marketplace Lending division, the financing of projects in the energy transition space was also expanded. The Bank also made significant progress, particularly in resolving legacy issues identified in the special audit and in the course of this completely discontinued payment transactions with a connection to Iran for the processing of humanitarian imports.

In March 2025, the realignment that had already been initiated was continued at a rapid pace with the restructuring of the Supervisory Board and the Board of Managing Directors. The current financial year will be a year of transformation. The need for business transformation rarely arises from a single reason – it is triggered by the interplay of external requirements and internal factors. There have been various triggers at Varengold too that have highlighted the need for systematic change. By making this change, we can now make targeted use of existing strengths and structures for the direction we take going forward. We have an established business division with a strong market position in the 'Corporate Clients/Fintech' division (formerly Marketplace Banking), which we are expanding into other market areas, such as energy in transition, thanks to our excellent lending and structuring expertise. Regulatory expertise and many years of experience in innovative and dynamic markets strengthen our profile and form a solid foundation for growth and innovation.

Varengold Bank has potential, and we are developing a shared perspective on how to exploit this: We envisage a modern, innovative and profitable specialist bank – an agile speedboat equipped with efficient, digitalised and transparent processes. A bank that supports fintechs as well as young and young-at-heart companies with product and market expertise to achieve their growth targets. In order for this perspective to become a reality, we need a clear strategy, which we are currently finalising together with our team and external experts.
Our goals, dear shareholders, can only be achieved thanks to your support and the extraordinary commitment of our employees. Our special thanks therefore go to all our colleagues - for their tireless efforts, high level of motivation and not least for the openness and trust they have shown in us within such a short time. They gave us a warm welcome and laid the groundwork for a successful start. Thanks to this strong

team spirit, we have succeeded in maintaining the trust of our customers and building new, valuable relationships. We will continue to face big changes and challenges in 2025. Transformation is not an easy path - but it offers great opportunities. With a dedicated team at our side, we are confident and eagerly looking forward to what lies ahead.

Hamburg, August 2025

Yours faithfully,

Matthias Wargers
Spokesperson for the Board of Managing Directors

Hendrik Harms
Board of Managing Directors

Supervisory Board Report
About the 2024 financial year

Dear Shareholders,

A look at the economic situation in 2024 clearly shows that the general challenges were as significant as ever and comparable to the complex framework conditions under which our bank had to operate.

The ongoing war between Russia and Ukraine continued to show no signs of coming to an end any time in the near future. The military clashes between Hamas and Israel in the Gaza Strip continued throughout the year. Moreover, the ruler of Syria was overthrown in December 2024, which led to a further unstable political situation. Along with the wide-ranging consequences of these conflicts, persistent inflation and the effects of key interest rate hikes by central banks such as the European Central Bank (ECB) and the US Federal Reserve (FED) contributed to the global economy losing further momentum in 2024. The re-election of Donald Trump in the US presidential election also contributed significantly to global uncertainty.

In spite of this, the financial markets remained stable and European banks were largely spared major defaults. At the same time, regulatory requirements increased. In addition to the previous focus on interest rate risks and IT and cyber security, ESG criteria (environmental, social and governance) also became increasingly important.

For Varengold Bank, the past year was once again characterised by the special audit in accordance with Section 44 of the German Banking Act (KWG) and the associated knock-on effects and delays at various levels. The audit of the financial statements for the 2023 financial year by PricewaterhouseCoopers GmbH, for example, could not begin until June 2024 following receipt of the unqualified audit opinion for 2022. This in turn meant that the new auditors, PKF Treuwerk AG, were not able to start the main audit for the 2024 financial year until March 2025. For further details of the special audit, please see the relevant statements in the Management Report for the 2024 financial year.

Cooperation between the Supervisory Board and the Board of Managing Directors in 2024

Throughout 2024, the Supervisory Board performed its legal and statutory duties with great care and to the best of its knowledge and belief. It followed the Bank's development closely during its independent term of office. Strategic developments and business decisions were discussed at great length and monitored closely in conjunction with the Board of Managing Directors. Its monitoring objectives were based on statutory requirements and were adapted to internal and external developments as required. The criteria for this monitoring included the legality, regularity, expediency, strategic relevance, sustainability and economic efficiency of the Board of Managing Directors' management. In addition, the Board of Managing Directors' rules of procedure include an inventory of transactions and measures for which the Board of Managing Directors must obtain the approval of the Supervisory Board.

The Supervisory Board was always adequately informed and received, among other things, monthly written reports on the financial situation as well as quarterly reports on the Bank's risk situation. All Internal Auditing reports, compliance reports and, depending on the individual case, additional documents, were also made available to the Supervisory Board. The regular, comprehensive and timely written and verbal reports provided by the Board of Managing Directors to the Supervisory Board complied with the requirements pursuant to Section 90 of the German Stock Corporation Act (AktG). Outside of meetings, the members of the Supervisory Board and the Board of Managing Directors also engaged in lengthy discussions on strategic options and current business policy issues. The Board of Managing Directors always answered the Supervisory Board's questions in detail and satisfactorily. In order to expand the information base and gain its own impressions of the company's development, the Supervisory Board also obtained information from the Bank's senior managers, Internal Auditing, external advisers and the competent supervisory authorities.

Supervisory Board Meetings in 2024

A total of five Supervisory Board meetings were held in the past financial year, on 22 April 2024, 20 June 2024, 13 August 2024, 10 September 2024 and 18 December 2024. All of the meetings were attended by all members of the Supervisory Board, both members of the Board of Managing Directors, the Chief Operating Officer/Representative Director and, depending on the matters under discussion, guest speakers from the respective specialist departments. At its regular meetings, the Board of Managing Directors typically reported to the Supervisory Board on current developments in the financial and economic situation as well as on risk controlling and compliance matters.

At the Supervisory Board meeting on 22 April 2024, in addition to the typical reporting by the Board of Managing Directors, discussions centred in particular on the current status of the audit of the 2022 financial statements, the special audit in accordance with Section 44 KWG and the 2024-2026 business plan. The Supervisory Board meeting on 20 June 2024 to discuss the accounts focused on the approval of the 2023 financial statements. At the constituent meeting on 13 August 2024, the new Chairman of the Supervisory Board was elected and appointments made for expert roles on the Audit Committee. The agenda for the meeting on 10 September 2024 included a review of the Bank's business performance and, in particular, an analysis of the business model. At this meeting, the course was finally set for a consistent realignment of the Bank. In order to hone its profile and adapt to changing circumstances, a decision was made here to immediately discontinue payment transactions with Iran for the processing of humanitarian goods. Furthermore, the status of the 2023 audit of the annual financial statements and developments in connection with the special audit and cooperation with the special auditor KPMG were also discussed. These topics were on the agenda again at the last meeting on 18 December 2024 and were discussed further.

In addition to these joint meetings of both boards, the Supervisory Board also held occasional telephone and video conferences. At these meetings, the topics from the joint meetings were followed up and the topics for upcoming joint meetings were prepared. Moreover, further resolutions were passed in a written circulation procedure in accordance with Article 12 (2) of Varengold Bank AG's Articles of Association.

Personnel

At the request of the Board of Managing Directors, Marcus Columbu was legally appointed as a member of the Supervisory Board with effect from 6 July 2023 until the end of the company's next Annual General Meeting. In a resolution passed by the Annual General Meeting on 13 August 2024, Dirk Auerbach was ultimately elected to the position. Furthermore, on the same day, the Supervisory Board appointed Mr Auerbach from among the members as its Chairman and former Chairman Dr Karl-Heinz Lemnitzer as Vice Chairman. Dr Lemnitzer resigned his position for personal reasons with effect from 21 January 2025. At the request of the Board of Directors, Tobias M. Weitzel was then legally appointed as a member of the Supervisory Board of Varengold Bank AG and subsequently elected and ratified by the Annual

General Meeting on 29 April 2025. This provided the Board with additional business expertise.

A significant milestone in the Bank's further development was the appointment of a new Board of Managing Directors in March 2025. Dr Bernhard Fuhrmann and Frank Otten left the company by mutual agreement with the Supervisory Board. Matthias Wargers took on the role of Board spokesperson on the Front Office side, supported by the second Board member Hendrik Harms on the Back Office side. A fresh strategic focus and new leadership will position the realigned Varengold Bank for the future so that it can continue the transformation journey it has embarked upon responsibly.

Audit Committee

The Supervisory Board of Varengold AG set up an Audit Committee on 1 January 2022, based on the Financial Market Integrity Strengthening Act (FISG). In accordance with the regulations, this committee is formed automatically by the three members of the Supervisory Board. The responsibilities of the Audit Committee are derived from those of the Supervisory Board. Pursuant to Section 100 (5) AktG, two financial experts are represented on this committee, one for accounting and one for auditing. The Audit Committee primarily monitors the quality of the audit of the annual financial statements and checks the independence of the auditors. The Audit Committee is also entitled to receive information directly from the Bank's middle management. Due to the size of the company and the fact that the Supervisory Board only has three members, the Supervisory Board refrained from forming additional committees in the 2024 reporting year.

Varengold Bank was not obliged to issue a Europe-wide invitation to tender when appointing the auditor for the 2024 financial year. This meant that the criteria pursuant to Article 16 (3) of Regulation (EU) No 537/2014 were relevant to the tender. An exception to the regulations based on size does not apply to Varengold Bank. In a resolution dated 2 February 2024, the Audit Committee of Varengold Bank transferred the organisation of the selection process and the original tasks of the Audit Committee as part of the selection process to the Board of Managing Directors and an internal audit team.

Award of audit assignment to PKF Treuwerk AG

Based on a resolution of the Annual General Meeting on 13 August 2024, the Chairman of the Supervisory Board commissioned auditing firm PKF Treuwerk AG, Hamburg, in a letter dated 14 August 2024 to perform the audit of the annual financial statements of Varengold Bank AG for the financial year 1 January to 31 December 2024, including the accounts and the management report, in accordance with Section 340k in conjunction with Sections 316 et seq. of the German Commercial Code (HGB). The audit mandate itself contained clear regulations regarding the scope of the audit, performance of the audit and constructive cooperation. In a letter dated 28 June 2024, the auditor declared that there were no business, financial, personal or other relationships that could cast doubt on its independence. The Federal Financial Supervisory Authority also defined an additional key focus area for the audit in an order issued on 14 April 2025. This included an assessment of the recoverability of Varengold Bank's Bulgarian loan exposures, the formation of borrower units in this regard and compliance with the regulations for intra-entity loans.

Adoption of the 2024 annual financial statements

PKF Treuwerk AG audited the annual financial statements as at 31 December 2024 (consisting of balance sheet, profit and loss account and notes) and the management report for the 2024 financial year, which were prepared in accordance with the provisions of the German Commercial Code. In preparation for the Supervisory Board meeting on 13 August 2025 to discuss the accounts, the draft audit report was presented to the Supervisory Board for perusal and review. In the run-up to this Supervisory Board meeting on 13 August 2025, an in-depth and constructive exchange took place between the Board of Managing Directors, the auditors and the Chairman of the Supervisory Board. The report was discussed in detail at the joint meeting. Following its own review, the Supervisory Board fully endorsed the audit findings.

In accordance with the unanimous resolution of the Supervisory Board on 13 August 2025, the audited annual financial statements of Varengold Bank AG as at 31 December 2024, which were issued with an unqualified audit opinion by the auditor, were approved pursuant to Article 12 in conjunction with Article 22 of Varengold Bank AG's Articles of Association following a final review by the Supervisory Board, and are thus deemed to have been adopted.

In addition, the Supervisory Board approved the Board of Managing Directors' proposal to offset the net loss for the year of EUR 1,575,780.33 against the existing profit carried forward and to carry the current net profit of EUR 23,068,712.46 to a new account and therefore not to distribute a dividend for the 2024 financial year.

The Supervisory Board would like to express its sincere appreciation and special thanks to the Board of Managing Directors and the entire workforce for their tireless commitment, loyalty and hard work. With its sights firmly set on the future, the Supervisory Board believes that Varengold Bank is well positioned thanks to its strategic realignment, proactive vigilance in the face of changes in the market and consistent compliance with regulatory requirements. These factors form the foundation for stable, responsible and sustainable growth. The Bank's strategy profile is currently being further developed and put into operation with the help of external experts in order to position Varengold as a specialist bank offering structured financing solutions to young, growth-oriented companies in the fintech and energy transition sectors.

In 2025, we will face significant changes that will open up completely new opportunities for us. With such a motivated team led by highly experienced and committed Board members, we are looking forward to what lies ahead with confidence and anticipation. Given this context, the Supervisory Board considers the Bank to be in a solid position to continue shaping its long-term development successfully whilst exercising corporate responsibility.

13 August 2025

On behalf of the Supervisory Board:

Dirk Auerbach
Chairman of the Supervisory Board

Annual financial statements as of 31/12/2024

In accordance with the German Commercial Code (HGB).

For the financial year from 1 January 2024 to 31 December 2024.

Varengold Bank AG
Große Elbstraße 39
22767 Hamburg, Germany

Balance Sheet

As of 31 December 2024.

Assets		**EUR**	**Financial year EUR**	**Previous year EUR**
1.	Cash reserve			
	a) Cash and cash equivalents	1,769.49		2,151.53
	b) Balances at central banks	5,960,839.79		2,619,139.73
			5,962,609.28	2,621,291.26
	↳ of which: at the Bundesbank EUR 5,920,000.00 (EUR 2,570,658.04)			
2.	Loans and advances to banks			
	a) Due on demand	390,819,395.09		792,932,817.74
	b) Other receivables	26,843.01		11,190.48
			390,846,238.10	792,944,008.22
3.	Loans and advances to customers		447,917,458.34	383,318,219.33
	↳ of which: public sector loans EUR 48,369,995.48 (EUR 85,394,191.35)			
4.	Bonds and other fixed-income securities			
	a) Bonds and debt securities			
	aa) From public issuers	17,674,191.58		16,394,705.92
	↳ of which: acceptable as collateral at the Bundesbank EUR 17,584,392.00 (EUR 16,210,356.72)			
	ab) From other issuers	31,641,640.24		7,843,858.36
	↳ of which: acceptable as collateral at the Bundesbank EUR 0.00 (EUR 1,387,057.00)			
			49,315,831.82	24,238,564.28
5.	Shares and other variable-yield securities		65,041,153.71	92,273,643.77
6.	Participating interests		47,913.03	4,271,082.22
7.	Shares in affiliated companies		750,000.00	750,000.00
8.	Trust assets		30,479,139.49	34,987,307.49
	↳ of which: trust loans EUR 30,479,139.49 (EUR 34,987,307.49)			
9.	Intangible assets			
	a) Concessions acquired against payment, intellectual property rights and similar rights and assets, as well as licenses to such rights and assets		28,544.00	45,468.00
10.	Property, plant and equipment		148,788.50	185,246.50
11.	Other assets		13,074,554.30	18,013,290.79
12.	Prepaid expenses and deferred charges		931,511.64	204,006.78
Total assets			**1,004,543,742.21**	**1,353,852,128.64**

Assets		EUR	Financial year EUR	Previous year EUR
1.	Bank loans and overdrafts			
	a) Due on demand	453,739.29		75,090,427.42
	b) With agreed term or period of notice	356,078.67		332,340.09
			809,817.96	75,422,767.51
2.	Amounts due to customers			
	a) Other liabilities			
	aa) Due on demand	379,972,470.00		728,545,375.57
	ab) With agreed term or period of notice	460,378,077.96		386,876,626.64
			840,350,547.96	1,115,422,002.21
3.	Trust liabilities		30,479,139.49	34,987,307.49
	↳ of which: trust loans EUR 30,479,139.49 (EUR 34,987,307.49)			
4.	Other liabilities		2,542,580.10	2,513,281.00
5.	Deferred income		216,370.62	427,469.59
6.	Provisions			
	a) Provisions for pensions and similar obligations	1,711,117.00		1,601,000.00
	b) Provisions for taxes	23,730.00		2,770,668.00
	a) Other provisions	31,174,818.97		25,896,232.40
			32,909,665.97	30,267,900.40
7.	Instruments of additional regulatory core capital		5,000,000.00	5,000,000.00
8.	Fund for general banking risks		14,400,000.00	10,400,000.00
9.	Equity capital			
	a) Subscribed capital		10,043,015.00	10,043,015.00
	b) Capital reserves		44,705,492.65	44,705,492.65
	c) Reserves			
	ca) Statutory reserve	1,700.00		1,700.00
	cb) Other retained earnings	16,700.00		16,700.00
			18,400.00	18,400.00
	d) Net profit		23,068,712.46	24,644,492.79
Total equity and liabilities			**1,004,543,742.21**	**1,353,852,128.64**
10.	Contingent liabilities			
	a) Liabilities arising from guarantees and warranty agreements EUR 7,224,522.66 (EUR 820,550.00)			
11.	Other obligations			
	a) Irrevocable loan commitments EUR 57,357,795.19 (EUR 47,988,225.47)			

Profit and Loss Account

For the period 1 January 2024 to 31 December 2024.

		EUR	Financial year EUR	Previous year EUR
1.	Interest income from			
	a) Lending and money market transactions	52,366,081.93		49,562,936.58
	b) Fixed-income securities and debt register claims	1,536,022.52		721,024.03
			53,902,104.45	50,283,960.61
2.	Interest expenses		13,069,216.58	7,397,329.56
			40,832,887.87	42,886,631.05
3.	Current income from			
	a) Shares and other variable-yield securities		440,000.00	421,629.45
4.	Commission income	5,422,239.93		22,520,456.76
5.	Commission expenses	985,023.01		2,425,559.51
			4,437,216.92	20,094,897.25
6.	Other operating income		5,577,648.79	3,277,841.89
7.	General administrative expenses			
	a) Personnel costs			
	aa) Wages and salaries	16,134,522.93		10,925,294.37
	ab) Social security contributions and expenses for pensions and other employee benefits	1,585,499.34		2,024,079.13
			17,720,022.27	12,949,373.50
	↳ of which: for pensions EUR 566,352.96 (EUR 739,180.83)			
	b) Other administrative expenses		21,209,806.70	25,034,731.26
			38,929,828.97	37,984,104.76
8.	Depreciation and amortisation of intangible assets and property, plant and equipment		60,505.80	86,969.38
9.	Other operating expenses		3,685,603.67	650,339.86
10.	Depreciation and write-downs of receivables and certain securities and allocations to provisions in the lending business		5,065,602.81	380,425.43
11.	Allocation to fund for general banking risks in accordance with Section 340g HGB		4,000,000.00	5,400,000.00
12.	Income from write-ups of participating interests, shares in affiliated companies and securities treated as assets		582,945.86	327,056.40

		EUR	Financial year EUR	Previous year EUR
13.	**Income from ordinary business activities**		129,158.19	22,506,216.61
14.	Taxes on income and earnings	1,704,378.52		7,982,454.25
15.	Other taxes	560.00		684.82
			1,704,938.52	7,983,139.07
16.	**Net loss for the year (previous year: Net profit**		1,575,780.33	14,523,077.54
17.	Profit carried forward from previous year		24,644,492.79	10,121,415.25
18.	**Net profit**		23,068,712.46	24,644,492.79

Notes

For the period from 1 January to 31 December 2024

Preliminary remarks

The unqualified audit opinion on the 2023 annual financial statements and the 2023 Management Report was issued on 4 March 2025.

There may be rounding differences of +/- one unit for computational reasons.

1 General disclosures

The annual financial statements have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB), the German Stock Corporation Act (Aktiengesetz, AktG) and the Regulations on Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV).

To improve clarity and transparency, disclosures relating to multiple items continue to be presented in general terms covering these items, in deviation from Section 284 (1) sentence 1 HGB.

The Bank has at least one subsidiary within the meaning of Section 290 (1) clause 2 HGB and would therefore be required in principle, in accordance with Section 340i (1) in conjunction with Section 290 (1) clause 1 HGB, to prepare consolidated financial statements.

All subsidiaries (in accordance with Section 290 (1) clause 2 HGB in conjunction with Section 290 (2), (3) HGB) are individually or collectively of minor importance in terms of presenting a true and fair view of the net assets, financial position and earnings performance of the Group. Therefore, all subsidiaries are not required to be included in the consolidated financial statements pursuant to Section 296 (2) HGB. The Bank makes use of Section 290 (5) HGB and therefore does not prepare consolidated financial statements.

2 Accounting and valuation methods

The accounting and valuation methods are unchanged from the previous year, unless explained otherwise below.

Items in the balance sheet and profit and loss account without an amount have been omitted in accordance with Section 265 (8) HGB for ease of reference.

Assets and liabilities are measured in accordance with the provisions in Sections 252 et seq. HGB and also those in Sections 340 et seq. HGB.

Cash and cash equivalents and Balances at central banks are stated at nominal value. Overnight deposits at the Bundesbank are recognised as loans and advances to banks.

Loans and advances to banks and customers are generally recognised at nominal value or at cost.

Where necessary, possible default risks are covered by the formation of provisions for losses on individual accounts. The amount of risk provisioning for each case of default risk is based on the difference between the book value of receivables and the probable recoverable amount. Bad debts are written off. Latent lending risks are carried through the formation of general bad debt provisions. General bad debt provisions are calculated in accordance with the accounting standard of the expert banking committee at the Institute of Public Auditors in Germany (IDW), IDW RS BFA 7 (Risk provisions for foreseeable, not yet individually specified default risk in the lending business of banks ('general bad debt provisions') based on an estimate of expected losses arising from the failure to meet contractual capital and interest obligations at the originally agreed amount or on the originally agreed payment dates over the remaining term (expected loss); proceeds from the realisation of loan collateral that has been received are factored into the calculation.

The structured financial instruments included in loans and advances to customers from the granting of loans and share options against cash payment without obligation to exercise are recognised uniformly in accordance with IDW accounting standard HFA 22 (For uniform or separate accounting of structured financial instruments), as both the underlying instrument and the derivative are subject to the same risks. When the options are exercised, the acquisition cost of the assets is determined by the cash payment for exercising the option.

On the reporting date, there were open share option transactions without an obligation to exercise. These options are not used to cover interest rate, exchange rate or market price fluctuations and are not used for trading purposes. Open transactions are intended for the acquisition of further shares in existing participating interests.

If they are allocated to fixed assets, bonds and other fixed-income securities are measured in accordance with the moderate lower of cost or market principle. If they are allocated to the liquidity reserve, they are measured using the strict lower of cost or market principle.

If they are allocated to fixed assets, shares and other variable-yield securities are measured at cost in accordance with the moderate lower of cost or market principle. If they are allocated to the liquidity reserve, they are measured using the strict lower of cost or market principle.

Participating interests and shares in affiliated companies are measured at cost in accordance with the rules applicable to fixed assets, and in the event of an expected permanent reduction in value, at the lower fair value minus any decreases in value.

Trust assets and liabilities are recognised at nominal value.

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

Low value assets purchased at acquisition costs of between EUR 250 and EUR 1,000 are entered as a compound item under assets and depreciated at a rate of one fifth in the financial year in which they are formed and in each of the following four financial years. Assets with a value of less than

EUR 250 are treated as an immediate operating expense.

Other assets are stated at their nominal value. Individual loss provisions are formed for doubtful items where necessary.

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

Liabilities are recognised at their settlement amount.

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

Provisions for pensions and similar obligations are recognised in accordance with the actuarial report of Funk Vorsorgeberatung GmbH, Hamburg, and mainly serve to provide for surviving dependants. Valuation is based on recognised actuarial principles using the projected unit credit method (PUC method). The 2018 G mortality tables by Prof. Klaus Heubeck were used as the basis for biometric calculation. The calculation was based on a salary and pension trend of 2.0% and an average fluctuation of 10% or 15%, depending on the group of beneficiaries. An average remaining term of 15 years was assumed for discounting in accordance with Section 253 (2) sentence 2 HGB. An average market interest rate of the past ten years determined by the Bundesbank on the reporting date in accordance with Section 253 (2) sentences 2, 4 and 5 HGB of 1.90% (previous year: 1.82%) was used as the discounting factor.

Provisions, including provisions for taxes, are recognised at the settlement amount required in accordance with reasonable commercial judgement.

Interest-related transactions in the bank book are assessed annually in their entirety for excess liability. A present value-based approach is used here taking account of the risk and administrative costs that are likely to be incurred. The assessment showed that there was no excess liability arising from interest-related transactions in the bank book (interest book) for the financial year and therefore no need to recognise a provision for anticipated losses.

The relevant instruments of additional regulatory core capital are measured at their nominal amount. Interest is accrued in accordance with contractual arrangements and recognised under Other liabilities.

The Bank recognises a special item for general banking risks in accordance with Section 340g HGB to counter the specific general risks associated with its banking business. Contingent liabilities and Other obligations are recognised at their nominal amount.

Income and expenses are deferred on an accrual basis.
The Bank exercises its right to vote on the cross-offsetting option in accordance with Section 340f (3) HGB in conjunction with Section 32 RechKredV and in accordance with Section 340c (2) HGB in conjunction with Section 33 RechKredV.

3 Currency translation

Receivables and liabilities in foreign currency are initially measured at the European Central Bank (ECB) reference rate.

There are both transactions in foreign currency with or without separate hedging.

The company manages its currency hedging through an independent treasury fund.

For transactions without separate hedging, the results from currency translation are not offset by hedging transactions in the profit and loss account. Currency results are recognised in other operating expenses.

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

Some of the foreign currency receivables are separately hedged transactions within the meaning of Section 340h HGB.

For separately hedged transactions, both the expenditure and income from foreign currency conversion are recognised as income. Foreign currency conversion results for separately hedged transactions are offset and included in Other operating income in accordance with IDW accounting standard BFA 4.

Income and expenses incurred during the year are included in the profit and loss account at their respective current rate. Foreign currency items are converted into euros on the reporting date at the ECB reference rates in accordance with Section 256a HGB.

The following balance sheet items include the following assets and liabilities denominated in foreign currencies:

	31/12/2024 TEUR	31/12/2023 TEUR
Balances at central banks	41	48
Loans and advances to banks	2,576	4,179
Loans and advances to customers	57,145	36,442
Bonds and other fixed-income securities	4,846	0
Shares and other variable-yield securities	9,751	32,009
Participating interests	0	1,234
Other assets	1,282	48
Amounts due to customers	50,863	51,384
Other liabilities	12	14

4 Notes to the balance sheet

4.1 Overall disclosures

4.1.1 Relationships with affiliated companies

	31/12/2024 TEUR	31/12/2023 TEUR
Loans and advances to customers	447,917	383,318
↳ of which to affiliated companies	1,714	1,557
↳ of which to VARP Finance GmbH	1,714	1,557
Amounts due to customers	840,351	1,115,422
↳ of which to affiliated companies	836	207
↳ of which to VARP Finance GmbH	836	207

4.1.2 Breakdown by residual term

Loans and advances to banks include overnight deposits at the Bundesbank totalling TEUR 387,234 (previous year TEUR 786,963).

	31/12/2024 TEUR	31/12/2023 TEUR
Loans and advances to banks	390,846	792,944
Due on demand	390,819	792,933
Up to three months	0	0
Between three months and one year	27	11
More than five years	0	0
Loans and advances to customers	447,917	383,318
Due on demand	113,875	36,602
Up to three months	38,939	67,618
Between three months and one year	57,787	135,282
Between one and five years	227,506	143,758
More than five years	9,810	58
Bonds and other fixed-income securities	49,316	24,239
Up to three months	0	3,037
Between three months and one year	3,381	6,894
Between one and five years	40,924	9,483
More than five years	5,011	4,825
Bank loans and overdrafts	810	75,423
Due on demand	454	75,091
Up to three months	143	24
Between three months and one year	71	71
Between one and five years	142	237
More than five years	0	0
Amounts due to customers	840,351	1,115,422
Due on demand	379,972	728,926
Up to three months	29,056	26,615
Between three months and one year	238,328	120,437
Between one and five years	162,215	231,147
More than five years	30,780	8,297

4.1.3 Securities

	31/12/2024 TEUR	31/12/2023 TEUR
Bonds and other fixed-income securities	49,315	24,239
Not eligible for stock market listing	18,685	0
Eligible for stock market listing	30,630	24,239
↳ of which: listed	30,630	21,816
Shares and other variable-yield securities	65,041	92,274
Not eligible for stock market listing	53,978	81,144
Eligible for stock market listing	11,063	11,130
↳ of which: listed	63	130
Shares in affiliated companies	750	750
Not eligible for stock market listing	750	750
Eligible for stock market listing	0	0
↳ of which: listed	0	0
Participating interests	48	4,271
Not eligible for stock market listing	0	0
Eligible for stock market listing	48	349
↳ of which: listed	0	0

Shares in affiliated companies include payment obligations from uncalled contributions of TEUR 250 (previous year TEUR 250).

Shares in companies totalling TEUR 4,223 (previous year TEUR 4,223) have been reclassified from participating interests to other assets.

4.1.4 Trust assets and trust liabilities

The Bank has been granting loans to customers under the KfW coronavirus instant loan scheme since May 2020. These are trust loans. Amounts owed to KfW under this scheme are recognised at the same amount under Trust liabilities. Trust assets and trust liabilities amounted to TEUR 30,479 as of 31 December 2024 (previous year TEUR 34,987).

4.2 Individual disclosures

4.2.1 Loans and advances to customers

Loans and advances to customers of TEUR 447,917 (previous year TEUR 383,318) largely consist of customer loans of TEUR 377,067 (previous year TEUR 302,583) and public sector loans of TEUR 48,370 (previous year TEUR 85,394), in each case before deduction of impairment losses. This item also includes accrued interest and payment transaction accounts with overdrafts.

4.2.2 Bonds and other fixed-income securities

Bonds and other fixed-income securities amounting to TEUR 17,674 (previous year TEUR 16,395) are loans and bonds from public issuers. Other issuers account for TEUR 31,642 (previous year: TEUR 7,844).

4.2.3 Shares and other variable-yield securities

This balance sheet item includes investment fund units amounting to TEUR 64,979 (previous year TEUR 92,144).

TEUR 64,889 (previous year TEUR 91,047) relates to investment assets in which the Bank holds more than 10% of the shares.

in TEUR	Investment objective	Book value	Market value	Undisclosed reserve/charge	Disbursal in the financial year
Quintar STFF	Commodity trade financing	9,161	9,161	0	0
Varengold Spezial I	Pensions	44,728	43,839	-889	0
nordiX European Consumer Credit Fund C and V	Consumer loans	11,000	11,353	353	440

There is an option to surrender within 90 days at the end of the month in the case of the ‘Quintar STFF’ fund. The ‘Varengold Spezial I’ fund is not subject to any restrictions in terms of the daily surrender option. The ‘nordix European Consumer Credit Fund’ has a return option deadline of three months to 30 June or 30 December one year prior for pools of funds of more than TEUR 100.

Fund units with a book value of TEUR 55,728 (previous year TEUR 60,134) are reported as assets at a fair value of TEUR 55,192 (previous year TEUR 60,675). Shares with a book value of TEUR 63 TEUR (previous year TEUR 130), the fair value of which is TEUR 63 (previous year TEUR 564) are also included as assets.

4.2.4 Participating interests and shares in affiliated companies

Varengold Bank AG has the following unlisted shareholdings, each with an ownership interest of more than 20% on the reporting date.

Company	Ownership interest Direct %	Equity capital 31/12/2023 TEUR	Result 2023 TEUR
VARP Finance GmbH, Hamburg	100.00	616	-97
Hanseatic Brokerhouse Securities AG, Hamburg	33.00	-3,165	-121

4.2.5 Gross-Assets analysis

Fixed assets are shown in the schedule below. It only includes bonds, other securities, shares and other variable-yield securities that are allocated to fixed assets.

	Acquisition costs				Cumulative depreciation				Residual book value	
		Additions	Disposals			Annual depreciation allowance	Disposals			
	1/1/2024 TEUR	2024 TEUR	2024 TEUR	31/12/2024 TEUR	1/1/2024 TEUR	2024 TEUR	2024 TEUR	31/12/2024 TEUR	31/12/2024 TEUR	31/12/2023 TEUR
Intangible assets										
Self-created industrial and similar rights and assets	388	0	0	388	388	0	0	388	0	0
Concessions acquired against payment, intellectual property rights and similar rights and assets, as well as licenses to such rights and assets	2,242	0	0	2,242	2,197	17	0	2,214	28	45
Property, plant and equipment	778	7	0	785	592	44	0	636	149	186
Total	**3,408**	**7**	**0**	**3,415**	**3,177**	**61**	**0**	**3,238**	**177**	**231**
	Change*)									
Bonds and other fixed-income securities	30,387								30,387	0
Shares and other variable-yield securities	-4,473								55,791	60,264
Participating interests	0								48	48
Shares in affiliated companies	0								750	750

*) Use was made of the financial asset summary possible in accordance with Section 34 (3) RechKredV

Intangible assets consist primarily of licences. Property, plant and equipment includes operating and office equipment (including leasehold improvements) which are used by the Bank.

4.2.6 Other assets

This item mainly comprises company shares of TEUR 4,875 (previous year TEUR 4,223), receivables from tax refund claims of TEUR 7,736 (previous year TEUR 1,727) and receivables from security deposits paid of TEUR 142 (previous year TEUR 141). Income tax refund claims against tax authorities in Germany amounted to TEUR 7,241 (previous year TEUR 0) and against tax authorities abroad to TEUR 68 (previous year TEUR 68). There are also VAT refund claims for the current financial year and previous years of TEUR 428 (previous year TEUR 1,659).

Repayment claims from fund redemptions amounting to TEUR 13,127 (previous year TEUR 15,775) have been reclassified from Other assets to Loans and advances to customers.

Income tax receivables are distributed across the following assessment periods:

		31/12/2024 TEUR	31/12/2023 TEUR
Germany			
	Corporation tax 2020	258	258
	Corporation tax 2021	-72	-152
	Corporation tax 2022	0	-1,747
	Corporation tax 2023	305	305
	Corporation tax 2024	3,030	0
	Trade tax 2020	267	267
	Trade tax 2021	-75	-155
	Trade tax 2022	0	-1,822
	Trade tax 2023	275	310
	Trade tax 2024	3,253	0
	Total Germany	**7,241**	**-2,736**

4.2.7 Prepaid expenses and deferred charges/Deferred income

Prepaid expenses and deferred charges mainly include insurance of TEUR 690 (previous year TEUR 11), licences of TEUR 165 (previous year TEUR 95) and BaFin levy of TEUR 37 (previous year TEUR 0) that have been paid in advance. Deferred income consists of accruals from loan agreements of TEUR 189 (previous year TEUR 350) and forfaiting of TEUR 27 (previous year TEUR 77).

4.2.8 Bank loans and overdrafts

Bank loans and overdrafts include liabilities due on demand to 12 financial institutions (previous year 16).

There are bank loans and overdrafts with agreed terms or notice periods relating to KfW of TEUR 356 (previous year TEUR 332) arising from a loan that was transferred in the past from the coronavirus instant loan scheme (trust loan) to the entrepreneur loan scheme.

4.2.9 Amounts due to customers

The Amounts due to customers item includes liabilities with an agreed term or notice period of TEUR 460,378 (previous year TEUR 386,877) as well as liabilities due on demand of TEUR 379,972 (previous year TEUR 728,545). Liabilities consist of term deposits of TEUR 460,378 (previous year TEUR 386,877), current accounts of TEUR 260,019 (previous year TEUR 604,476), overnight money of TEUR 80,005 (previous year TEUR 84,479), security deposits of TEUR 35,514 (previous year TEUR 35,156) and other items amounting to TEUR 4,435 (previous year TEUR 4,435).

4.2.10 Other liabilities

Other liabilities all have a remaining term of less than a year and mainly include an adjusting item on the liabilities side in accordance with IDW RS BFA 4 of TEUR 1,605 (previous year TEUR 482) and liabilities arising from tax effects in the amount of TEUR 851 (previous year TEUR 349).

Liabilities of TEUR 1,142 (previous year TEUR 1,142) have been reclassified from Other liabilities to Loans and advances to customers.

4.2.11 Provisions for pensions and similar obligations

Pension provisions are held for surviving dependants.

The difference between the measurement of pension provisions using the 10-year average interest rate (TEUR 1,711 (previous year TEUR 1,601)) and the 7-year average interest rate (TEUR 1,683 (previous year TEUR (1,638)) was TEUR 28 (previous year TEUR 37) and was subject to a dividend payout restriction in accordance with Section 253 (6) sentence 2 HGB. Interest expenses arising from interest accruing amounted to TEUR 32 in the reporting year (previous year TEUR 10).

4.2.12 Provisions for taxes

This item is broken down as follows:

		31/12/2024 TEUR	31/12/2023 TEUR
Germany			
	Corporation tax 2020	0	-258
	Corporation tax 2021	0	152
	Corporation tax 2022	0	1,747
	Corporation tax 2023	0	-305
	Trade tax 2020	0	-267
	Trade tax 2021	0	155
	Trade tax 2022	0	1,822
	Trade tax 2023	0	-310
	Total Germany	**0**	**2,736**
International			
	Income tax, London, previous years	14	14
	Income tax, Sofia, 2023	0	20
	Income tax, Sofia, 2024	10	0
	Total international	**24**	**34**
	Total Germany + international	**24**	**2,770**

4.2.13 Other provisions

This item is broken down as follows:

	31/12/2024 TEUR	31/12/2023 TEUR
Provisions for severance payments	7,500	0
Provisions for legal proceedings	6,998	4,286
Possible fines	4,820	4,064
Costs of Section 44 KWG special audit	2,799	3,474
Financial statement preparation and audit costs	2,459	2,703
Legal and consulting costs	1,859	2,304
Variable remuneration	1,529	3,960
General bad debt provision for irrevocable loan commitments	899	437
Entschädigungseinrichtung deutscher Banken [German statutory compensation scheme for depositors and investors]	585	126
Contributions to the Chamber of Commerce	170	146
Archiving costs	99	65
Holiday and overtime provisions	93	190
Repayment claims, Tax authority, CGT 2016	0	3,100
Other	1,365	1,042
Total	**31,175**	**25,897**

Provisions for severance payments include costs arising from the restructuring of the Bank's Board of Managing Directors.

'Provisions for legal proceedings' include the provision for legal risks arising from the civil law claim in the Caceis legal dispute and the claim due to skimming arising from the Caerus II integration measures as part of the criminal proceedings against a former member of the Bank's Board of Managing Directors in the amount of EUR 6,773 (previous year TEUR 4,061). The increase in this provision in the reporting year is mainly due to further risk provisions of TEUR 2,520 for risks in connection with the criminal proceedings against a former member of the Bank's Board of Managing Directors and to interest rate effects.

Due to ongoing auditing activities as part of the Section 44 KWG special audit and the associated increase in costs, not all expenses could be covered by the Section 44 KWG provision in the financial year. The provision remains in place due to the ongoing Section 44 KWG audit. The company could face fines as a result of the special audit findings. TEUR 4,000 was recognised for these based on legal estimates.

In addition, BaFin imposed a penalty of TEUR 500 for violation of orders. The Bank is appealing against this. Based on new findings from the special auditor's report, the Bank has increased its risk provision by TEUR 300 for possible fines for administrative offences in connection with the Beech complex, which could be imposed for actions taken by a former member of the Board of Managing

Directors. A contractual penalty of TEUR 20 has also been taken into account for the late publication of the 2023 annual financial statements in accordance with the Deutsche Börse General Terms and Conditions.

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

Legal services amounting to TEUR 936 in connection with the Section 44 KWG audit are included in the provision for legal and consulting fees. These relate to services arising from legal issues with customers as well as the processing of the special audit findings.

As in previous years, there are entitlements to variable remuneration based on the 2023 and 2024 results. Variable remuneration was down TEUR 2,431 year-on-year, mainly as a result of the cancellation of variable remuneration for the Board of Managing Directors. The settlement of variable remuneration for the Board of Managing Directors formed part of the agreements reached with the members of the Board of Managing Directors on their departure.

In a ruling dated 22 December 2021, the tax authorities substantiated a claim for repayment against Varengold Bank AG due to the failure to deduct the required capital gains tax including solidarity surcharge in the amount of TEUR 3,100 by a fund in which the Bank held an interest. The fund was terminated in 2016. An appeal was filed against the tax authorities' ruling. A suspension of enforcement was granted. Based on a new risk assessment by the special auditor Hogan Lovells in his report dated June 2025, the Bank has reached the conclusion that a claim is no longer likely. The provision has therefore been released in full.

4.2.14 Instruments of additional regulatory core capital

On 19 August 2014, Varengold Bank AG issued additional Tier-1 bonds ('AT1 bonds') in the amount of EUR 5 million. The additional AT1 bonds constitute unsecured and subordinated bonds of Varengold Bank. The half-yearly interest payments for these bonds are measured at their nominal values and in line with the development of the EURIBOR. The bond terms and conditions contain provisions according to which Varengold Bank can be both obligated and have the right to decide on its own at any time whether to cancel interest payments. Interest payments are not cumulative and will not be increased in subsequent years to compensate for any interest payments cancelled in previous years. The bonds have no maturity date. They may be called by Varengold Bank for the first time five years after their date of issue and subsequently after each interest payment due date. Furthermore, under certain conditions, they may be called prematurely. The bond terms and conditions state *inter alia* that Varengold Bank AG must call the bonds in their entirety, not in portions, as long as there are specific regulatory or tax reasons to do so. Each premature calling of the bonds requires the prior approval of the competent supervisory authority. The repayment value and the nominal value of the bonds may be reduced in the event that circumstances give rise to this. Such circumstances would be if Varengold Bank's Tier 1 core capital ratio fell below 5.125%. The value of the bonds may be appreciated under certain conditions if circumstances give rise this.

Deferred interest expenses for these bonds amounted to TEUR 6 (previous year TEUR 8) as of 31 December 2024.

Outstanding additional Tier 1 bonds on 31 December 2024 (not including interest here) were as follows:

Currency	Amount in EUR	Type	Issue date	Interest rate	Maturity
EUR	5,000,000	Variable interest, cumulative subordinated bonds	19 August 2014	Variable	Without maturity date

4.2.15 Fund for general banking risks

TEUR 14,400 (previous year TEUR 10,400) was allocated to the fund for general banking risks in accordance with Section 340g HGB.

4.2.16 Equity capital

As of the reporting date, the fully paid up share capital of TEUR 10,043,015.00 (previous year TEUR 10,043,015.00) was divided into 10,043,015 no-par value ordinary shares.

Capital reserves have developed as follows over the past five financial years from the issue of new shares:

Year	New shares	Premium	Allocation to reserves
2020	727,381	2.85	2,073,035.85
2021	0	0	0
2022	0	0	0
2023	0	0	0
2024	0	0	0
Total			**2,073,035.85**
As of 31/12/2019			42,632,456.80
As of 31/12/2024			44,705,492.65

The share capital was last increased through an entry in the commercial register in February 2020 by TEUR 621,000.00 using part of the ‘Authorised Capital 2018’ and by TEUR 106,381.00 using part of the ‘Authorised Capital 2019’. ‘Authorised Capital 2018’ then amounted to TEUR 2,484,211.00 and ‘Authorised Capital 2019’ to TEUR 1,446,225.00. A resolution was passed at the General Meeting on 25 November 2020 to revoke the ‘Authorised Capital 2018’ and the ‘Authorised Capital 2019’ and to create new ‘Authorised Capital 2020’ in the amount of TEUR 5,021,507.00.

At the company's General Meeting on 29 April 2025, the ‘Authorised Capital 2020’ was revoked and new ‘Authorised Capital 2025’ of TEUR 5,021,507.00 was created.

4.2.17 Contingent liabilities

As of 31 December 2024, there were liabilities from guarantees and warranty agreements, mainly in the form of guarantee lines, of TEUR 7,225 (previous year TEUR 821). The risk of utilisation is classified as low. The guarantees are collateralised in full by cash, liquid securities or a combination of both.

The risk of losses arising from the utilisation of contingent liabilities depends essentially on the principal's lending risk. The Bank assesses the risk of loss arising from the utilisation of a contingent liability prior to making a binding commitment as part of a credit check on the principal and, where appropriate, with the aid of an assessment of the expected fulfilment of underlying obligations by the respective principal.

As of 31 December 2024, there were other liabilities in the form of irrevocable loan commitments of TEUR 57,358 (previous year TEUR 47,988) to customers who are able to draw on these in full or in partial amounts. For these instances, the contractual prerequisites for distribution will be examined before each distribution. The Bank assesses the risk that a loss will result from the use of the irrevocable loan commitments before entering into its binding commitment as part of the credit check.

4.2.18 Transferred collateral

In accordance with the terms for open market transactions, the Bundesbank was provided with collateral in the form of securities (ECB eligible bonds) as well as loans against promissory notes totalling TEUR 0 (previous year TEUR 2,886).

5 Notes to the profit and loss account

5.1 Interest income

The allocation to region is based on the location of the customer's registered office	**2024 TEUR**	**2023 TEUR**
Interest income	53,902	50,284
↳ of which: Germany	34,497	37,395
↳ of which: Europe (rest)	18,866	12,509
↳ of which: Near and Middle East	0	35
↳ of which: Asia	0	0
↳ of which: Other third country	539	345
Interest expenses	13,069	7,397
Interest income	**40,833**	**42,887**

Interest income consists mainly of loans granted and fixed-income securities. The increase in interest income from TEUR 50,284 to TEUR 53,902 is due on the one hand to the expansion of volumes in the lending business and on the other, to the change in the risk structure of the portfolio. The ECB's key interest rate, which is relevant for main refinancing operations, fell from 4.5% to 3.15% in the reporting year. The ensuing decrease in income from deposits at the Bundesbank was offset by income from loans to customers in existing and new lending business which remained at a comparable level.

Interest expenses mainly include interest on customer deposits (instant access, fixed-rate and term deposits). There were also interest expenses for the 'Tier-1 bond' issued in 2014. Interest expenses were up from TEUR 7,397 to TEUR 13,069. The increase in interest expenses is due to the change in interest rates and the volume of fixed-term deposits.

5.2 Current income from shares and other variable-yield securities

The allocation to region is based on the location of the customer's registered office	**2024 TEUR**	**2023 TEUR**
Current income from shares and other variable-yield securities	440	422
↳ of which: Germany	440	422
↳ of which: Europe (rest)	0	0
↳ of which: Near and Middle East	0	0
↳ of which: Asia	0	0
↳ of which: Other third country	0	0
Current income from shares and other variable-yield securities	**440**	**422**

Income from shares and other variable-yield securities only includes disbursals from investment funds.

5.3 Commission result

The allocation to region is based on the location of the customer's registered office	**2024 TEUR**	**2023 TEUR**
Commission income	5,422	22,521
↳ of which: Germany	1,876	2,556
↳ of which: Europe (rest)	2,836	7,601
↳ of which: Near and Middle East	271	9,401
↳ of which: Asia	412	2,961
↳ of which: Other third country	27	2
Commission expenses	985	2,426
Commission result	**4,437**	**20,095**

The measures taken in connection with the findings of the Section 44 KWG audit had a significant negative impact on commission income. On 27 June 2023, BaFin prohibited transactions with payment agents and other third parties with a connection to Iran on the grounds of high money laundering risks and serious shortcomings in the prevention of money laundering. BaFin also appointed a special representative. The ban on these transactions is intended to prevent the Bank from being misused for money laundering. In September 2024, the Bank decided to discontinue its payment transaction business involving higher risk.

Commission income essentially includes commission from payment transaction business of TEUR 2,759 (previous year TEUR 17,850), lending business of TEUR 1,819 (previous year TEUR 2,117), guarantee and documentary credit business of TEUR 58 (previous year TEUR 1,030) and revenue from fronting services in Marketplace Banking business (now Corporate Clients/Fintech) of TEUR 768 (previous year TEUR 1,472).

Fees for the brokering of transactions in the Transaction Banking area only accounted for TEUR 32 (previous year TEUR 2,174) of commission expenses. The decline in commission expenses is due to the restrictions and measures in connection with the findings of the Section 44 KWG audit. Commission expenses mainly result from credit notes to customers from target agreements totalling TEUR 594 and additional costs of monetary transactions of TEUR 218.

5.4 Other operating income

The allocation to region is based on the location of the customer's registered office	**2024 TEUR**	**2023 TEUR**
Other operating income	5,578	3,278
↳ of which: Germany	4,894	2,837
↳ of which: Europe (rest)	684	423
↳ of which: Near and Middle East	0	0
↳ of which: Asia	0	0
↳ of which: Other third country	0	18
Other operating income	**5,578**	**3,278**

Other operating income essentially includes income from the reversal of provisions of TEUR 4,202 (previous year TEUR 1,274), income from the on-debiting of consulting expenses of TEUR 775 (previous year 723) and income from currency translation of TEUR 489 (previous year TEUR -344). It also includes income relating to other periods of TEUR 1 (previous year TEUR 7).

Proceeds from VAT refund claims of TEUR 574 were included in the previous year. The proceeds are the result of an adjustment to the deductible input tax rate.

5.5 Personnel costs

	2024 TEUR	2023 TEUR
Wages and salaries	16,135	10,925
Social security contributions	1,019	1,285
Expenses for pensions and other employee benefits	566	739
Total	**17,720**	**12,949**

The increase in personnel costs is mainly due to severance payments as part of the restructuring of the Board of Managing Directors.

5.6 Other administrative expenses

	2024 TEUR	2023 TEUR
Consulting fees, costs of preparing financial statements and audit costs	6,643	9,226
IT expenses	5,464	5,515
Contributions and insurance	2,528	1,645
BaFin special representative	2,810	1,297
Other services	1,553	1,802
Expenses for premises	658	657
Audit costs, Section 44 KWG	459	3,185
Communication	368	558
Advertising, entertainment, travel expenses	294	461
Office supplies, magazines, training	218	181
Vehicle costs including leasing (not including road tax)	72	66
Other administrative expenses	143	442
Total	**21,210**	**25,035**

The persistently high costs of consulting and preparing and auditing the financial statements were mainly due to higher expenses as a result of the Section 44 KWG special audit. Particular mention should be made here of the costs involved in obtaining legal advice in connection with customers' funds, assessment and advisory opinion on audit findings and the auditor's fees.

The increase in costs for contributions and insurance is mainly due to the increase in insurance premiums for D&O cover. Expenses for contributions and insurance include dues for the BaFin levy and the restructuring fund.
'Other services' include the purchase of services from third parties, which cannot necessarily be assigned to one of the other categories.

Other administrative expenses include expenses unrelated to the period of TEUR 20 (previous year TEUR 139).

5.7 Other operating expenses

Other operating expenses of TEUR 3,686 (previous year TEUR 650) essentially include risks arising from the Caerus II matter of TEUR 2,520 (previous year TEUR 0), penalties of TEUR 800 (previous year TEUR 0), expected interest of TEUR 192 (previous year TEUR 193) in the Caceis legal case, corrections to contributions by the Chamber of Industry and Commerce (IHK) of TEUR 81 (previous year TEUR 36) and donations of TEUR 38 (previous year TEUR 0). There were no foreign currency translation expenses in the reporting year (previous year TEUR 344) as currency translation resulted in income.

5.8 Transfer to fund for general banking risks

TEUR 4,000 (previous year TEUR 5,400) was allocated to the fund for general banking risks in accordance with Section 340g HGB in the reporting year.

5.9 Taxes on income and earnings

The tax result is due to corporation tax in Germany and solidarity surcharge for the reporting year of TEUR 815 (previous year TEUR 4,580), trade tax in Germany for the reporting year of TEUR 824 (previous year TEUR 4,769) and to foreign income taxes for the reporting year of TEUR 27 (previous year TEUR 20).

The tax result was also influenced by additional payments and refunds for previous years of German and foreign income taxes resulting in net income of TEUR 38 (previous year TEUR -1,386).

Tax expenses were down mainly due to the reduction in the Bank's income.

6 Other disclosures

6.1 Executive bodies

6.1.1 Supervisory Board

Dirk Auerbach
Chairman
Chairman of the Board of Managing Directors of Schalast Auerbach AG Wirtschaftsprüfungsgesellschaft
Member since: 13 August 2024
End of period of office: 2028

Vasil Stefanov
Director, Euro-Finance AD; Head of M&A, Euroins Insurance Group AD
Member since: 21 March 2018
End of period of office: 2028

Tobias Michael Weitzel
Senior Executive and Founder of CREDION AG
Member since: 20 February 2025
End of period of office: 2028

Dr Karl-Heinz Lemnitzer
Independent tax adviser and auditor
Member since: 14 September 2015
End of period of office: 21 January 2025

Marcus Columbu
Lawyer, Partner at act AC Tischendorf Rechtsanwälte Partnerschaft mbB
Member since: 6 July 2023
End of period of office: 13 August 2024

At the request of the Board of Managing Directors, in a decision dated 3 July 2023, the Hamburg District Court appointed Marcus Columbu as a member of the Supervisory Board with effect from 6 July 2023 until the end of the company's next ordinary or extraordinary general meeting. His period of office expired at the General Meeting on 13 August 2024.

At the end of the General Meeting on 13 August 2024, Mr Auerbach was elected as the new Chairman of the Supervisory Board. Dr Lemnitzer ceased to be Chairman of the Supervisory Board as of the General Meeting on 13 August 2024 and informed the Supervisory Board in a letter dated 9 January 2025 that he would be stepping down from his position on the Supervisory Board with effect from the close of business on 21 January 2025.

In the period from 13 August 2024 to 21 January 2025, Dr Lemnitzer assumed the role of Vice Chairman of the Supervisory Board in place of Mr Stefanov. Following Dr Lemnitzer's departure from the Board, Mr Stefanov took over the role of Vice Chairman again from 22 January 2025.

In a resolution passed by the Hamburg District Court on 17 February 2025, Tobias Michael Weitzel was appointed to the Supervisory Board with effect from 20 February 2025. Mr Weitzel was elected as a full member at the General Meeting on 29 April 2025.

If the end of the period of office is indicated by a year, the period of office ends at the General Meeting deciding on the discharge of liability for the financial year.

6.1.2 Board of Managing Directors

At its meeting on 5 March 2025, the Supervisory Board appointed Mr Wargers as Market Board member and assigned him the role of spokesperson for the Board of Managing Directors. The Supervisory Board also appointed Mr Harms as Back Office Board member. The period of office of Board members Dr Bernhard Fuhrmann and Frank Otten ended at the close of business on 5 March 2025.

Front Office Board Member:
Matthias Wargers

Back Office Board Member:
Hendrik Harms

Matthias Wargers was appointed spokesperson for the Board of Managing Directors. Mr Wargers and Mr Harms are authorised representatives jointly with another member of the Board of Managing Directors or an authorised signatory.

Back Office Board Member:
Dr Bernhard Fuhrmann (until 5 March 2025)

Front Office Board Member:
Frank Otten (until 5 March 2025)

Dr Fuhrmann and Mr Otten were authorised representatives jointly with another member of the Board of Managing Directors or an authorised signatory.

6.1.3 Mandates on statutory supervisory boards

All the following disclosures relate to the reporting date.

In addition to his activities as Chairman of the Supervisory Board of Varengold Bank, Mr Auerbach is also Chairman of the Supervisory Board of CREDION AG (Hamburg), Chairman of the Supervisory Board of CREDION Kapitalverwaltungsgesellschaft mbH (Hamburg), Chairman of the Supervisory Board of FIB Frankfurt International AG (Frankfurt am Main), a member of the Supervisory Board of KT Bank AG (Frankfurt am Main), Chairman of the Board of Managing Directors of Schalast Auerbach AG WPG (Frankfurt am Main), Managing Director of KDA Consult & Treuhand GmbH (Frankfurt am Main), Managing Director of Pegasus Corporate Finance & Servicing GmbH (Frankfurt am Main) and a member of the Supervisory Board of Bankhaus Obotritia GmbH (Munich) (he resigned this position on 28 February 2025).

Dr Lemnitzer holds no other positions on statutory supervisory boards or similar supervisory bodies as defined by Section 125 (1) sentence 5 AktG.

In addition to his activities as a member of the Supervisory Board of Varengold Bank, Mr Stefanov is also a member of the Supervisory Board of insurance company Euroins Georgia JSC (Tbilisi), a member of the Board of Managing Directors of Euro-Finance AD (Sofia), Vice Chairman of the Supervisory Board of Electrohold Sales EAD (Sofia), a non-executive director of Hanson Asset Management Limited (London), owner and managing director of Arkont-Invest Ltd. (Plovdiv) and co-owner of family run agribusiness Vinart Stefanovi Ltd. (Sofia). Mr Stefanov is also a member of the management board of the ‘Multi-Sport Student Club at St. George Private School’ in Sofia.

Mr Weitzel is Chairman of Verve Group SE (Stockholm), a member of the Advisory Board of Enercast GmbH (Kassel), a member of the Board of Managing Directors of CREDION AG (Hamburg) and Representative Director of CREDION KVG.

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

Mr Wargers is a member of the Supervisory Board and Chairman of the Risk Committee of Norddeutsche Landesbank (Hanover) and a member of the Supervisory Board of Mount Street Portfolio Advisers GmbH (Düsseldorf).

Mr Harms is also a member of the Supervisory Board of Eurocity AG (in liquidation) (Frankfurt am Main).

As of the reporting date, in addition to his position on the Board of Managing Directors of Varengold Bank AG, Dr Fuhrmann is also engaged in the role of liquidator at Varengold Verwaltungs AG (in liquidation) (Hamburg). He is also Managing Director of JUCLA Invest GmbH (Hamburg). Dr Fuhrmann is also a member of the Supervisory Board of 'coinIX COINVEST Investmentaktiengesellschaft mit Teilgesellschaftsvermögen' (Hamburg).

In addition to his activity as a member of the Board of Managing Directors of Varengold Bank AG, Mr Otten is also CEO of Arensburg Consult GmbH (Molfsee) and Chairman of the Supervisory Board of Varengold Verwaltungs AG (in liquidation) (Hamburg). He is also a non-executive director of Hanson Asset Management Ltd. (London).

Lukas Diehl and Dr Volkart Tresselt, authorised representatives of Varengold Bank AG, are also members of the Supervisory Board of Varengold Verwaltungs AG (in liquidation) (Hamburg). Lukas Diehl is Managing Director of VARP Finance GmbH (Hamburg). Dr Volkart Tresselt is a member of the Supervisory Board of coinIX GmbH & Co. KGaA (Hamburg).

6.1.4 Board remuneration and loans

We have made use of the let-out clause provided in Section 286 (4) HGB in respect of disclosures on the total remuneration paid to the Board of Managing Directors pursuant to Section 285 (9) (a) HGB and surviving dependants' remuneration pursuant to Section 285 (9) (b) HGB.

The members of the Supervisory Board received total remuneration of TEUR 400 (previous year TEUR 402) for their work in the reporting period. This includes remuneration for work of TEUR 400 (previous year TEUR 400) and travel expenses of TEUR 4 (previous year TEUR 2).

No loans had been granted to members of the Supervisory Board or Board of Managing Directors as of the reporting date.

6.2 Employees

The average number of employees in the reporting period was 94 (previous year 118); 40 of these employees were female (previous year 47). With the exception of 22 employees (previous year 19), all staff worked in Germany. There were 13 part-time employees (previous year 18). Seven executive employees were granted commercial power of representation. Kai Friedrichs was also granted commercial authority as an authorised signatory.

6.3 Other financial obligations arising from contracts, guarantees and other commitments

Other financial obligations of TUR 3,800 (previous year TEUR 4,063) mainly include costs for software, hardware and services, primarily for ongoing IT operations, of TEUR 2,821 (previous year TEUR 2,860), obligations arising from agreements on the rental of premises of TEUR 795 (previous year TEUR 1,015) and obligations arising from leasing agreements of TEUR 184 (previous year TEUR 188). The remaining terms for the largest individual amounts are between three and 36 months.

The company also has uncalled capital contribution obligations of TEUR 250 (previous year TEUR 250) arising from its participation in a capital increase of VARP Finance GmbH, Hamburg.

6.4 Auditor's fee

The fee for auditing services provided by PKF TREUWERK AG Wirtschaftsprüfungsgesellschaft was TEUR 723 in the 2024 financial year. The fee of TEUR 17 for other assurance services includes in particular the performance of the audit in accordance with Section 89 WpHG.

In addition, the difference between the audit fee estimated by the previous year's auditor, PwC GmbH WPG, for the 2023 financial year and the actual charge of TEUR 287 was recognised as an expense in the 2024 financial year.

6.5 Notifications in accordance with Section 20 AktG

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

6.6 German Corporate Governance Code

From 20 March 2007 to 28 February 2017, the Varengold Bank AG share (ISIN DE0005479307) was listed in the Entry Standard segment of the German Stock Exchange. Following the closure of the Entry Standard segment, Varengold shares have been listed in the Basic Board segment on the Open Market since 1 March 2017. A resolution was passed at the General Meeting on 29 April 2025 to convert bearer shares into registered shares. The ISIN has been DE000A40ZUV2 since 23 June 2025.

Varengold Bank AG has decided not to publish a declaration of compliance with the German Corporate Governance Code (Section 161 AktG) as the company is not listed in accordance with Section (3)(2) AktG.

6.7 Supplementary statement

In a resolution passed by the Hamburg District Court on 17 February 2025, Tobias Michael Weitzel was appointed to the Supervisory Board with effect from 20 February 2025. Mr Weitzel was elected as a full member at the General Meeting on 29 April 2025.

At the Supervisory Board meeting on 5 March 2025, Dr Bernhard Fuhrmann and Frank Otten who were members of the Board of Directors at that time, left Varengold Bank AG in agreement with the Supervisory Board. All expenses arising from the reorganisation of the Board of Managing Directors have been taken into account in these financial statements. Matthias Wargers was appointed as spokesperson for the Board of Managing Directors and Hendrik Harms as an interim member of the Board of Managing Directors. Together with Representative Director Kai Friedrichs, the systematic restructuring of Varengold Bank AG's risk, control and governance processes, which has already been initiated, will be continued in close consultation with the relevant supervisory authorities and the business focus will be refined further as part of the realignment. The focus will continue to be on structured financing (lending) and the financing of innovative SMEs and projects in the field of energy transition, also with regard to the location in Sofia.

The report by the special auditor Hogan Lovells on the 'cum-ex transactions' and similar arrangements was made available to the Bank in June 2025. Relevant transactions are subjected to a forensic analysis in this document that runs to more than a thousand pages, and a dedicated risk assessment is carried out from civil, criminal, tax and regulatory law perspectives. The Bank has thoroughly examined the material conclusions reached by the experts and has consistently reflected these in the risk provisioning requirements in the 2024 financial statements. Additional provisions of around EUR 2.8 million were formed in this context, including for the matter already mentioned in connection with possible proceedings against former member of the Board of Managing Directors, Mr Dastmaltchi, as well another transaction. At the same time, risk provisions of EUR 3.1 million were reversed, for which only a very low risk was identified. The Bank has therefore ensured that the risks arising from these matters, which are apparent from today's perspective, have been reflected fully in the balance sheet of Varengold Bank on the basis of the special auditor's findings.

The General Meeting on 29 April 2025 passed a resolution to convert to registered shares.

There were no other significant events after 31 December 2024.

7 Proposal for appropriation of profits

The Board of Managing Directors proposed to the General Meeting that the annual net loss of EUR 1,575,780.33 be offset against the existing profit carried forward and that current net income of EUR 23,068,712.46 be carried forward to a new account.

Hamburg, 31 July 2025
Varengold Bank AG

Harms

Matthias Wargers
Board of Managing Directors

Hendrik Harms
Board of Managing Directors

Management Report

A. Principles of Varengold Bank

Varengold Bank is a German financial institution founded in 1995 and granted a full banking licence in 2013. In addition to its headquarters in Hamburg, the Bank also has a branch office in Sofia, Bulgaria. This Varengold Bank business unit focuses specifically on developing business in Bulgaria and Central and Eastern Europe in line with the Bank's overall risk and earnings targets. The region is gaining in importance. Promising potential is emerging in the Bulgarian market, particularly in the Corporate Clients/Energy Transition division, which is focused on a significantly larger customer base than in the past. Varengold Bank is registered with the Federal Financial Supervisory Authority (BaFin) under number 109 520. The Varengold share has been listed on the Open Market of the Frankfurt Stock Exchange since 2007. A resolution was passed at the General Meeting on 29 April 2025 to convert bearer shares into registered shares. The ISIN has been DE000A40ZUV2 since 23 June 2025.

The core business areas of Varengold Bank in the 2024 financial year were Marketplace Banking (now Corporate Clients/Fintech) and Commercial Banking. In addition, the deposit business offers private German customers no-cost instant access accounts (available daily) with monthly interest credit. The Bank also offers fixed-term deposit accounts with various maturities between one and ten years.

In addition to customer deposits from both core business areas, some of which are invested as Bundesbank deposits, Varengold Bank also refinances itself primarily through its deposit business with overnight money and fixed-term deposits provided by the Bank's customers.

In Corporate Clients/Fintech, the focus is on cooperation with lending platforms and young fintechs in Europe. They are active in the asset classes Receivables Finance, Real Estate Finance, Trade Finance, Consumer Finance or SME Finance. Varengold Bank essentially supports its customers at an early stage of their business activities or in the start-up phase. An anchor product in Corporate Clients/Fintech is structured financing (lending). The portfolio also includes debt and equity products as well as Banking-as-a-Service (BaaS) in the financial year, although this will no longer be part of the business strategy going forward.

Varengold Bank's second core business area, Commercial Banking, has historically comprised additional products. Varengold Bank supports corporate clients worldwide in their global trading and investment activities. In the Trade Finance division, the Bank combines selected solutions for financing as well as bank guarantees and documentary credit transactions. Transaction Banking customers and customers in the international payments business as part of Commercial Banking were primarily producers and global wholesalers of food and medicines. In this context, the Bank supported exporters and importers with the processing of payments for humanitarian goods, including to importers in high-risk third countries, largely with a connection to Iran.

In a decision on 22 December 2022, the Federal Financial Supervisory Authority ('BaFin') ordered a special audit of Varengold Bank in accordance with Section 44 (1) KWG, which has been carried out by an external law firm commissioned by BaFin since January 2023. The law firm stated possible compliance violations in an interim report dated 12 April 2023 ('interim report'). In a letter dated 1 June 2023, BaFin notified Varengold of several supervisory measures, referring to the findings of the interim report. In a letter dated 6 June 2023, BaFin also informed Varengold that it intended to appoint an external auditing firm as a special representative to monitor the supervisory measures as well as additional reporting obligations on liquidity, net assets and earnings position and capital adequacy.

As a consequence and until the final clarification of the facts and circumstances, Varengold Bank immediately stopped payment transactions with 75.5% of its international corporate customers in the Commercial Banking core business area in June 2023.

In two official orders dated 27 June 2023, BaFin ultimately prohibited Varengold Bank specifically from (i) conducting incoming and outgoing transactions with payment agents and (ii) conducting transactions with a connection to Iran as a high risk third country or involving natural persons and legal entities domiciled in Iran. According to the wording of the official order, the ban includes payment transactions involving payment agents/trustees and other third parties who are based in third countries and act as (intermediate) recipients for the actual clients. Such activity as an (intermediate) recipient, to which the ban according to (i) and (ii) above applies, includes the receipt of payments (including split payments) from the actual instructing party and forwarding to the actual final recipient in the EU or in third countries via accounts at Varengold Bank. According to the official order, individual transactions that fall into the cases above, but can be proven not to constitute a breach of sanctions or the law, may be conducted following a review by the Bank and approval by the appointed special representative (KPMG). Any approval processes were then established accordingly in line with procedures. A fine of EUR 250,000 will be imposed for each violation of the official order. In light of this, only a very small number of transactions were carried out and only following approval by the appointed special representative. These related mainly to payments in connection with the termination of business relationships.

Varengold Bank began terminating relationships with customers in the Commercial Banking division covered by the BaFin order in late 2023. 104 of the 412 customers covered by the order had been fully phased out by the reporting date of 31 December 2024. Relationships had already been terminated with 384 customers by this date. The volume of the Iran portfolio fell from around EUR 590 million, which is what it was originally at the start of the order, to around EUR 125 million at the end of 2024.

At the rescheduled General Meeting in August 2024, Dirk Auerbach was appointed as a new member of the Supervisory Board and subsequently elected to the position of Chairman.

At the Supervisory Board meeting on 10 September 2024, a joint decision was made by the Supervisory Board and the Board of Managing Directors of Varengold Bank to immediately and without exception discontinue payment transaction business with a connection to Iran in the Commercial Banking division, and consequently this will no longer be part of Varengold Bank's product portfolio going forward. This was specifically in response to the ensuing reputational risks and the higher costs under the current circumstances.

Varengold Bank was rebranded at the end of 2024. A rebranding planned for 2023, including the development of a new website, had to be put on hold as part of a cost-cutting programme. The project was restarted in Q2 2024. The outcome has been evident since January 2025 with the launch of the new website, which will continue to be actively developed going forward as part of the ongoing realignment. At the same time, regulatory requirements such as DORA and CRR III were implemented, necessitating deeper integration of systems and data.

The second half of 2024 was also marked by an extensive analysis by the new Supervisory Board of the organisational structure required to achieve the strategic goals. It was stated in an ad hoc announcement on 10 September 2024 that in view of the challenges involved in implementing the business model to be adjusted, an expansion of the Board of Managing Directors was conceivable at that time.

On 5 March 2025, Dr Bernhard Fuhrmann and Frank Otten, who had been members of the Board of Managing Directors of Varengold Bank AG, left the company in agreement with the Supervisory Board. On the same day, the Supervisory Board appointed Matthias Wargers as spokesperson for the Board of Managing Directors and Hendrik Harms as an interim member of the Board of Managing Directors in order to further advance the reorganisation of the Bank and the adjustment of its business model. The Bank continues to rely on close cooperation with the supervisory authorities and has already taken comprehensive action to further optimise internal control mechanisms, particularly in the area of anti-money laundering (AML).

At the same time, a new course was set and the recalibration of the previous business model initiated, with a focus on lending for fintechs, financing for innovative SMEs and projects, including in the area of energy transition. Location development and management of the foreign branch are also an essential part of the process. The branch in Sofia (Bulgaria) is set to be managed going forward with a largely independent and clearly separable balance sheet and profit and loss account. This will take place in line with the overall risk and earnings targets of the Bank as a whole. A key element of this management approach is local entry to the accounts of all transactions contracted in Bulgaria.

Following the audit report for the 2022 financial statements issued in June 2024, the audit of the 2023 financial statements by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was completed at the beginning of March 2025 and received an unqualified audit opinion.

Findings of the special audits in accordance with Section 44 KWG

a) Cum-ex transactions and similar arrangements

Investigations are currently being conducted by the public prosecutor's office in Cologne against (former/current) employees and executive bodies of Varengold Bank AG and Varengold Verwaltungs AG (in liquidation) (formerly Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen) in connection with share transactions around the dividend record date in the period 2010-2016, due to suspicion of tax evasion. Varengold Bank could be considered as a potential secondary party and in the worst case scenario possibly faced with a fine and/or accused of skimming off excess profits which could be very costly for the Bank. External advisers have been engaged in connection with this to perform an (ongoing) review and analysis of the prosecution office files.
Based on the opinion of the external advisers, the Board of Managing Directors considers the risk of a claim against the subsidiary Varengold Verwaltungs AG (in liquidation) as conceivable, but the risk of Varengold Bank's liability for this as very low.

As also reported in the media, the public prosecutor's office in Cologne has filed charges against former Board member Mohammad Hans Dastmaltchi with the Regional Court in Bonn. The Regional Court has not yet decided whether to institute main proceedings. It cannot be ruled out here that the proceeds of EUR 2.5 million received by the Bank as the collecting party in connection with this matter will be confiscated. The Bank has recognised a corresponding risk provision of the same amount in the 2024 financial statements.

Varengold Bank, together with 19 other private individuals and legal entities, is a defendant in civil proceedings (Caceis case). The dispute centres around a possible claim for reimbursement, which relates to a tax claim in relation to transactions of an independent sub-fund of the former Varengold Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, today Varengold Verwaltungs AG (in liquidation), in 2010. The investment corporation at the time is the primary defendant in the above proceedings. Varengold Bank was a minority shareholder of this investment stock corporation in 2010. The action is based on the joint and several reimbursement of refunded capital gains tax, including solidarity surcharge, totalling around EUR 92 million (plus any interest and other damages incurred by the plaintiff), which was paid into the sub-fund (Caerus II) in 2010 and which the Munich tax office had reclaimed from the plaintiff's legal predecessor. The Caerus II equity fund (referred to previously and below as 'Caerus II') is an investment fund in the form of a sub-fund launched under the umbrella of Varengold Investmentaktiengesellschaft (now Varengold Verwaltungs AG (in liquidation)) on 31 March 2010. Varengold Bank has filed an appeal with the competent court to dismiss the action. The Board of Managing Directors and the external experts involved have to date assessed the probability of the risk arising from these proceedings as not overwhelmingly likely. The criminal proceedings against the Bank's former Managing Director, Yasin Qureshi, regarding Caerus II, which have now been completed, have so far not led to any other outcome. However, a different assessment is conceivable, which could help the action to succeed. For this reason, Varengold Bank AG has formed a provision for this legal risk as a precautionary measure, whereby the assumption has been made that the Bank will be required to pay a pro rata settlement. I. The total amount of this provision is EUR 6.8 million and was calculated using estimates. Estimates from external consultants were used and findings from comparable circumstances in the banking and other business environments were evaluated. If a claim were made solely against Varengold Bank AG, the amount to be paid would exceed reported equity capital.

The report by the special auditor Hogan Lovells on the 'cum-ex transactions' and similar arrangements was made available to the Bank in June 2025. Relevant transactions are subjected to a forensic analysis in this document that runs to more than a thousand pages, and a dedicated risk assessment is carried out from civil, criminal, tax and regulatory law perspectives. The Bank has thoroughly examined the material conclusions reached by the experts and has consistently reflected these in the risk provisioning requirements in the 2024 financial statements. Additional provisions of around EUR 2.8 million were formed in this context, including for the matter already mentioned in connection with possible proceedings against former member of the Board of Managing Directors, Mr Dastmaltchi, as well another transaction. At the same time, risk provisions of EUR 3.1 million were reversed, for which only a very low risk was identified. The Bank has therefore ensured that the risks arising from these matters, which are apparent from today's perspective, have been reflected fully in the balance sheet of Varengold Bank on the basis of the special auditor's findings.

The Bank also addressed the previous accounting treatment of receivables and liabilities to customers against which the Danish tax agency SKAT has imposed seizures in whole or in part. The first securities positions were released and handed over to SKAT in 2023. It is expected that further assets and account items will gradually have to be distributed by the Danish tax authorities following approval of the seizures and requests for payment. The outflow of the corresponding customer assets recognised as liabilities will not have any impact on the Bank's financial position. However, the Bank has identified outstanding receivables and negative account balances in the relevant holdings, the recoverability of which is currently uncertain. Assumptions were made in previous annual financial statements since 2016 that formed a sufficient basis for the recoverability of the receivables. A detailed internal analysis of the holdings commissioned by the Board of Managing Directors revealed that these assumptions regarding the recoverability of receivables with a volume of around EUR 2 million were doubtful. Notwithstanding ongoing internal investigations, the Bank has adopted a conservative and precautionary approach and written down the amount of the respective receivables from customers in full.

b) Business purpose and other business relationships with natural and legal persons domiciled in Bulgaria

The special auditor's report included findings relating specifically to the business and risk strategy and the organisation of lending business processes.

An extensive analysis of the Bank's business organisation and processes in relation to the Sofia branch was carried out as a result. This analysis was used to produce an action plan providing for a reworking and adjustment of the business and risk strategy within the framework of the Bank's overall strategy process, taking into account the activities of the Sofia branch, including quantitative evidence. In addition, a comprehensive reworking of the lending process has already been carried out, initiated or planned in some cases. The actions relate to the rectification of findings in the granting, processing and monitoring of loans, including the introduction of a new rating system. In this context, consideration is also being given to whether original Bulgarian business should be entered directly to the accounts at the branch and gradually refinanced through deposits in Bulgaria in order to ensure transparent and consistent management and planning of business in Bulgaria and near-shore activities for the Bank as a whole.

c) Precautionary measures to prevent money laundering, terrorism financing and other criminal activities

As already known since its initial publication in an ad hoc announcement on 2 June 2023, the special audit of business operations by the Federal Financial Supervisory Authority (BaFin) in accordance with Section 44 (1) sentence 2 KWG, currently underway at Varengold Bank AG, has led to initial interim findings and consequently to supervisory measures such as the restriction of the payment transaction business. It appears possible that fines will be imposed in addition to the supervisory measures required by BaFin for these areas. The Bank has formed an appropriate provision based on information made available to it by experts. It cannot be ruled out that the fines will be higher than the provisions that have been recognised. In addition, fines could also be imposed if the BaFin decision of 27 June 2023 regarding the prohibition of individual transactions is violated. BaFin imposed a penalty of TEUR 500 on 26 February 2025, which Varengold Bank AG paid in due time. An objection to the decision, which is not yet legally binding, was filed in due time on 4 March 2025 and substantiated on 2 May 2025. The objection was refused in a decision dated 17 July 2025. An objection to this decision can be entered within one month of its announcement.

The clearance of the ‘Iran portfolio’ in cooperation with the appointed special representative KPMG is proceeding according to plan. Current expectations are that well over 90% of the relevant accounts will have been wound down by the end of 2025 and that a procedure agreed with the special auditor will be developed for processing the remainder. The special representative's duties can therefore be expected to be completed during the course of the year.

At BaFin's request, the AFC department drew up an action plan to address the findings, which must be remedied in full by 31 December 2025, and presented it to BaFin at an on-site meeting at BaFin in Bonn on 28 April 2025. In accordance with a letter from BaFin dated 25 July 2025, the AFC department will submit an updated action plan and report on the status of the findings to BaFin on a monthly basis on the 15th of each following month.

B. Economic report

1. Macroeconomic and industry-related conditions

The geopolitical situation again remained tense in 2024. The war between Russia and Ukraine persisted with no sign of an imminent end. The war between the militant Palestinian organisation Hamas and Israel continued to feature ongoing military conflicts in the Gaza Strip throughout 2024.

Amid these challenges, global gross domestic product grew only at a moderate rate of 3.87% in 2024[1] compared with the previous year. The eurozone initially saw a slight economic recovery in the past year, although performances varied greatly between the member states. Recently, however, the economy has cooled down again, hence only slight growth of around 0.7%[2] was recorded for 2024 – only slightly higher than in 2023. One weak point was the German economy. It actually contracted slightly for the second year in a row and its price-adjusted gross domestic product fell by 0.2%[3] compared to the same quarter in the previous year. The main reasons for this are likely to have included the after-effects of the European Central Bank's (ECB) interest rate hikes and stagnating private consumption despite falling inflation and strong wage growth. The deterioration in the competitive position also had an adverse impact on the manufacturing industry and thus on foreign trade, and the labour market showed signs of slowing down.

Inflation rates in the eurozone and in Germany fell steadily over the course of 2024 and finally fell below the European Central Bank's (ECB) target of 2%[4] for the first time in Q3. At 2.2% on average in 2024, inflation in Germany was significantly lower than in previous years. In response to falling inflation rates, the ECB lowered its key interest rates for the first time in almost five years in June 2024. Following further cuts in the second half of 2024, the interest rate for main refinancing operations was finally reduced to 3.15%[5] in December and the deposit rate for banks to 3%[6].

The stock markets continued to perform positively in 2024. In September 2024, the DAX surpassed 19,000 points for the first time in its history.[7] In December 2024, the DAX finally closed at 19,909.14 points.[8]

A closer look at the fintech sector reveals that global fintech financing has stagnated at a low level to date in 2024.[9] Although there was a positive trend in Europe in Q1 2024 with an increase in slightly larger financing rounds,[10] overall fintech financing remained almost unchanged compared with quarters in previous years.[11]

Overall, 2024 was a profitable year for German and European banks, enabling a positive business performance in spite of a challenging economic and regulatory environment.[12] The banks continued to benefit from high interest margins, stable demand for loans and growing commission and trading business. Despite interest rates slowly falling again, profitability increased slightly compared to the already strong previous year. At the same time, the general conditions remained challenging: The economic slowdown, increasing geopolitical uncertainties and ongoing regulation, particularly in the area of sustainability and ESG risks, required banks to make considerable adjustments. In addition, the digital transformation continued to require high levels of investment in IT, data infrastructure and cyber security. Against this backdrop, striking a balance between profitability, transformation and regulatory implementation remained a key challenge for the industry in 2024.

1 https://de.statista.com/statistik/daten/studie/159798/umfrage/entwicklung-des-bip-bruttoinlandsprodukt-weltweit/
2 https://ec.europa.eu/eurostat/de/web/products-euro-indicators/w/2-14022025-ap
3 https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/bip-bubbles.html
4 https://ec.europa.eu/eurostat/de/web/products-euro-indicators/w/2-07012025-ap
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7 https://de.statista.com/statistik/daten/studie/162176/umfrage/monatliche-entwicklung-des-dax/
8 https://de.statista.com/statistik/daten/studie/162176/umfrage/monatliche-entwicklung-des-dax/
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12 https://publikationen.bundesbank.de/publikationen-de/berichte-studien/geschaeftsberichte/geschaeftsbericht-2024-934014?article=was-die-bundesbank-beschaeftigt-944030

2. Business development

The 2024 financial year was a year of transition and strategic decision-making for Varengold Bank. While the first half of the year was still heavily influenced by the special audit, the focus in the second half of the year shifted increasingly towards the Bank's future and its further development. The mainstay here was the already established lending business. Business performance in the core business area Marketplace Banking (now Corporate Clients/Fintech) gained momentum in mid-2023 thanks to the successful acquisition of new customers.

The significant decline in commission business from Commercial Banking and high extraordinary costs once again had an adverse impact on the overall result for the 2024 financial year. At TEUR 51,288, net income was down -23.1% year-on-year (previous year: TEUR 66,682). Income mainly comprised interest income of TEUR 40,833 (-4.8%) and the commission result of TEUR 4,437 (-77.9%). Administrative expenses of TEUR 38,930 were roughly on a par with the previous year (previous year: TEUR 37,984).

The Bank generated income from ordinary business activities (equivalent to EBT (earnings before taxes)) of TEUR 129 (previous year: TEUR 22,506). It includes a net allocation to risk provisions of TEUR 8,971 (previous year: TEUR 4,662). This includes the allocation to risk provisions in accordance with Section 340g HGB of TEUR 4,000 (previous year: TEUR 5,400).

3. Position

There may be rounding differences in the following figures.

3.1 Earnings performance

The company's interest income increased from TEUR 50,284 in the previous year to TEUR 53,902 in the financial year. The increase in interest income is mainly due to the change in volume and risk structure of the loan portfolio. This effect more than compensates for the falling key interest rate and the lower balance at the Bundesbank.

Interest income also includes income from fixed-income securities. This rose from TEUR 721 to TEUR 1,536.

Interest expenses rose by 76.7% from TEUR 7,397 to TEUR 13,069 in the financial year. The increase in interest expenses is due to the change in interest rates and the volume of fixed-term deposits. Net interest income of TEUR 40,833 (same period in the previous year: TEUR 42,887) was generated as a result.

Current income from shares and other variable-yield securities rose from TEUR 422 in the previous year to TEUR 440 in the financial year.

Due to the business realignment, commission income once again fell significantly from TEUR 22,521 to TEUR 5,422. At the same time, commission expenses fell from TEUR 2,426 to TEUR 985, resulting in a commission surplus of TEUR 4,437 (same period in the previous year: TEUR 20,095).

Other operating income of TEUR 5,578 (same period in the previous year: TEUR 3,278) was significantly influenced in the reporting year by the reversal of provisions of TEUR 4,215 (same period in the previous year: TEUR 1,274), on-debited costs in project business of TEUR 833 (same period in the previous year: TEUR 794) and income from foreign currency translation of TEUR 489 (same period in the previous year: TEUR -344).

Net income was down 23.1% from TEUR 66,682 to TEUR 51,288.

Personnel costs were up TEUR 4,771 (36.84%) from TEUR 12,949 to TEUR 17,720 due to severance payments in connection with the restructuring of the Board of Managing Directors. The amount of the severance payments was reviewed by two law firms on behalf of the Supervisory Board and, after consideration of all commercial and tax law requirements, was taken into account in the formation of provisions for the 2024 annual financial statements. At TEUR 9,912, consulting expenses and costs in connection with the Section 44 KWG audit and the special representative were down in the financial year compared with TEUR 13,708 in the previous year. Due to the ongoing audit procedures as part of the Section 44 KWG audit that will continue until mid-2025 and the associated consulting expenses, costs remain at a high level. Expenses for maintenance and IT of TEUR 5,464 remained more or less at the previous year's level of TEUR 5,515.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment fell from TEUR 87 in the previous year to TEUR 61 in the financial year.

Other operating expenses were up TEUR 3,036 from TEUR 650 in the previous year to TEUR 3,686 in the financial year. The changes are mainly due to the allocation of provisions for risks arising from the Caerus II legal dispute integration measures of TEUR 2,520 and impending fines of TEUR 800.

The item Depreciation and write-downs of receivables and certain securities as well as allocations to provisions in the lending business amounted to TEUR 5,066 (same period in the previous year: TEUR 380). The liquidity reserve result contributed TEUR 51 to this figure (same period in the previous year: TEUR 1,065). Expenses arising from the formation of individual loss provisions and general bad debt provisions for receivables from net lending business rose to TEUR 5,421 compared with TEUR -1,972 in the previous year. This is due to the increase in risk provisions (general bad debt provisions) for lending business in Bulgaria and provisions for risks arising from receivables from customers (individual loss provisions) that are subject to full or partial seizure by the Danish tax agency SKAT (see statements in C.1).

The special item 'Fund for general banking risks in accordance with Section 340g HGB', which amounted to TEUR 10,400 in the previous year, was increased by a further TEUR 4,000 to TEUR 14,400 in the financial year.

Depreciation, amortisation and impairment losses as well as reversals of impairment losses on participating interests, shares in affiliated companies and securities treated as fixed assets resulted in net income of TEUR 583 in the reporting year (same period in the previous year: TEUR 327).

Income from ordinary business activities amounted to TEUR 129 (same period in the previous year: TEUR 22,506) and was therefore significantly below the earnings forecast in the previous year's management report (earnings before taxes or income from ordinary business activities of EUR 11.3 million). This is mainly due to an addition to the provision for the restructuring of the Board of Managing Directors of TEUR 7,500, an increase in risk provisions for Caerus II of TEUR 2,520 and receivables from customers (see C.1) of TEUR 1,964.

In absolute terms, the tax burden fell from EUR 7,983 in the previous year to TEUR 1,704.

Taking into account taxes on income and earnings and other taxes, there was an annual net loss of TEUR 1,576 (same period in the previous year: annual net profit of TEUR 14,523).

Return on capital employed in accordance with Section 26a KWG, calculated by dividing annual net profit by total assets was -0.2% compared with 1.0% in the previous year.

3.2 Net asset position

Total assets were down 25.8% from EUR 1,353.9 million to EUR 1,004.5 million in the financial year.

The assets side is characterised by the cash reserve and overnight deposits recognised as loans and advances to banks of EUR 393.2 million (previous year: EUR 789.6 million), loans and advances to customers of EUR 447.9 million (previous year: EUR 383.3 million) and shares and other variable-yield securities of EUR 65.0 million (previous year: EUR 92.3 million). Overall, these three items accounted for 90.2% (previous year: 93.4%) of total assets.

At EUR 840.4 million or 83.7%, (previous year: EUR 1,115.4 million or 82.4%) customer deposits continued to be the dominant item on the liabilities side. These deposits were made up of current account balances of EUR 260.0 million (previous year: (EUR 608.9 million), term deposits of EUR 460.4 million (previous year: EUR 386.9 million), overnight money of EUR 80.0 million (previous year: EUR 84.5 million) and security deposits of EUR 39.9 million (previous year: EUR 39.6 million).

The Tier 1 core capital ratio was 18.30% as of 31 December 2024 (previous year: 20.22 %).

Varengold Bank maintains a well-ordered asset and capital structure.

3.3 Financial position

At EUR 396.8 million or 39.5% (previous year: EUR 795.6 million or 58.8%) of total assets, regulatory cash and cash equivalents represented a significant proportion of the assets side of the balance sheet.

At 436.7%, the regulatory liquidity ratio as of the reporting date was well above the regulatory requirements, as was the case in the previous year (253.5%). The Bank's liquidity position was not at risk at any time.

Irrevocable loan commitments change depending on new customer business or due to limit adjustments for existing customers. They amounted to EUR 57.4 million as of 31 December 2024, compared with EUR 48.0 million in the previous year.

3.4 Financial performance indicators

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

The decline in income from TEUR 66,682 in the previous year to TEUR 51,288 in the financial year was mainly due to the decline in commission income. Other operating expenses were up TEUR 3,036 from TEUR 650 in the previous year to TEUR 3,686 in the financial year. The cross-offsetting option resulted in an expense of TEUR 4,483 compared to TEUR 53 in the previous year, a difference of TEUR 4,430.

In addition, an allocation of TEUR 4,000 (previous year: TEUR 5,400) was made to the fund for general banking risks. EUR 14.4 million was allocated to the fund for general banking risks as of the reporting date.

As a result, due to declining income and an increase in risk provisions, earnings before taxes totalled just TEUR 129 (same period in the previous year: TEUR 22,506). The earnings before taxes performance indicator was TEUR 22,377 (99.4%) below the previous year's figure and therefore significantly below the earnings forecast of EUR 11.3 million (earnings before taxes) in the previous year's management report.

Another financial performance indicator is the cost-income ratio, which fell from 56.1% in the previous year to 91.6% in the financial year, due in particular to the significant drop in commission income. The cost-income ratio was therefore below the forecast of around 73%. The difference is mainly due to significantly higher personnel costs and material expenses. The cost-income ratio is calculated as the ratio of administrative expenses (personnel costs, material expenses and depreciation and amortisation) to income (net interest income less allocations to risk provisions for default risks in the lending business, commission surplus, trading result and balance of other operating income and expenses) in per cent.

C. Risk, opportunity and forecast report

1. Risk report

As a rule, it is not possible to generate income in the banking business without taking risks. In light of this, conscious handling, active management and ongoing identification and monitoring of risks are core elements of Varengold Bank's economically sustainable business management. The Bank follows the established three lines of defence model to manage and monitor risks effectively. The first line of defence is the operating units which are responsible for actively managing the risks in day-to-day business and ensuring compliance with internal controls. The second line of defence consists of the independent risk controlling and compliance functions, which monitor regulatory requirements and support the business divisions in managing risk. The third line of defence is Internal Auditing, which independently assesses the effectiveness of the entire internal control system and reports directly to executive management and the Supervisory Board.

Varengold Bank's guiding principle is to develop into the leading specialist bank for structured finance. A fundamental aspect of Varengold Bank's business strategy is to offer flexible competitive products and services and to constantly adapt to changing market conditions.

The business strategy must present Varengold Bank's main objectives for each business activity as well as the measures that will be taken to achieve these objectives. The risk strategy must include, *inter alia*, the material risks arising from the business strategy, the risk management objectives of the main business activities and the measures to achieve these objectives. This also includes the handling of ESG risks and concentration risks as well as the definition of risk appetite. In addition to this risk strategy, Varengold Bank's central risk management instruments are the risk-bearing capacity concept, the limit system and monitoring processes that are aligned with the business activities.

The Bank is currently undergoing a comprehensive strategy process under the leadership of its new Board of Managing Directors. The aim is to adapt the strategic orientation to changing market conditions, regulatory requirements and sustainable growth targets. A structured approach is used to review existing business models, prioritise strategic areas for action and define specific measures to boost competitiveness. The process is being carried out in close coordination with the relevant specialist departments and with the support of external experts and forms the basis for the Bank's forward-looking positioning. The preliminary business plan is based on the following strategic guidelines.

- Realignment and redesign of management of the Bank as a whole by defining clear KPIs and establishing secure, efficient and risk-oriented processes and analyses.
- RWA-optimised and focused expansion of the Corporate Clients/Fintech division, and extension to include adjoining growth-oriented alternative lending platforms (for example, leasing/factoring).
- Risk-oriented expansion of business in the Corporate Clients/Energy Transition division to include young, growth-oriented companies in the area of energy transition in Bulgaria and Germany.
- Development of structural, HR and process-related prerequisites for a growth-oriented restart, primarily through the following actions:
    - strengthening compliance,
    - (partial) insourcing of internal auditing and accounting,
    - optimisation of data management and associated processes,
    - further development of the controlling units,
    - introduction of a new, external rating tool,
    - implementation of a watchlist for borrowers in the existing portfolio that are at risk of default.

Each potential future risk should be as transparent as possible before a decision is taken on how to manage it. Only with sufficient knowledge of the potential impact on the Bank can an assessment be made as to whether a risk should be approved. This decision is made by the Board of Managing Directors taking into account whether the risk in question can generate reasonable returns and whether the risk is likely to be sustainable. If a risk is taken, this is done within fixed risk tolerances which are primarily derived from the risk-bearing capacity potential. Compliance with these tolerances is monitored on a regular or ad hoc basis.

Risk-bearing capacity is analysed by the Risk Controlling department on a monthly or ad hoc basis. The appropriateness of the methods and procedures used to assess risk-bearing capacity is checked regularly.

The risk control and risk management system used by the Bank is based on the current 'Minimum Requirements for Risk Management' (MaRisk) imposed by the Federal Financial Supervisory Authority (BaFin).

Risk is the negative deviation of occurring events from expected events. The basis of the risk management system is the regular and ad hoc implementation of a risk inventory to assess the material risks for Varengold Bank. According to the risk inventory applicable as of 31 December 2024, these are credit risk, liquidity risk, market price risk, operational risk, reputational risk and strategic risk. Sustainability risks do not represent a separate type of risk, but have a risk-increasing effect on other types of risk.

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

- risk identification
- risk measurement and assessment
- risk control by management
- support for management through risk controlling and risk reporting

The Board of Managing Directors determines the amount of total allowable risk and its distribution among each of the individual types of material risk. Care is taken in this context through ongoing monitoring and assessment to ensure that the different business activities are backed by adequate risk-bearing potential.

The Risk Controlling department is responsible for monitoring compliance with the risk strategy at Varengold Bank and assessing the Bank's situation with regard to risk. The outcomes are reported regularly to executive management in a comprehensive and meaningful manner within an appropriate time frame in order to ensure adequate management.

On 24 May 2018, BaFin and the Bundesbank published the guideline 'Supervisory assessment of bank-internal capital adequacy concepts and their integration into firm-wide performance and risk management processes ('ICAAP') - realignment'. It includes policies, principles and criteria that the supervisory authority uses as a basis for assessing the internal risk-bearing capacity concepts of banks and institutions. The risk-bearing capacity concept as a central component of the ICAAP in accordance with Section 25a (1) sentence 3 no. 2 KWG in conjunction with GP 4.1 subsection 1 (and subsection 2) MaRisk comprises two perspectives: a normative perspective and an economic perspective. Both serve the long-term continuation of the Bank based on its own current resources and earning power. To this end, the normative perspective pursues the explicit goal of supporting the continuation of the Bank and the economic perspective has the goal of protecting creditors against financial losses.

For the normative perspective, the risk-coverage potential (RCP) and the risks are determined for both the current and future planning periods. At the time of preparing this report, capital planning relates to a period of three years and includes the planning scenario required by the supervisory authority and an adverse scenario. Moreover, the Bank uses the option in subsection 35 of the RBC guideline to apply the 'severe economic downturn' stress test, which was developed in accordance with GP 4.3.3 subsection 3 MaRisk and covers all types of risk, as an additional adverse scenario. In the capital planning scenarios, risks from the economic perspective are considered which have an influence on the available capital.

All regulatory and supervisory requirements must be taken into account in the normative perspective; the risk coverage potential in the

normative perspective therefore consists of regulatory own funds and other capital components, insofar as these are recognised by the supervisory authority as covering regulatory capital requirements, and is made up of regulatory own funds, the special item ‘Fund for general banking risks’ in accordance with Section 340g HGB and the eligible contingency reserves in accordance with Section 340f HGB. The procedures used to quantify risks in the normative perspective address credit risks, market price risks and operational risks arising from the legal requirements of the current CRR, for which risk-weighted position entries are calculated. In the planning scenario, the equity capital requirements must be met in full; in the adverse scenarios, a shortfall of the combined capital buffer requirement pursuant to Section 10i KWG is acceptable. For these cases, the Bank has developed options for action to ensure compliance with all regulatory and supervisory requirements and targets.
The supervisory capital requirements amounted to TEUR 90,296 as of 31 December 2024. The Bank has TEUR 77,268 in equity capital at its disposal to cover these requirements.
On 31 December 2024, there was a shortfall in the overall capital ratio, including the recommended equity capital, and in the core capital ratio, including the recommended equity capital, as of the reporting date. If recommended equity capital is not included, the ratios were maintained. The reason for the shortfall in the recommended equity capital was the fact that the 2023 annual financial statements had not yet been audited as of the reporting date of 31 December 2024 (audit report issued in March 2025). If the net profit for 2023 is added, all regulatory ratios were met. In the planning scenario, the overall capital ratio (including recommended equity capital) for the three-year planning horizon will not be achieved in 2025 until the net profit for 2023 is added to equity capital. The common equity Tier 1 ratio and the core capital ratio are maintained throughout the planning period. In the adverse scenario, the overall capital ratio, including recommended equity capital, will not be achieved in the period from April to May 2026 or from December 2026 onwards. In the stress scenario, without the recommended equity capital, there is a shortfall in the overall capital ratio from December 2025. From November 2027, the core capital ratio including the recommended equity capital will no longer be maintained. The ratios without the recommended equity capital will be maintained throughout the planning period.

In the economic perspective, the Bank uses a present value calculation to determine risk-bearing capacity. The risk-coverage potential of EUR 103.3 million consists of regulatory capital, contingency reserves in accordance with Sections 340f and g HGB, the profit for the current financial year, the profit for the previous year and undisclosed reserves less hidden charges. As a rule, the maximum tolerated utilisation rate is limited to 100%. Capacities over 90% of the total limit and capacities over 100% within an individual type of risk require an immediate response from the Board of Managing Directors. Utilisation of the risk-coverage potential was 54.7% as of 31 December 2024, 56.9% of which was attributable to credit risk, 17.2% to market price risk, 18.1% to operational risk, 6.5% to liquidity risk and 1.3% to strategic and reputational risks.

For the purpose of quantification in the context of risk-bearing capacity, the credit risk is comprised of default risk as well as migration risk. The two amounts at risk are added together.

In addition to the classic credit risk (lending risk), default risk also includes issuer, counterparty and investment risk. Country risks are not underpinned by risk coverage potential in the risk-bearing capacity calculation. These risks are taken into account in both the external and internal rating classification and, in this way, are included in the rating score and therefore in the level of probability of default. Collateral risk is not explicitly taken into account in the risk-bearing capacity calculation. If the LTV agreed with the customer is not achieved, the LGD (loss given default) of the commitment is scaled up accordingly, thereby leading to a higher amount at risk.

In order to limit country risks, the Bank has implemented a country limit system that is located at the registered office of the debtor's parent company.

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

The underlying measurement model for measuring credit risk (CVaR) is based on the well-known and widely used CreditMetrics™ model from the RiskMetrics Group™. This model divides the portfolio for simulation analysis into a sub-portfolio, which is particularly relevant due to the size of its positions and portfolios that are smaller in size and homogenous ('Large Homogenous Portfolio' approach; LHP approach). Both these portfolios are mapped with different degrees of granularity:

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

The probabilities of default (PDs) derived from external (if available) or internal ratings and the transaction-specific loss given default (LGD) are used here. In addition to the probabilities of default and loss given defaults, correlations between the counterparties with the systematic risk factor are also taken into consideration. Only the unexpected loss of the portfolio is included in risk-bearing capacity. Expected loss is already included in the general bad debt provision. In the event that the expected loss of the total risk exposure exceeds the general bad debt provision, which has only been formed for loans and advances to banks and customers, the difference is also included in the calculation of risk-bearing capacity.

As part of its continuous development of risk management, the Bank has decided to replace its internal rating process with an external, professional procedure. The aim of this high-priority project is to achieve greater granularity in the rating levels and further improve the validity of the calculated probabilities of default (PDs). Working with a specialist provider will ensure higher quality of methodology and greater overall reliability and validity of risk assessment. The project therefore makes a significant contribution to strengthening risk-bearing capacity and making the management of the Bank as a whole more professional.

The migration risk for the portfolio is also determined for a time horizon of one year. External migration matrices are used for this purpose. The EL is recalculated on the basis of the higher default rates determined in this way; the difference between the EL calculated in this way and the EL from default risk produces the amount at risk in terms of migration risk in the economic perspective.

The market price risk is determined by adding the amounts at risk in terms of price risk (including foreign currency risks), credit spread risk and interest rate risk. No correlations between the risk types are taken into account.

The price risk (general price risk) is quantified using the 'value at risk'. For both the trading book and the banking book, this is measured with a confidence level of 99.9%, a holding period of 250 days and a lookback of 21 years by historical simulation of the changes in prices or the maturity- and currency-matched swap or money market rates. The price risk for the entire portfolio is calculated and limited and also separated between the banking book, the trading book and foreign currency futures (as far as possible in the overview). In addition to securities and precious metal investments that have a price risk, this includes open foreign currency positions and foreign currency futures held for hedging purposes. The price risk recognised in risk-bearing capacity is determined by adding the VaR of the sub-portfolios. As a result, existing correlations between the sub-portfolios are not taken into account, which leads to a significantly higher amount at risk.

The interest rate risk is measured quarterly by the Risk Controlling department. Here the change in present value of the interest book is determined in the case of ad hoc interest rate changes of +200 base points and -200 base points as well as six additional scenarios in accordance with accounting standard 06/2019 (BA) – 'Interest rate risks in the banking book'. The larger negative change in these eight interest rate change scenarios is included as a risk value in the calculation of risk-bearing capacity.

The Bank defines credit spread risk as negative changes in the market value of bonds held by the Bank itself as a result of a deterioration in issuers' credit standing that has not yet been reflected in a rating downgrade (specific price risk). The credit spread risk is quantified using the 'value at risk'. For both the trading book and the banking book this is measured with a confidence level of 99.9%, a holding period of 250 days and a lookback of 21 years calculated by historical simulation of the changes in the rating-dependent asset swap spreads of the bonds.

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

To determine the risk value for liquidity risk, a bank-run scenario is assumed in which all deposits are withdrawn by customers and banks on their contractual maturity date. This represents a possible (but highly unlikely) risk event.

The AMM report (Additional Monitoring Metrics for Liquidity Reporting), specifically sheet C 66.01 (liquidity maturity report), forms the basis for calculating the level of risk. The difference from the liquidity maturity report produced daily by the Treasury department (see below) is that no assumptions are made here regarding the extension of deposits.

Moreover, the cumulative refinancing gap and cumulative liquidity coverage potential are analysed. The refinancing gap is supplemented by revocable and irrevocable loan commitments (as outflow in 'due on demand').
Based on these data, the contractual cumulative refinancing gap is determined for each maturity band, 'due on demand' to 'longer than five years'.

Forward interest rates are used to determine the interest expense for refinancing the contractual gaps for each maturity band. As the economic perspective of risk-bearing capacity is based on a time horizon of one year, the risk is calculated by adding the interest expenses expected in the event of risk for the maturity bands from 'due on demand' to 'up to 12 months'.

The Bank uses this procedure to calculate the refinancing and call risk. Both sub-types of liquidity risk were identified as material in the risk inventory.

To monitor liquidity risk, a liquidity maturity report is produced by the Treasury department on a daily basis. It is managed based on the 'distance to illiquidity' (at least three months), a daily 'minimum liquidity' in t+1 (EUR 20 million) and the liquidity coverage requirement. Monitoring is carried out by the Risk Controlling department. In addition, the liquidity management concept also defines a contingency plan, which is preceded by an early warning system.

Operational risks are quantified on a quarterly basis by the Risk Controlling department, in collaboration with the department heads and the Board of Managing Directors using a scenario analysis for all identified operational risks. The scenarios represent possible 'bad case' scenarios for the risk type and are assessed in respect of potential losses per annum and their probability of occurrence.

These two parameters for the identified partial risks are incorporated into a Monte Carlo simulation. From the 200,000 simulations carried out, the risk is stated as a 99.9% quantile value. This calculation is performed three times and the worst result represents the loss amount for operational risks.
As part of the risk inventory, the Bank has identified the following sub-risks of operational risk as being material:

- model risk,
- legal risk,
- service risk,
- failure of critical IT,
- external events,
- money laundering/terrorism financing,
- accounting/financial reporting,
- external fraud,
- insider trading
- transitory risk (ESG)

ESG risks are included via the sub-risks 'external events' and 'transitory risk (ESG)'.

Strategic risk is taken into account by analysing declines in earnings in the context of risk-bearing capacity. In the economic perspective, an amount at risk of 10% of the expected earnings from lending business for the next 12 months is applied. This corresponds to the income from expected new business.

For reputational risk, 10% of the planned interest expenses for overnight money and term deposits is applied when quantifying the amount at risk. If the Bank's reputation were to deteriorate, it would be forced to offer interest rates above the market average in order to secure refinancing.

In order to limit concentration risks, the Board of Managing Directors has set further limits or early warning thresholds, which are monitored on an ongoing basis.

- **Largest position in the loan portfolio:** Maximum share of 10% of the total portfolio of positions exposed to risk of default.
- **Position with the highest risk:** Ratio to liable equity <10%,
- **Largest position in the loan portfolio:** Increase in the Herfindahl-Hirschman Index by a maximum of 50 base points,
- **Largest collateral position:** Maximum share of 10% of the total portfolio for positions exposed to risk of counterparty default.

All risk mitigation measures are essentially taken in an economically reasonable fashion that accounts for the size of the Bank, capital resources and the special business model in an appropriate manner.

Based on experience since 2022, neither Russia's invasion of Ukraine nor the war between the militant Palestinian organisation Hamas and Israel, which has been ongoing since October 2023, are expected to have any significant impact on Varengold Bank's future business development. It remains to be seen how the current uncertainty regarding the development of the tariff disputes with the USA will affect the Bank's loan portfolio. An initial analysis by the Bank revealed that there was no need for action in this respect.

2. Opportunities report

At the time of reporting, Varengold Bank is increasingly focusing on the realignment of its business model as well as on stabilisation and strategic focus as a result of the far-reaching developments since the middle of 2023. 2025 is a year of transformation where addressing the issues identified in the Section 44 KWG special audit and consistently realigning the Bank on the basis of its newly adjusted business model as a specialist bank offering structured financing solutions to young, growth-oriented companies in the fintech and energy transition sectors are front and centre. As well as winding down its Iran portfolio by the end of 2025, the Bank has also decided to gradually discontinue its Banking-as-a-Service (BaaS) business by the middle of 2026. Operational implementation of the BaaS business model requires a significant amount of resources under the current regulatory framework, particularly in terms of compliance with the requirements of the KWG (German Banking Act), MaRisk (Minimum Requirements for Risk Management and the GwG (German Anti-Money Laundering Act). Given this situation, the income generated from BaaS business is no longer commensurate with the expenses incurred.

The banking sector has been undergoing profound change for several years. This been characterised by digital innovation and increasing standards, including ESG criteria. In this environment, Varengold Bank is positioning itself as a specialist customer bank with a clear focus on efficient risk management, which it regards as a central core competence and a significant competitive advantage. This means that all business decisions are made on the basis of modern data analyses, clearly defined risk strategies and a consistent governance structure. The Bank therefore sees its risk management not only as a protective mechanism, but also as an integral part of its strategic management and a key factor for its success. It enables a well-founded assessment of opportunities and risks, supports efficient capital allocation and strengthens the quality of decision-making at all levels. By identifying potential risks at an early stage, it helps secure the Bank's profitability, the stability of its business model and its long-term competitive positioning.

The Bank's overriding objective is to provide easy access to capital and financial services, particularly in markets where it creates high added value for its customers with tailor-made solutions and supports their innovative strength.

Deposit business also remains a key component of the refinancing strategy with the aim of securing volumes, diversifying maturities and making optimum use of deposits in line with the core business areas. These are based on a strong network of partners and customers. Here, Varengold Bank contributes its regulatory expertise and many years of experience, particularly in the lending business, in a well-directed manner. Demand for financing and service offerings remains high in the Corporate Clients/Fintech division (formerly Marketplace Banking). The Bank is pursuing its goal of expanding its loan portfolio and acquiring new customers. It aims to set itself apart from the competition through quick and efficient project delivery and in the Corporate Clients/Energy Transition division is placing a greater focus on innovative, small and medium-sized companies and sustainable energy financing in relevant markets. This includes projects in the area of battery storage (BESS), electricity infrastructure and innovative providers of alternative financing platforms. The Bank's strategy is supported by a clear framework ensuring that the orientation of the customer portfolio is in line with the Bank's vision and external expectations of sustainable development. Together with a well-respected strategy consulting service, the Bank has set up a structured and target-oriented strategy process to transform the Bank's medium-term planning by the new Board of Managing Directors into a sustainable and consistent strategy using data- and fact-based market assessments. The focus here is on specific sales and market approaches that are consistently geared towards optimum RWA efficiency and appropriate risk-bearing capacity of the Bank.

Location development and management of the foreign branch are also an essential part of the process. The branch in Sofia (Bulgaria) is set to be managed with an independent and clearly separable balance sheet and profit and loss account. This will take place in line with the overall risk and earnings targets of the Bank as a whole. A key element of this management approach is local entry to the accounts of all transactions contracted in Bulgaria.

Another strategic cornerstone is the ongoing digital transformation. Artificial intelligence (AI) is also becoming more and more important. Varengold Bank sees great potential in AI technologies for optimising internal processes and improving its customer experience. Relevant developments on the market will be monitored, tested and, if trialled successfully, integrated into the Bank’s own infrastructure.

As well as developing the new business strategy, central organisational structures will also be improved. A key element for success is the introduction of comprehensive project tracking in the context of the Bank's realignment. This provides a complete overview of all ongoing projects within the Bank. Almost 30 projects are currently being actively managed, ten of which have top priority. This new transparency and structure in project management strengthens cross-divisional collaboration, increases the quality of delivery and provides a solid basis for effective strategic monitoring.

In spite of these ambitious plans, the consequences of the special audit, which has been ongoing since 2023, continue to have an impact. In addition, unforeseeable political and economic developments at a global level could also influence future results. Varengold Bank will however adhere to its strategic realignment and continue to develop promising business areas in a well-directed manner, always in line with changing market conditions.

Overall, Varengold Bank is looking ahead with confidence. The realignment of its business model requires patience, dedication and commitment - and it is precisely these challenges that the new Board of Managing Directors together with the entire team are tackling with drive and energy. Ongoing change is not only seen as a necessary adjustment to changing market conditions, but also as an opportunity to rethink processes, realise potential and secure the Bank's future viability in the long term. This spirit of optimism can be felt throughout the company and forms the basis for successful further development in a dynamic environment.

3. Forecast report

The forward-looking statements in this section in particular are based on estimates and conclusions reached by Varengold Bank at the time of preparing this report. The statements included are based on assumptions and unless specifically indicated, are based on internal estimates. The Bank expressly states that all forward-looking statements are associated with known or unknown risks and uncertainties and are based on conclusions relating to future events that are beyond the Bank's control. A number of important factors could therefore cause actual results to differ materially from forward-looking statements.

According to the ifo Institute's Economic Forecast Summer 2025[13], numerous indicators suggest that the German economy reached its low point in the winter half-year 2024/25. Positive trends in Q1 2025 are not expected to continue during the rest of the year. Stagnation is expected in Q2 given declining industrial production and weaker exports. However, the outlook remains cautiously positive thanks to the improved order situation and optimistic sentiment indicators. The increasing optimism is likely due to hopes for a reboot of economic policy with the new German government and progress in the trade conflict with the USA. The ifo Institute has raised its growth forecast for 2025 compared to the spring forecast for price-adjusted GDP in Germany from 0.2% to 0.3%. Growth of 1.5% is expected in 2026. In its monthly report from June 2025[14], the Bundesbank also expects a virtual stagnation of the German economy - real GDP is likely to remain more or less unchanged in the current year. The main negative factors are declining industrial exports, uncertainties in transatlantic trade and weak investment activity. The Bundesbank does not expect a moderate recovery until 2026, supported by fiscal stimuli from the new German government.

At 2.1%, the rate of inflation in 2025 is likely to remain at around the previous year's level. Inflation is forecast to fall to around 2.0% in 2026. This is due to lower energy prices and the reduction in electricity tax and transmission grid charges. Given these circumstances and the stagnating economy, the European Central Bank is expected to continue its interest rate

13 https://www.ifo.de/fakten/2025-06-12/ifo-konjunkturprognose-sommer-2025
14 https://publikationen.bundesbank.de/publikationen-de/berichte-studien/monatsberichte/monatsbericht-juni-2025-959270

cutting policy. After the last interest rate cut in June 2025, further steps could follow during the course of the year.

In the banking sector, the assessment of short and medium-term trends as well as structural development trends remains fundamentally unchanged. Banks continue to face the challenge of adapting their business model to a complex market and regulatory environment. Increasing efficiency and actively managing cost structures remain essential. At the same time, institutions have to factor in the ongoing digitalisation of their business processes. However, the industry as a whole is robust, has good capital resources and is prepared for economic fluctuations.

Sustainability also remains a key issue for the financial sector. At the beginning of 2025, the EU Commission released an Omnibus package of initial proposals for simplifying sustainability reporting. The aim is to relieve the burden on small and medium-sized companies in particular and to boost their competitiveness. The German government also supports this approach and is planning corresponding adjustments at national level. The most important aspects here are:

1. **Corporate Sustainability Reporting Directive (CSRD) and EU taxonomy:** The extension of reporting obligations to small and medium-sized institutions originally planned from 2025 has been postponed by two years. In addition, the sustainability reporting standards (ESRS) will be simplified and the CSRD scope of application reduced. The EU Commission is currently working on simplifying the EU taxonomy reporting obligations. The details of transposition into German law will continue to be closely monitored. The time gained will be used to prepare for future sustainability reporting requirements and to adapt internal processes.
2. **Integration of ESG into risk management:** Since 2024, banks have been required to systematically integrate ESG risks, in particular climate and environmental risks, into their risk management system. The 2024 EBA Guidelines further specify the requirements for factoring ESG risks into risk management. Focus is placed on the reliable, quantitative assessment of physical and transitory risks and their systematic integration into the ICAAP, stress tests and business strategy. ESG risk data are collected in a risk-oriented manner for this purpose and climate risks are analysed quantitatively, specifically to fulfil the Pillar 3 disclosure requirements for ESG risks under the Capital Requirements Regulation (CRR).

Another key topic area is the implementation of the Digital Operational Resilience Act (DORA), which has been mandatory since 17 January 2025. DORA calls for harmonised EU standards for IT security, risk management for outsourcing and business continuity management. The implementation of these regulations is becoming more and more urgent, especially in view of the increasing number of cyber attacks. In addition to this, the NIS2 Directive has also been tightened, which is particularly important for banks as critical infrastructure.

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

In geopolitical terms, the risks remain significant. Although the war in Ukraine and the ongoing conflict in the Middle East do not have

a direct impact on Varengold Bank's business activities, they could still have an impact on supply chains, energy prices and capital markets in the medium to long term. The higher US trade tariffs are also placing an additional burden on the export industry. Thanks to a broadly diversified loan portfolio covering various sectors, countries and company sizes, Varengold Bank considers itself well positioned for such scenarios. Financing in the area of energy transition in particular is contributing more and more to the resilience of the portfolio.
In the area of alternative financing, i.e. forms of financing such as factoring, leasing or similar models, which are often offered by fintechs as a supplement or replacement for traditional bank loans, momentum is gathering pace again following the stagnation in the first half of 2024. Larger financing rounds were registered again, particularly at the end of 2024.[15] This trend is expected to continue in 2025. However, the focus is no longer on rapid growth, but rather on the profitability of business models. As a result, fewer but larger financing rounds are likely to take place. Experts expect the European fintech sector to be characterised by new IPOs in the medium term - a sign of the increasing maturity of the market.[16]

Despite the recent interest rate cuts by the ECB, interest rate business will continue to offer a solid income component going forward. The Bank has already factored the lower interest margins into its strategic planning and, owing to its diversified earnings structure and solid capital base, believes it is well positioned to continue achieving stable results. The Bank's primary goal in the coming months is to further recalibrate the business model following the change to the Board of Managing Directors in March 2025 and, among other things, expand the new focus on energy transition. Furthermore, business activities will be stepped up in the Corporate Clients//Fintech division and a focus placed on lending.

The Bank anticipates additional charges in connection with this restructuring and realignment, mainly due to the effects of the special audits still ongoing in 2025 and targeted measures to transform the Bank. The Board of Managing Directors is therefore anticipating a consistent to slightly positive result of up to TEUR 800 before taxes with a cost-income ratio of around 98% for 2025, before the break-even point can be exceeded again more significantly from 2026 onwards based on the transformation measures that are expected to be implemented by then.

Hamburg, 31 July 2025
Varengold Bank AG

Matthias Wargers
Board of Managing Directors

Hendrik Harms
Board of Managing Directors

15 https://financefwd.com/de/fintech-funding-q2-2024/
16 https://financefwd.com/de/fintech-funding-2024/

Opinion of the independent auditor

To Varengold Bank AG, Hamburg

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

Audit opinion

We have audited the annual financial statements of Varengold Bank AG, Hamburg, which comprise the balance sheet as of 31 December 2024, the profit and loss account for the financial year from 1 January 2024 to 31 December 2024 and the notes to the financial statements, including the presentation of the accounting policies. We have also audited the Management Report of Varengold Bank AG, Hamburg, for the financial year from 1 January 2024 to 31 December 2024.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to public limited companies and give a true and fair view of the assets, liabilities and financial position of the company as of 31 December 2024 and of its financial performance for the financial year from 1 January 2024 to 31 December 2024 in compliance with generally accepted accounting principles in Germany, and
- the accompanying Management Report as a whole provides an accurate picture of the company's position. In all material respects, this Management Report is consistent with the annual financial statements, complies with German legal requirements and presents the opportunities and risks of future development appropriately.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections regarding the regularity of the annual financial statements and the Management Report.

Basis for audit opinion

We conducted our audit of the annual financial statements and the Management Report in accordance with Section 317 HGB and EU Audit Regulation (No. 537/2014; hereinafter referred to as ‘EU Audit Regulation’) and in compliance with generally accepted principles for the audit of financial statements in Germany promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the ‘Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report’ section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the Management Report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, based on our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2024 to 31 December 2024. These matters were addressed in the context of our audit of the annual financial statements as a whole, and when forming our opinion on them; we do not provide a separate opinion on these matters.

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

i. Risk provisioning in the customer lending business
ii. Mapping of risks due to possible repayment of refunded capital gains tax
iii. Recognition of provisions for severance obligations

In the following presentation of these key audit matters, we first describe the respective matter in order to then present the audit approach including our findings. We have structured our presentation of these key audit matters as follows:

1. Facts and circumstances, and presentation of problem
2. Audit approach and findings
3. Reference to further information

The key audit matters are presented below:

i) Risk provisioning in the customer lending business

1. In the company's annual financial statements, customer loans totalling EUR 447.9 million (approx. 45% of total assets; previous year EUR 383.3 million) are reported under the balance sheet item 'Loans and advances to customers'. These consist mainly of claims under loan agreements. The Bank also recognises irrevocable loan commitments of EUR 57.4 million (previous year EUR 48.0 million) and liabilities from guarantees and warranty agreements of EUR 7.0 million (previous year TEUR 0.1) as off-balance sheet liabilities.

   As at 31 December 2024, the Bank had taken into account protection against default risks in the customer lending business by recognising provisions for losses on individual accounts and general bad debt provisions or general provisions. The Bank also recognised other risk provisions in its balance sheet as at 31 December 2024 by offsetting hidden reserves in accordance with Section 340f HGB against receivables from customers, and also in the form of a special item for general banking risks in accordance with Section 340g HGB (EUR 14.4 million).

   The measurement of risk provisions in the customer lending business is determined in particular by the structure and quality of the loan portfolio as well as macroeconomic factors and estimates by the legal representatives regarding the probability and amount of future loan defaults, the calculation of the collateral value to be recognised as well as industry and macro-economic factors. The amount of the individual loss provisions for receivables from customers corresponds to the difference between the outstanding loan amount and the lower value to be attributed to it on the reporting date. Existing collateral is taken into account. General bad debt provisions are calculated on the basis of expected losses.

Impairment losses in the customer lending business are highly significant in terms of their amount for the company's net assets and earnings performance and also involve considerable discretionary judgement on the part of the legal representatives. In addition, the measurement parameters applied, which are subject to considerable uncertainty, have a significant influence on the recognition and amount of any necessary impairment allowances. In light of this, this matter was of particular significance in the context of our audit.

2. As part of our audit, we first assessed the design of the company's relevant internal control system and, based on this, the effectiveness of the controls. In doing so, we considered business organisation, IT systems and the relevant valuation models.

   We also assessed the measurement of receivables from customers, including the appropriateness of estimated values, based on random credit exposure examples. Here, we assessed, among other things, the company's available documentation regarding the financial circumstances and the recoverability of the corresponding collateral. In the case of collateral for property, for which the company provided us with valuation reports, we obtained an understanding of the underlying initial data, the valuation parameters applied and the assumptions made, critically assessed these and evaluated whether they were within a reasonable range. We also assessed the measurement methods used by the company and the underlying assumptions and parameters in order to evaluate the provisions for losses on individual accounts and general bad debt provisions as well as general provisions that were recognised.

   Based on our audit procedures, we were able to satisfy ourselves overall that the assumptions used by the legal representatives to form and measure risk provisions in the customer lending business were reasonable.

3. The company's disclosures on the recognition and measurement of risk provisions in the customer lending business are included in section 2 ‘Accounting policies’, section 4.2.14 ‘Provision for general banking risks’ in the notes to the financial statements and in section 3.1 of the Management Report.

ii) Mapping of risks due to possible repayment of refunded capital gains tax

1. In the company's annual financial statements, the item ‘Other provisions’ includes a provision for legal risks due to the possible repayment of refunded capital gains tax in the amount of TER 6,773 (previous year TEUR 4,061). The increase in this provision in the reporting year is mainly due to further risk provisions of TEUR 2,520 for risks in connection with the criminal proceedings against a former member of the Bank's Board of Managing Directors and to interest rate effects.

   Based on new findings from the special auditor's report in accordance with Section 44 KWG, the Bank increased its risk provision by TEUR 300 for possible fines for administrative offences in connection with the Beech complex, which could be imposed for actions taken by a former member of the Board of Managing Directors. This was offset by the effect resulting from the reversal of a provision for potential claims for repayment by the tax authorities from capital gains tax in 2016, based in particular on the findings of the special auditor's report, in the amount of TEUR 3,100.

Provisions must be recognised for uncertain liabilities in accordance with Section 249 (1) sentence 1 HGB. There must be an external obligation for this that has arisen legally or been prompted for financial reasons, and there must be serious expectation that the provisions will be utilised. If the required criteria for recognition are met, a provision for legal risks needs to be recognised.

The legal representatives of Varengold Bank AG consider it sufficiently likely that the above-mentioned claims could be successful and have recognised provisions for legal risks. The risk assessment to be carried out on the progress of the legal dispute and the assessment of whether the recognition of a provision to cover the risk is necessary in view of this legal dispute is characterised to a large extent by the estimates and assumptions of the legal representatives. In light of this and due to the amount of the claims asserted, we consider this matter to be of particular significance for our audit.

2. As part of our audit, we examined the existing risks from pending and potential legal disputes in terms of content, taking account of the report of the special auditor in accordance with Section 44 KWG, and assessed whether and to what extent provisions should be recognised. Our assessment considered the information obtained during our regular discussions with the Bank's legal representatives. We analysed the reasons for recognising the provision and determining the amount of the provision. We also took into account the comprehensive explanations in the special auditor's report in accordance with Section 44 KWG, the estimates of legal advisers obtained by Varengold Bank AG and other documents provided by Varengold Bank AG.

   Based on our audit procedures, we were able to satisfy ourselves that the estimates made by the legal representatives for the recognition and measurement of the provisions for legal risks arising from the potential repayment of refunded capital gains tax are adequately documented and substantiated.

3. The company's disclosures on the provision for legal risks are included in section 4.2.13 'Other provisions', section 5.7 'Other operating expenses' of the notes to the financial statements and section A of the Management Report.

iii) Recognition of provisions for severance obligations

1. In the company's annual financial statements, the item 'Other provisions' includes a provision of EUR 7.5 million for severance payments resulting from the restructuring of the Bank's governing bodies.

   Provisions must be recognised for uncertain liabilities in accordance with Section 249 (1) sentence 1 HGB. There must be an external obligation for this that has arisen legally or been prompted for financial reasons, and there must be serious expectation that the provisions will be utilised. If the required criteria for recognition are met, a provision for severance obligations needs to be recognised.

The assessment of whether it is necessary to carry a provision to cover the risk prompted by a financial cause as a liability in the 2024 financial year is characterised to a large extent by the estimates and assumptions of the legal representatives. In light of this and due to the amount of the severance obligation, we consider this matter to be of particular significance for our audit.

2. As part of our audit, we examined the severance agreements reached by the Bank in the context of restructuring the Bank's governing bodies and assessed whether a provision should be formed and if so, the amount of the provision. Our assessment took into account the findings obtained in our discussions with the company's legal representatives and the Supervisory Board as well as documentation provided to us in writing by the Supervisory Board on the course of the negotiations conducted with the Board of Managing Directors in post until 5 March 2025, the assessments of legal advisers obtained by Varengold Bank AG and other documents provided by Varengold Bank AG. We analysed the reasons for recognising the provision in the 2024 annual financial statements on merit and determining the amount of the provision.

   Based on our audit procedures, we were able to satisfy ourselves that the estimates made by the legal representatives for the recognition and measurement of a provision for severance obligations in the 2024 annual financial statements are sufficiently justified.

3. The company's disclosures on the provision for severance obligations are included in section 4.2.13 'Other provisions', section 5.5 'Personnel expenses' of the notes to the financial statements and in section 3.1 of the Management Report.

Other information

The legal representatives are responsible for the other information.

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

Our opinions on the annual financial statements and on the Management Report do not cover this other information, and consequently we do not express an opinion on this or provide any other form of assurance for this.

Our responsibility in the context of our audit is to read the other information referred to above and, in doing so, consider whether the other information

- is materially inconsistent with the annual financial statements, with the disclosures in the audited Management Report or with knowledge we have obtained during the audit, or
- otherwise appears to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the Management Report

The legal representatives are responsible for preparing annual financial statements that comply, in all material respects, with German commercial law applicable to private limited companies, and ensuring that the annual financial statements give a true and fair view of the assets, liabilities, financial position and earnings performance of the company in accordance with generally accepted accounting principles in Germany. In addition, the legal representatives are responsible for such internal control as they have deemed necessary in accordance with generally accepted accounting principles in Germany in order to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. tampering with accounts or misappropriating assets) or error.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the continuation of the company's activities, where relevant. They are also responsible for preparing the accounts based on the going concern principle unless there are actual or legal circumstances to the contrary.

Moreover, the legal representatives are responsible for preparing the Management Report which, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and presents the opportunities and risks of future development appropriately. The legal representatives are also responsible for such arrangements and measures (systems) that they have considered necessary in order to enable the preparation of a management report that fulfils the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the statements made in the Management Report.

The Supervisory Board is responsible for overseeing the financing reporting process used by the company to prepare the annual financial statements and the Management Report.

Responsibility of the Auditor for the Audit of the Annual Financial Statements and the Management Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, and in compliance with generally accepted accounting principles in Germany promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual financial statements and Management Report.

During the audit, we exercise due discretion and maintain professional scepticism. In addition,

- we identify and assess the risks of material misstatement in the annual financial statements and the Management Report, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate in order to provide a basis for our opinions. The risk of not detecting material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- we obtain an understanding of internal controls relevant to our audit of the annual financial statements and of arrangements and measures (systems) relevant to our audit of the Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal controls or its systems.
- we evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- we reach a conclusion on the appropriateness of the legal representatives’ use of the going concern basis of accounting and, based on the audit evidence we have obtained, whether there is material uncertainty related to events or circumstances that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in the auditor's report to the relevant disclosures in the annual financial statements and in the Management Report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence we have obtained up to the date of our auditor's report. However, future events or circumstances may result in the company no longer being able to continue its business activities.
- we evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events such that the annual financial statements give a true and fair view of the assets, liabilities, financial position and earnings performance of the company in accordance with generally accepted accounting principles in Germany.
- we evaluate the consistency of the Management Report with the annual financial statements, its compliance with German law, and the view of the company's position it provides.
- we perform audit procedures on the forward-looking statements made by the legal representatives in the Management Report. Based on sufficient appropriate audit evidence, we simulate the significant assumptions used by the legal representatives as a basis for the forward-looking statements, and assess the proper derivation of the forward-looking statements from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We discuss the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, with those charged with supervisory responsibility.

We provide those charged with supervisory responsibility with a statement that we have complied with the relevant requirements in terms of independence, and discuss with them all relationships and other matters that may reasonably be thought to affect our independence, and where applicable, the relevant safeguards applied to mitigate risks to independence.

From the matters communicated with those charged with supervisory responsibility, we determine the matters that were of most significance in our audit of the annual financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or other legal provisions prevents their public disclosure.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the General Meeting on 13 August 2024. We were engaged by the Supervisory Board on 3 September 2024. We have been the auditor of Varengold Bank AG, Hamburg, since the 2024 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (audit report).

AUDITOR IN CHARGE

The auditor in charge of the audit is Miriam Brosig.

Hanover, 31 July 2025

PKF TREUWERK AG
Wirtschaftsprüfungsgesellschaft

Miriam Brosig Auditor	**Christian-Peter Lamm** Auditor

Corporate information

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Board of Managing Directors

Matthias Wargers (Spokesperson for the Board of Managing Directors)
Hendrik Harms

Supervisory Board

Dirk Auerbach (Chairman)
Vasil Stefanov
Tobias Weitzel

Companies Register

HRB 73684 Hamburg District Court

VAT ID No.

Financial Authority, Hamburg, DE247069729

Corporate Governance

Varengold Bank AG is registered with the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Str. 108, 53117 Bonn, Germany; Tel.: 0228/4108 – 0) under number 109 520 and published on the website www.bafin.de.

Deposit insurance

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

Permissions/Approvals of Varengold Bank AG

- Acquisition brokerage (section 1 (1a) sentence 2 no. 2 KWG [German Banking Act])
- Investment advisory services (section 1 (1a) sentence 2 no. 1a KWG)
- Investment brokerage (section 1 (1a) sentence 2 no. 1 KWG)
- Asset management (section 1 (1a) sentence 2 no. 11 KWG)
- Deposit business (section 1 (1) sentence 2 no. 5 KWG)
- Proprietary business (section 32 1a) KWG)
- Proprietary trading (section 1 (1a) sentence 2 no. 4 KWG)
- Deposit business (section 1 (1) sentence 2 no. 1 KWG)
- Factoring (section 1 (1a) sentence 2 no. 9 KWG)
- Financial leasing (section 1 (1a) sentence 2 no. 10 KWG)
- Financial commission business (section 1 (1) sentence 2 no. 4 KWG)
- Financial portfolio management (section 1 (1a) sentence 2 no. 3 KWG)
- Guarantee business (section 1 (1) sentence 2 no. 8 KWG)
- Credit business (section 1 (1) sentence 2 no. 2 KWG)

Disclaimer

Notes on the content

The information in this report is neither meant for publication nor distribution in, for example, the United States of America, Australia, Canada, Japan, or any other country where such publication or distribution could be unlawful.

This report was produced with the utmost care. Rounding, typographical and printing errors may nonetheless not be excluded. Whiles calculating sums of rounded amounts and percentages, rounding differences may occur.

Solely to facilitate readability, this report partially foregoes gender specific language and uses the generic masculine. All references to persons and terms apply in principle to all genders in the interests of equal treatment. Shortened forms are used solely for editorial reasons and do not imply any form of value judgement.

Forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that include not only historical facts, but also 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. The reader should therefore not over-rely on these statements, particularly in connection with contracts or investment decisions. We expressly point out that all forward-looking statements are connected with known or unknown risks and uncertainties and are based on assumptions related to future events beyond our control. We cannot accept any liability for the accuracy, completeness, or for the actual occurrence of the statements made. The Board of Managing Directors 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.

Note

This English version of the annual report 2024 is for informational purposes only. Legally binding is solely the German version of the annual report 2024.