GRENKE

ANNUAL REPORT

2022

Group key figures

	UNIT	2022	2021	Change (%)
NEW BUSINESS LEASING	EURK	2'299'153	1'657'840	38.7
DACH	EURk	571'402	455'146	25.5
Western Europe (without DACH)	EURk	600'035	450'171	33.3
Southern Europe	EURk	571'073	390'650	46.2
Northern/Eastern Europe	EURk	427'161	270'179	58.1
Other regions	EURk	129'482	91'693	41.2
CONTRIBUTIONS MARGIN 2 (CM2) ON NEW BUSINESS LEASING	EURK	369'606	292'303	26.4
DACH	EURk	68'637	59'348	15.7
Western Europe (without DACH)	EURk	103'550	85'047	21.8
Southern Europe	EURk	93'611	75'224	24.4
Northern/Eastern Europe	EURk	77'719	52'280	48.7
Other regions	EURk	26'088	20'403	27.9
FURTHER INFORMATION LEASING				
Number of new contracts	units	268'689	214'079	25.5
Mean acquisition value	EUR	8'557	7'744	10.5
Mean term of contract per end of period	months	48	48	0
Volume of leased assets per end of period	EURk	9'059'311	8'769'265	3.3
Number of current contracts per end of period	units	1'020'474	992'378	2.8
NEW BUSINESS FACTORING	EURK	784'206	700'904	11.9
DACH	EURk	296'987	294'492	0.8
Southern Europe	EURk	148'545	92'629	60.4
Northern/Eastern Europe	EURk	338'674	313'783	7.9
GRENKE BANK				
New business SME lending business incl. microcredit business	EURk	51'066	33'223	53.7

Regions Leasing:
DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern/Eastern Europe: Denmark, Finland, Ireland, Latvia, Norway, Sweden, UK | Chech Repuplic, Hungary, Poland, Romania, Slovakia
Other regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE, USA

Regions Factoring:
DACH: Germany, Switzerland
Southern Europe: Italy, Portugal
Northern/Eastern Europe: UK, Ireland, Hungary, Poland

Consolidated franchise companies:
Leasing: Australia (2x), Canada (3x), Chile, Latvia, Norway
Factoring: Hungary, Ireland, Italy, Poland, Portugal, UK

	UNIT	2022	2021	Change (%)
INCOME STATEMENT				
Net interest income	EURk	344'513	366'785	–6.1
Settlement of claims and risk provision	EURk	120'437	142'785	–15.7
Total operating expenses	EURk	279'195	256'170	9.0
Operating result	EURk	97'978	132'510	–26.1
Group Earnings before Taxes	EURk	111'033	123'500	–10.1
GROUP EARNINGS	EURK	84'184	95'185	–11.6
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	EURK	81'307	90'134	–9.8
NET PROFIT ATTRIBUTABLE TO HYBRID CAPITAL HOLDERS	EURK	9'068	9'404	–3.6
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	EURK	–6'191	–4'353	–42.2
Earnings per share (basic and diluted)	EUR	1.75	1.94	–9.8
Cost Income Ratio	percent	55.2	49.6	5.6 pp
Staff cost	EURk	149'067	127'530	16.9
of which total remuneration	EURk	122'637	105'454	16.3
of which fixed remuneration	EURk	102'469	84'396	21.4
of which variable remuneration	EURk	20'168	21'058	–4.2
Average number of employees in full-time equivalent (FTE)	employees	1'878	1'794	4.7

	UNIT	Dec. 31, 2022	Dec. 31, 2021	Change (%)
STATEMENT OF FINANCIAL POSITION				
Total assets	EURm	6'413	6'661	–3.7
Lease receivables	EURm	5'244	5'119	2.4
Financial Debt: herof deposits GRENKE BANK AG	EURm	1'151	1'412	–18.5
Equity persuant to statement of financial position[1]	EURm	1'332	1'269	5.0
Equity persuant to CRR	EURm	1'188	1'122	5.9
Equity ratio	percent	20.8	19.1	1.7 pp
Embedded value, leasing contract portfolio (excl. equity before taxes)	EURm	482	485	–0.6
Embedded value, leasing contract portfolio (incl. equity after taxes)	EURm	1'664	1'597	4.2

[1] Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

Content

Our Board of Directors

DR SEBASTIAN HIRSCH

- Chief Executive Officer and interim Chief Financial Officer since February 16, 2023
- Areas of responsibility: Controlling, Corporate Communications, ESG, Investor Relations, IT, M&A, Personal, Portfolio Management, Programm “Fast Forward Digital”, Property- & Facility Management, Accounting/Taxes, Legal, Treasury/Corporate Finance
- Career: Born in 1981 | Graduate of Economics | MA in Banking & Finance | Board of Directors | GRENKE BANK AG 2011 – 2013 | Authorised Signatory for GRENKE AG 2013 | Member of GRENKE AG Board of Directors since 2017 | Doctorate degree 2021 | Chair of GRENKE AG Board of Directors since February 2023

GILLES CHRIST

- Chief Sales Officer since May 1, 2010
- Areas of responsibility: Brand Management, Services, Sales
- Career: Born in 1970 | Graduate of sociology | MBA with concentration in Finance, Marketing and Strategy | Joined GRENKE sales division in 1998 | Head of GRENKE AG’s French subsidiary 1999 – 2007| Deputy Chair of GRENKE AG Board of Directors responsible for international business 2007 – 2010 | Member of GRENKE AG Board of Directors of since May 2010

ISABEL RÖSLER

- Chief Risk Officer since January 1, 2021
- Areas of responsibility: Administration, Compliance, Corporate Credit, Data Protection, Internal Audit, Risk Management
- Career: Born 1975 | Graduate of Business Administration | Qualified Auditor & Tax Consultant | Auditor at PwC 1998 – 2014 | Project Leader at LBBW 2014 – 2015 | Authorised Signatory 2015 – 2016 and Managing Director of SüdLeasing and SüdFactoring GmbH 2016 – 2019 | Chief Risk Officer of GRENKE AG since January 2021

Letter from the Board of Directors

Dear Shareholders, Ladies and Gentlemen,

We rely on the strengths of our business model, on those elements that have distinguished GRENKE from the beginning and continue to do so today: A long-term focus on growth, scalability and risk diversification, resulting in a successful, highly profitable small-ticket leasing business.

We mastered the past financial year successfully despite considerable challenges. Inflation and interest rates – two economic parameters that had remained relatively constant for many years – rose significantly by European standards, changing the economic landscape. This did not stop us however from achieving our targets. In the 2022 fiscal year, we generated new leasing business of EUR 2.3 billion and Group earnings of EUR 84.2 million – both reaching the upper end of our guidance range.

In recognition of this performance, we decided together with the Supervisory Board to propose a dividend of EUR 0.45 per share for the 2022 financial year. This proposal is in line with our payout ratio of 25 percent and slightly below the previous year's dividend of EUR 0.51.

In terms of new leasing business, we are not only pleased with the volume we achieved but also with the expansion of our object portfolio. New objects to lease are constantly being added to our portfolio to meet the changing needs of our medium-sized customers. Economic megatrends, such as climate protection, are also increasing the variety of lease objects. An example is the renewed increase in the share of e-bikes. We have also deliberately added other climate-friendly lease objects to our range, including wallboxes and photovoltaic systems. Whereas, in the early days of our Company's history we helped micro-enterprises use emerging digitalisation to increase their competitiveness, today we are at the side of SMEs to finance quickly and easily the green transformation.

We took several steps to further strengthen our organisation last year. GRENKE was involved for more than 18 months in dealing with the short attack. In 2021, we reorganised the division of responsibilities within the Board of Directors and created the position of Chief Risk Officer. Half of the Supervisory Board positions were filled by new members. Expansion through franchises was discontinued. We are now pursuing growth in new leasing markets through our own subsidiaries. By the end of February 2023, we had acquired eight franchise companies and intend to acquire the remaining companies by mid-2023. With this step, all of the business relationships we had under the former franchise model will come to an end. In the course of the reorganisation, we also significantly strengthened our internal control systems, bringing GRENKE back on track. The growth in our new leasing business proves that this is equally true for our operating business.

> We aim to structurally and sustainably achieve earnings growth that exceeds our new business growth

Continuing to increase our level of digitalisation is crucial to our future profitable growth. It is also critical to meeting ever-increasing regulatory requirements effectively and efficiently. The success of our small-scale business model – from the potential lessee's initial application to the disposal of the leased asset – can only fully unfold through highly automated, digital and intelligent processes. This is the way to deliver more value to our customers while scaling our business to an even greater extent. It is therefore crucial for us to deploy the best possible process technology solution along our entire value chain.

To ensure this, we will invest EUR 45 million to EUR 50 million in our digital infrastructure over the next three years. This will create the necessary technological basis to reach a new dimension of value-driven growth in the more than 30 countries where GRENKE operates. Only with these investments will we be able to structurally and sustainably achieve profit growth that exceeds our new business growth.

GRENKE has relied on the advantages of standardisation and automation since its foundation. One of our most important tasks now is to combine these advantages with the best possible technologies for digitalisation and transform them into growth, efficiency and, consequently, an increase in shareholder value.

We are targeting EUR 3.4 billion in new leasing business for the 2024 financial year.

In the current financial year, we want to achieve new leasing business of between EUR 2.6 billion and EUR 2.8 billion. For the 2024 business year, our forecast remains unchanged at EUR 3.4 billion in new leasing business. Our contribution margin 2 is and will remain our central management tool. It serves not only as an essential decision-making tool for each individual contract, but also reflects the future earnings power of our portfolio overall.

Based on the accelerated digitalisation and related investments, we expect to achieve Consolidated Group net profit of EUR 80 million to EUR 90 million in 2023, rising to approximately EUR 120 million in the 2024 financial year.

We expect to reach the break-even point for the additional IT investments as early as the 2025 financial year. This would be the first time the gains from higher sales and administrative efficiency would exceed the level the additional IT investment costs. In the medium and, especially, the long term, the digitalisation programme will open the way to seizing existing market potential through double-digit growth rates in new business and ensure the scalability of our business.

Finally, I would like to thank our former CEO, Michael Bücker, for his valued cooperation on the Board of Directors. I am very pleased that the Supervisory Board has placed its trust in me and appointed me Chairman of the Board of Directors of GRENKE AG. I have been with GRENKE for 18 years in various functions. In my new role, I will continue to work with all my strength and intensity, together with all my colleagues, to expand our position as the leading provider in small-ticket leasing worldwide.

Sincerely,

Dr Sebastian Hirsch
CEO

Report of the Supervisory Board

Prof Dr Ernst-Moritz Lipp,
Chair of the Supervisory Board

Dear Shareholders,

The 2022 financial year was a success for GRENKE AG. With new leasing business of EUR 2.3 billion – an increase of 38.7 percent compared to the previous year – and net profit of EUR 84.2 million, we are fully on track. This achievement is all the more significant against the background of the macroeconomic environment, which saw a massive deterioration last year.

Since Russia's attack on Ukraine in February 2022, war has been raging in Europe. Above all, the tremendous suffering this has brought to the people is staggering. The war has also had a far-reaching economic impact, with prices rising significantly during the year, especially for fuel, food and energy, reaching record levels. Inflation rates in the leading economies also reached new highs. In an effort to counter this, the ECB raised the key interest rate from 0 percent in July to 2.5 percent in December 2022. Other leading central banks took similar measures, with an even steeper rise in the US dollar refinancing rate by the FED from 0.25 percent in March to 4.50 percent in December 2022. In the UK, the Bank of England had already begun raising interest rates in several stages, from 0.25 percent to 3.5 percent in the period from December 2021 to December 2022.

In what has been a very challenging environment for many companies, we have once again demonstrated our outstanding resilience and proven that we can operate highly profitably and grow significantly despite these market circumstances. This makes me look forward to the future with confidence, and I am certain that we will continue to grow profitably in the year ahead.

On behalf of the Supervisory Board, I would like to take this opportunity to thank the Board of Directors and all employees of the GRENKE Group for their performance this past year. The GRENKE team together did a tremendous job in a difficult environment and never lost sight of our set goals. Through these efforts they have created a strong foundation for achieving our long-term growth targets. I would also like to thank you, our shareholders, for the trust you have placed in our company, our employees and in our Board of Directors.

Cooperation between the Supervisory Board and the Board of Directors

During the reporting year, the Supervisory Board performed the duties incumbent upon it by law, the Articles of Association and the Rules of Procedure in full. We monitored and advised the Board of Directors in its management of the Company on the basis of detailed written and oral reports. The cooperation was always trustworthy and comprehensive. There was a regular exchange of information between the Chair of the Supervisory Board and the Chair of the Board of Directors as well as the other members of the Board of Directors. In this way, the Supervisory Board was always informed about all relevant developments, events and decisions in the Consolidated Group. Focal points of the exchange between the Supervisory Board and the Board of Directors in the past financial year were in the areas of acquisitions and investments, refinancing, compliance, the risk situation and risk management, controlling, human resources, as well as sustainability and cybersecurity. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance for the Company and thoroughly discussed these in detail with the Board of Directors. Insofar as decisions or actions of the Board of Directors required the approval of the Supervisory Board in accordance with the law, the Articles of Association, or the Rules of Procedure, these were submitted to us by the Board of Directors for resolution.

Any indications of conflicts of interest involving members of the Board of Directors or the Supervisory Board were immediately and fully disclosed to the Chair of the Supervisory Board during the reporting period. As early as September 15, 2021, Nils Kröber, a member of the Supervisory Board, had informed the Chair of the Supervisory Board of a conflict of interest due to ongoing consulting work for Wolfgang Grenke. Mr Kröber was not involved in any agenda items at Supervisory Board meetings that could pose a potential conflict of interest. Mr Kröber indicated that such conflicts of interest included matters in connection with the activities for Grenke Beteiligung GmbH & Co. KG and other members of the Grenke family company.

Composition and responsibilities of the Board of Directors

The Board of Directors consisted of the following members in the 2022 financial year:

In the period from January 1, 2022 to November 30, 2022, the Board of Directors consisted of four members, Michael Bücker (CEO), Dr Sebastian Hirsch (CFO, Deputy CEO), Gilles Christ (CSO) and Isabel Rösler (CRO).

On November 21, 2022, at the request of Michael Bücker, we revoked his appointment as Chair of the Board of Directors as of the end of November 30, 2022 for a limited period until February 28, 2023 due to illness. His duties were assumed by the Deputy Chair of the Board of Directors, Dr Sebastian Hirsch as of November 21, 2022. This ensured continuity in the Board of Directors. On December 1, 2022, Dr Hirsch was appointed the interim Chair of the Board of Directors until further notice. As a result, from December 1, 2022 until the end of the financial year, the Board of Directors consisted of the following three members: Dr Sebastian Hirsch (interim CEO and CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

Further up-to-date information on the curricula vitae of the GRENKE AG Board of Directors' members can be found on the GRENKE AG website at https://www.grenke.com/management/board-of-directors/.

Composition of the Supervisory Board

Supervisory Board members Norbert Freisleben and Jens Rönnberg, whose terms of office ended at the end of GRENKE AG's Annual General Meeting on May 25, 2022, were proposed for re-election to the Supervisory Board by the Annual General Meeting and re-elected to the Supervisory Board by the Annual General Meeting for the period until the end of the Annual General Meeting that resolves on the ratification of the actions of the Supervisory Board members for the 2026 financial year. As a result, in accordance with the Articles of Association, the Supervisory Board consisted of six members throughout the entire reporting period.

Name	Position	Supervisory Boardmember since	Current term of office until Annual General Meeting	Year of birth	Main job	Other GRENKE internal Supervisory Board and Board of Directors mandates	Other Supervisory Board and Board of Directors mandates
Prof Dr Ernst-Moritz Lipp	Chair of the Supervisory Board (since 2005)	May 2003	2023	1951	Managing Partner	None	None
WP/StB Jens Rönnberg	Deputy Chair of the Supervisory Board (since October 2020)	November 2019	2027	1957	Auditor and tax consultant	GRENKE BANK AG (Chair of the Supervisory Board)	None
Norbert Freisleben	Member of the Supervisory Board	July 2021	2027	1970	Managing Director	None	GANÉ AG, Aschaffenburg (Chair of the Supervisory Board); GANÉ Invest-ment-AG, Frankfurt am Main (Deputy Chair of the Supervisory Board)
Nils Kröber	Member of the Supervisory Board	July 2021	2023	1976	Lawyer	None	None
Dr Konstantin Mettenheimer	Member of the Supervisory Board	July 2021	2024	1955	Lawyer and tax consultant	None	HQ Holding GmbH & Co. KG, Bad Homburg vor der Höhe, (member of the Supervisory Board, member of the Audit Committee) and a Group com-pany; TTTech Computer-technik AG, Vienna, Austria; Brunneria Foundation, Liechtenstein (Member of the Board of Directors) and Group companies; PMB Capital Limited & PMB Capital GmbH, (Executive Chair of the Board)
Dr Ljiljana Mitic	Member of the Supervisory Board	May 2015	2024	1969	Managing Director	GRENKE BANK AG (Deputy Chair of the Supervisory Board)	Computacenter plc, London, UK (Non-Executive Director) GRENKE BANK AG (Deputy Chair of the Supervisory Board)

We have established a qualification matrix for the members of the Supervisory Board to provide a better overview of the individual profiles of the Supervisory Board members as well as to identify the requirements for potential members in terms of succession planning. This is explained in more detail in Chapter 8.2.2.

Further up-to-date information on the curricula vitae of the members of GRENKE AG's Supervisory Board as well as their main activities and existing mandates can be found on GRENKE AG's website at https://www.grenke.com/management/supervisory-board/. This information is reviewed and updated regularly, at least once annually.

Supervisory Board meetings

In the 2022 financial year, we met as a plenum in eight ordinary and three extraordinary meetings. We met three times without the presence of the Board of Directors. Between the meetings, we made further decisions in the form of circular resolutions. All of the Supervisory Board members attended at least 80 percent of all Supervisory Board meetings, resulting in an attendance rate of 95 percent.

Date	Location / Type of meeting	Art	Prof Dr Ernst–Moritz Lipp (Chair)	WP/StB Jens Rönnberg (Deputy Chair)	Dr Lijljana Mitic	Norbert Freisleben	Dr Konstantin Mettenheimer	Nils Kröber	Michael Bücker	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Feb. 11, 2022	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	–	–	–	–
Feb. 28, 2022	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	•	•	•	•
Mar. 15, 2022	Video conference	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	•	•	•	•
May. 24, 2022	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	•	•	•	•
May. 25, 2022	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	–	–	–	–
Jul. 28, 2022	Baiersbronn	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	•	•	•	•
Jul. 29, 2022	Baiersbronn	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	•	•	•	•
Oct. 25, 2022	Video conference	Extraordinary meeting of the Supervisory Board	excused	•	•	•	•	–	–	–	–	–
Nov. 21, 2022	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•	–	•	•	•
Dec. 19, 2022	Video conference	Extraordinary meeting of the Supervisory Board	•	•	•	•	•	–	–	•	•	•
Dec. 21, 2022	Video conference	Extraordinary meeting of the Supervisory Board	•	•	•	•	•	•	–	–	–	–

In the reporting year, the routine aspects of the regular Supervisory Board meetings were the reports and discussions of the Board of Directors on the development of the operating business, sales activities, cost structure, profitability, refinancing and liquidity as well as the Consolidated Group's strategic orientation. Other important topics were digitalisation, cybersecurity and IT strategy, as well as sustainability and ESG.

On February 11, we met for our first internal ordinary meeting of the financial year in Baden-Baden. Topics were the remuneration and contracts of the members of the Board of Directors.

In the ordinary meeting on February 28, the auditors from BDO AG Wirtschaftsprüfungsgesellschaft (BDO) presented the current interim results of the audit. Due to the continuing uncertain health situation, we granted our consent to hold a virtual Annual General Meeting in the 2022 financial year. In the subsequent status update, the Board of Directors informed us about the current operating business development and the current status in the sales area. The Board of Directors also reported on the cost structure and profitability and presented the budget for the current financial year and the three-year plan. Other topics were refinancing and liquidity, as well as current developments in digitalisation. The corporate strategy of the Board of Directors as well as developments in the area of compliance and internal auditing were also discussed. We had an in-depth and constructive exchange with the Board of Directors on these points. Finally, the chairs of the Supervisory Board committees reported to the plenum on their work and discussed the status of the franchise company acquisitions.

The ordinary Supervisory Board meeting on March 15 was held as a video conference. It included the report of the Chair of the Audit Committee as well as the adoption of the annual financial statements and approval of the consolidated financial statements. Furthermore, resolutions were passed by the Supervisory Board on the proposal for the appropriation of profits, on bonuses, on the remuneration report and on proposed resolutions for the Annual General Meeting.

At the ordinary meeting on May 24, the Chair of the Nomination Committee presented the results of the efficiency and competence review of the Board of Directors and the Supervisory Board as well as the resulting proposals for improvement developed by the Committee, which were then discussed in plenary session. The Board of Directors informed us about the status of the acquisition of the franchise companies. After a status update from the Board of Directors on the operating business, the short- and long-term strategy, and the topics of digitalisation, cybersecurity and compliance, these points were intensively discussed and debated. Subsequently, the chairs of the committees reported on the status of their work.

On May 25, we convened for an internal ordinary meeting, without the participation of the Board of Directors. The Supervisory Board reaffirmed the status of Prof Dr Ernst-Moritz Lipp as the Chair from among its members. Jens Rönnberg was elected Deputy Chair. In addition, Jens Rönnberg was re-elected as Chair of the Audit Committee and as a member of the Nomination Committee. Norbert Freisleben was re-elected as Chair of the Risk Committee, member of the Audit Committee and member of the Remuneration Control Committee.

On July 28 and 29, 2022, we held a two-day strategy meeting in Baiersbronn together with the Board of Directors. The Board of Directors reported on the current strategy work and on the plans for dealing with the changing macroeconomic conditions due to rising interest rates, inflation and possible recession. The scenarios and strategies for action presented were discussed in the plenary session. Afterwards, the Board of Directors presented the current sales strategy and outlined the international market approach and expansion plans. The IT strategy, the sales situation with resellers and direct sales, the strategic situation of the subsidiaries and business units, and the structure of the compliance organisation were presented by the Board of Directors and discussed with us in detail. Subsequently, the chairs of the committees reported on the status of the committees' work.

We continued the discussion about the results of the competence and efficiency review, the competence profiles and staff selection, as well as the further suggestions for improvement. We had an in-depth discussion on the topic of succession planning for the positions on the Supervisory Board and Board of Directors and discussed relevant competences and selection factors. The creation of possible further committees was discussed, such as a digitalisation committee and ESG committee.

On October 25, we dealt in detail with legal and compliance issues in an extraordinary meeting.

In the ordinary meeting on November 21, we decided to approve Michael Bücker's application for a temporary revocation of his appointment as a member of the Board of Directors due to illness. We further agreed to assure a reappointment upon his return. It was also agreed to transfer the duties of CEO to Dr Sebastian Hirsch on an interim basis for the duration of Michael Bücker's absence. After a status update by the Board of Directors on the operating business, sales, costs and profitability, refinancing and liquidity, digitalisation and cybersecurity, the status of the takeover of the franchise companies, the implementation of the business strategy and the multi-year plan, these points were discussed in the plenary session. The Board of Directors also reported on the key points of the ESG strategy. Subsequently, the committee chairs explained the current work status of the committees. Finally, in compliance with the recommendations of the German Corporate Governance Code, Ljiljana Mitic was elected as the ESG Officer of the Supervisory Board.

At the extraordinary meeting on December 19, we discussed the acquisition of the factoring franchise companies in Hungary, Poland, Ireland and Great Britain. After extensive discussion, we decided to approve the acquisition of these franchises.

In the extraordinary meeting on December 21, we dealt extensively with legal and compliance issues.

As the Chair of the Supervisory Board, I held talks with investors during the financial year. In total, this involved four discussions, which primarily concerned issues relating to the strategic orientation of the GRENKE Group and the temporary departure of the Chair of the Board of Directors. As Chair of the Supervisory Board, I regularly reported to the plenary session on the content of these discussions.

Committees of the Supervisory Board and their activities

In accordance with the legal requirements and for the efficient execution of our tasks, we have formed committees and provided them with appropriate powers in the Rules of Procedure. In the period from January 1, 2022 to December 31, 2022, we had an Audit Committee, a Nomination Committee, a Risk Committee and a Remuneration Control Committee.

The committee chairs reported regularly and in detail on the work of the respective committees to the plenary meeting of the Supervisory Board.

A detailed list of the tasks and duties of the respective committees can be found in the Rules of Procedure of the Supervisory Board on GRENKE AG's website at https://www.grenke.com/investor-relations/corporate-governance/

Supervisory Board member	Audit Committee	Nominating Committee	Risk Committee	Remuneration Control Committee
Prof Dr Ernst-Moritz Lipp		Member	Member	
WP/StB Jens Rönnberg	Chair	Member		
Norbert Freisleben	Member		Chair	Member
Nils Kröber				Chair
Dr Konstantin Mettenheimer	Member		Member	
Dr Ljiljana Mitic		Chair		Member

The Audit Committee

The Audit Committee deals with the audit of the accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements and compliance. The internal control system and compliance also include compliance with the German Banking Act and the whistleblower system. The Committee members have special and distinct knowledge in these areas. The Audit Committee defines the focal points of the audit and reviews the independence and the fee agreement of the auditor.

In the 2022 financial year, the Audit Committee did not come to any findings that called into question the independence of the auditor or the quality of the audit. The Audit Committee agreed with the auditor that the auditor would inform the committee immediately of all relevant material findings and events that come to the auditor's attention during the audit. It was also agreed with the auditor that the auditor would inform the Audit Committee and make a note in the audit report if facts were discovered during the audit that revealed a misstatement in the declaration on the German Corporate Governance Code issued by the Board of Directors and the Supervisory Board.

At its meeting on February 27, 2023, the Audit Committee dealt in-depth with the annual financial statements and the consolidated financial statements for 2022 in the presence of the auditors. At its meeting on March 14, 2023, it prepared the meeting of the Supervisory Board to adopt the annual financial statements and approve the 2022 consolidated financial statements. In addition, the quarterly statements to be published were discussed and reviewed in detail by the Audit Committee with the Board of Directors in the reporting year.

The following Supervisory Board members are members of the Audit Committee:

- Jens Rönnberg (auditor, tax consultant) (Chair)
- Norbert Freisleben
- Dr Konstantin Mettenheimer

Date	Location	WP/StB Jens Rönnberg (Chair)	Dr Konstantin Mettenheimer	Norbert Freisleben	Michael Bücker	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Feb. 17, 2022	Video conference	•	•	•	–	•	–	–
Mar. 10, 2022	Video conference	•	•	•	•	•	•	•
Mar. 14, 2022	Video conference	•	•	•	–	–	–	–
May. 09, 2022	Video conference	•	•	•	•	•	•	•
Jul. 27, 2022	Video conference	•	•	•	•	•	•	•
Aug. 02, 2022	Video conference	•	•	•	–	•	–	–
Oct. 19, 2022	Video conference	•	•	•	–	–	–	–
Nov. 09, 2022	Video conference	•	•	•	–	•	•	–
Dec. 21, 2022	Video conference	•	•	•	–	•	•	•

The Committee fulfils all of the requirements applicable to the Audit Committee pursuant to Sections 107 (4) sentence 3 AktG, Section 100 (5) AktG, and Section 25d (9) KWG. The Audit Committee as a whole is familiar with GRENKE AG's business and the sector in which the Company operates. Jens Rönnberg, as Chair of the Committee, has demonstrated expertise in the field of accounting and auditing from his longstanding career as an auditor and tax advisor at a renowned auditing firm and for large international organisations. This is complemented by Norbert Freisleben's longtime experience at a renowned audit firm in the field of accounting and auditing. Dr Konstantin Mettenheimer also has the necessary expertise as a tax advisor and lawyer as well as from his experience on other audit committees. All members of the Audit Committee are independent of the Company and the Board of Directors in accordance with the GCGC.

The Audit Committee met nine times in the 2022 financial year; the auditor participated in five meetings. The Board of Directors in its entirety or individually participated in the meetings regularly. Outside of the meetings, the Chair of the Committee was also in regular contact with the auditor.

The Nomination Committee

The Nomination Committee met eight times in the 2022 financial year, including once in presence in Baden-Baden. This mainly involved support and dialogue with the Board of Directors on fundamental and strategic personnel planning. In particular, it prepared the contractual changeover of the Board of Directors contracts to the newly adopted remuneration system. In addition, the Nomination Committee organised the annual competence review for the Supervisory Board and Board of Directors as well as the efficiency review for the Supervisory Board and made recommendations for action to the Supervisory Board in this regard. In the 2022 financial year, the committee dealt extensively with the topic of talent management, succession planning and executive development. The Nomination Committee also reviewed the Board of Directors' policy on the appointment and selection of senior management, including key function holders, and the suitability assessment guidelines (including diversity).

The following Supervisory Board members are members of the Nomination Committee:

- Dr Ljiljana Mitic (Chair)
- Prof Dr Ernst-Moritz Lipp
- Jens Rönnberg

All members of the Nomination Committee attended all of the Committee meetings. Several meetings were attended by individual Board of Directors members or the full Board on relevant issues, such as human resources and leadership development.

Date	Location	Dr. Ljiljana Mitic (Chair)	Prof Dr Ernst-Moritz Lipp	WP/StB Jens Rönnberg	Michael Bücker	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Jan. 07, 2022	Video conference	•	•	•	–	–	–	–
Jan. 25, 2022	Video conference	•	•	•	•	•	•	•
Feb. 02, 2022	Video conference	•	•	•	•	•	•	•
Feb. 17, 2022	Video conference	•	•	•	•	•	•	•
May. 24, 2022	Baden-Baden	•	•	•	–	–	–	–
Oct. 21, 2022	Video conference	•	•	•	–	•	–	•
Oct. 31, 2022	Video conference	•	•	•	–	–	–	–
Nov. 18, 2022	Telephone conference	•	•	•	–	–	–	–

The Risk Committee

The Risk Committee met twice in the 2022 financial year. The Risk Committee dealt with the topics of risk strategy, including risk appetite and willingness to accept risk. In addition, risk management, including compliance, risk controlling and internal auditing, was discussed in detail.

The following Supervisory Board members are members of the Risk Committee:

- Norbert Freisleben (Chair)
- Prof Dr Ernst-Moritz Lipp
- Dr Konstantin Mettenheimer

All members of the committee were present at both meetings. Board of Directors members also attended each of the meetings.

Date	Location	Norbert Freisleben (Chair)	Prof Dr Ernst-Moritz Lipp	Dr Konstantin Metten-heimer	Michael Bücker	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Mar. 30, 2022	Video conference	•	•	•	–	•	–	•
Dec. 21, 2022	Video conference	•	•	•	–	•	•	•

The Remuneration Control Committee

The Remuneration Control Committee held five meetings in the 2022 financial year. One of the meetings took place in person and all other meetings as video conferences. The Committee dealt extensively with the remuneration of the Board of Directors and particularly with the implementation of the new remuneration system in the Board of Directors contracts, which included the determination of the criteria for variable remuneration, target achievement and bonuses, as well as the appropriateness of the remuneration system. In addition, the remuneration system for the entire workforce was discussed, especially with regard to key positions.

The following Supervisory Board members are members of the Remuneration Control Committee:

- Nils Kröber (Chair)
- Norbert Freisleben
- Dr Ljiljana Mitic

The members of the Remuneration Control Committee met without the participation of the Board of Directors and attended all meetings of the committee.

Date	Location	Nils Kröber (Chair)	Norbert Freisleben	Dr Ljiljana Mitic	Michael Bücker	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Jan. 11, 2022	Video conference	•	•	•	–	–	–	–
Feb. 25, 2022	Video conference	•	•	•	–	–	–	–
May. 24, 2022	Baden-Baden	•	•	•	–	–	–	–
Oct. 19, 2022	Video conference	•	•	•	–	–	–	–
Dec. 12, 2022	Video conference	•	•	•	–	–	–	–

Efficiency and competence review

We regularly assess the efficiency of our activities and the activities of our committees. This assessment is conducted anonymously via the Supervisory Board's digital platform using a company-specific, comprehensive questionnaire, developed in cooperation with a consulting firm and adapted annually to current circumstances. The questionnaire broadly covers different relevant topics of the Supervisory Board's activities, both quantitatively and qualitatively. At its meeting on April 25, 2022, the Nomination Committee evaluated the results of the efficiency review and developed initial proposals for improvement. These were subsequently presented by the committee to the Supervisory Board for discussion at the meeting on April 25, as well as at the two-day Supervisory Board meeting on July 28 and 29, 2022.

Corporate governance and Declaration of Conformity

We regularly monitor the ongoing development of corporate governance regulations and review their application. In accordance with Section 161 of the German Stock Corporation Act (AktG), the Board of Directors and the Supervisory Board of GRENKE AG issued the Declaration of Conformity with the German Corporate Governance Code on January 30, 2023 and declared that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the German Federal Gazette have been and are being complied with, taking into account the exceptions stated in the declaration. The Declaration of Conformity with the German Corporate Governance Code adopted by the Supervisory Board and Board of Directors on January 30, 2023 is reproduced in the Corporate Governance Statement pursuant to Section 289f and Section 315d HGB. The declarations of conformity and their updates are accessible for at least five years on the Company's website in the Investor Relations/Corporate Governance section at https://www.https://www.grenke.com/investor-relations/corporate-governance/management/.

Education and training measures

In the 2022 financial year, the members of the Supervisory Board each individually participated in relevant training measures, including on the topics of auditing, regulation at the EU and national level, ESG, compliance, cybersecurity and whistleblower systems. In addition, on November 11, 2022, we, as the entire Supervisory Board, took part in a training event organised by the auditing and consulting firm Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft mbB on regulatory and supervisory law innovations as well as current developments in accounting. The costs of the training were borne by the Company.

Annual and consolidated financial statements and audit of financial statements[GH3]

The annual financial statements of GRENKE AG and the consolidated financial statements prepared by the Board of Directors as of December 31, 2022, the combined management report of GRENKE AG and the GRENKE Group for the 2022 financial year in accordance with Sections 315 (5) and 298 (2) of the German Commercial Code (HGB), and the Board of Directors' proposal for the appropriation of GRENKE AG's unappropriated surplus were presented to the Supervisory Board in a timely manner.

The annual financial statements for the 2022 financial year and the condensed financial statements and interim management report for the first six months of the 2022 financial year, were audited or reviewed by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. The accounting in GRENKE AG's annual financial statements was carried out in accordance with the provisions of the German Commercial Code (HGB) and in consideration of the accounting regulations for credit institutions. The audit of the annual financial statements as of December 31, 2022 under commercial law was conducted in accordance with the provisions of Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). The consolidated financial statements and the combined management report for the financial year from January 1 to December 31, 2022 were prepared in accordance with Section 315e (1) HGB based on the International Financial Reporting Standards (IFRS) as adopted by the EU and in application of German Accounting Standard No. 20. The audit of the consolidated financial statements was conducted in accordance with the provisions of Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the IDW. The annual financial statements of GRENKE AG and the consolidated financial statements of the GRENKE Group for the 2022 financial year were each issued with an unqualified audit opinion.

The Supervisory Board discussed and examined in detail the annual and consolidated financial statements submitted by the Board of Directors, the combined management report and the audit reports submitted by the auditor as well as the non-financial statement to be prepared. The auditor in charge attended the balance sheet meeting of the Supervisory Board, reported on the main results of the audit and confirmed the timely submission of the non-financial statement as required by law. The Supervisory Board also dealt with the mandatory disclosures pursuant to Sections 289a and 315a of HGB and the related report. We on the Supervisory Board have examined these disclosures and explanations, which in our view are complete in the combined management report and adopt them. Following our own examination, we raised no objections to the results of the audit of the annual and consolidated financial statements by the auditor and, on March 14, 2023, adopted the annual financial statements of GRENKE AG and approved the consolidated financial statements and the combined management report of GRENKE AG. The Supervisory Board concurred with the Board of Directors' proposal for the appropriation of GRENKE AG's unappropriated profit.

The 2022 financial year was a challenging but also very successful year for us. In a time of major macroeconomic disruption, we once again demonstrated GRENKE's strong resilience with significant double-digit growth in new business and net profit. We are well positioned to achieve our growth targets in the years ahead.

On behalf of my colleagues on the Supervisory Board, but also personally, I would like to thank you, our shareholders, for the trust you have placed in us this year and in previous years. As my term of office at GRENKE AG will come to an end at the end of this year's Annual General Meeting after more than twenty years on the capital market, I would like to conclude by saying thank you. Thank you for the continually constructive and beneficial cooperation in the Supervisory Board, with the Board of Directors and with you, dear shareholders. I would also like to thank our dedicated employees, who make an outstanding contribution to GRENKE AG's success. Their advice and appreciation were the strongest motivation for me.

Baden-Baden, March 14, 2023

On behalf of the Supervisory Board

Prof Dr Ernst-Moritz Lipp
(Chair of the Supervisory Board)

Share and Investor Relations

1. Development of the financial markets

The financial markets in 2022 were dominated by Russia's war of aggression against Ukraine, price increases – particularly for energy, persistent supply bottlenecks and interest rate increases by central banks. These factors led to a high level of uncertainty overall as well as to price declines on the stock markets. After opening 2022 at 16,021 points, Germany's benchmark index, the DAX, closed the year at 14,006 points, for a decline of approximately 13 percent. The index for smaller companies, the SDAX, in which GRENKE AG is also listed, began 2022 at 16,484 points and, in the course of the year, declined by about 28 percent to 11,926 points at the year's end.

2. The GRENKE share

Amid the generally challenging capital market environment, GRENKE AG's shares performed largely in line with the SDAX in the 2022 financial year, despite reporting solid operating results. After opening the year at EUR 30.76 on January 3, 2022, the share increased temporarily and marked its high for the year on January 4, 2022 at EUR 33.32. After a subsequent decline, the share reached a brief interim high of EUR 31.30 with the publication of the 2021 Annual Report on March 17, 2022. The share went on to decline further and stabilised at a level of around EUR 25.00 until mid-August. With the ECB raising key interest rates from mid-July 2022, both the SDAX and the GRENKE share came under increasing pressure, and on September 29, the share price marked its low for the year at EUR 17.99. The share price recovered slightly in the fourth quarter of 2022 and closed the year on December 30, 2022 at EUR 19.58. As a result, the price for the full year recorded a decline of around 36 percent. Based on a total number of 46,495,573 registered shares, GRENKE AG's market capitalisation equalled EUR 910.4 million as of December 30, 2022.

GRENKE share price performance (January 1 to December 31, 2022)

GRENKE share and competitors

in percent

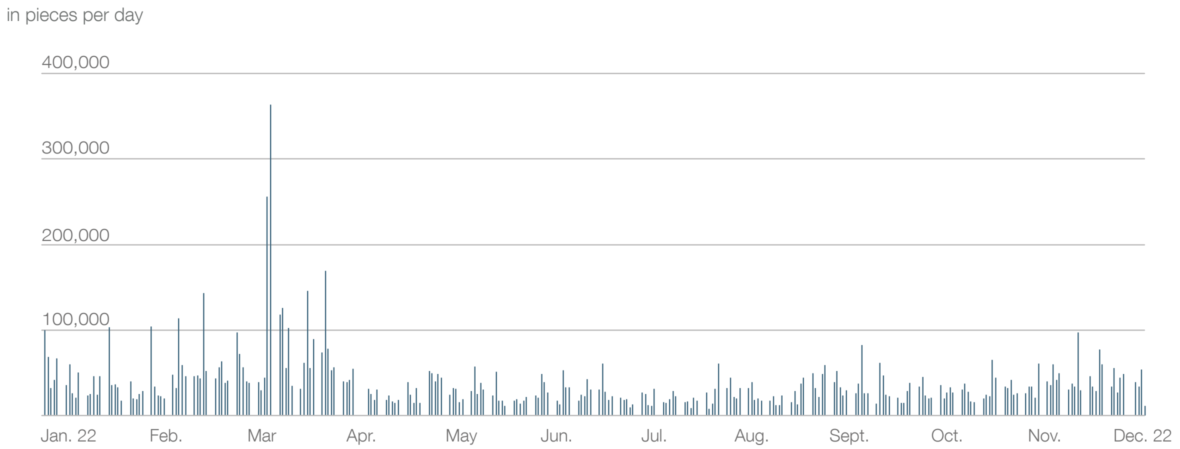
3. Competitive environment

GRENKE AG's listed competitors were also unable to escape the downward trend on the capital market in 2022. We consider BNP Paribas S.A., Banca Ifis SpA, and ALBIS Leasing AG to be competitors whose market approach overlaps with GRENKE AG in some areas. The number of listed providers is comparatively low, as the majority of GRENKE's competitors operate locally and are not listed on the stock exchange. By the end of the year, all three competitors had recorded share price losses – around 12 percent for BNP Paribas, 23 percent for Banca Ifis, and 34.2 percent for ALBIS Leasing.

4. Index membership

As of the December 31, 2022 reporting date and throughout the 2022 financial year, GRENKE AG's shares were listed in the SDAX, Deutsche Börse's performance index for smaller companies.

GRENKE share trading volume (January 1 – December 31, 2022)



5. Trading volume

In the 2022 financial year, the average daily trading volume of GRENKE shares on the XETRA marketplace was 39,152 shares. The highest daily trading volumes were achieved at the time of the 2022 Annual Report's publication on March 17, 2022, with a volume of 255,849 shares traded on March 17, and 363,307 shares on March 18. Another day of peak trading volume of 169,036 shares was recorded with the publication of the new business figures for the first quarter of 2022 on April 5, 2022. The lowest daily volume for the year, amounting to 7,719 shares, was recorded on August 9, 2022. The total trading volume of GRENKE AG shares on the XETRA trading platform for the full 2022 financial year amounted to approximately 10.1 million shares.

6. Annual General Meeting and dividend policy

GRENKE AG held its 2022 Annual General Meeting on May 25, 2022. As in the previous two years, the Annual General Meeting was held as a virtual event due to the ongoing Covid-19 pandemic and broadcast live on the Company's website. With 34,777,398 votes cast, including votes by main, a total of 74.8 percent of the share capital was represented at the meeting. The shareholders approved the proposal of the Supervisory Board and Board of Directors to distribute a dividend of EUR 0.51 per share, corresponding to a profit distribution of EUR 23.7 million and a payout ratio of 24.9 percent of the Group's earnings.

GRENKE AG has maintained a stable dividend policy for several years. This policy provides for the distribution of approximately one-quarter of the Group's earnings for the period. The Supervisory Board and Board of Directors will propose the distribution of a dividend of EUR 0.45 per share for the 2022 financial year to the Annual General Meeting of GRENKE AG. This dividend distribution would correspond to a payout ratio of 25 percent.

7. Shareholder structure

GRENKE AG is a medium-sized family business whose major shareholder, Grenke Beteiligung GmbH & Co. KG, represents the family members of the Company's founder Wolfgang Grenke. As of the December 30, 2022, reporting date, Grenke Beteiligung GmbH & Co. KG held 40.84 percent of the GRENKE AG shares, resulting in a free float of 59.16 percent. The other shareholders who held a share of more than 3 percent each as of the publication date stated in the respective voting rights announcement and who are included in the free float as defined by the Deutsche Börse are ACATIS Investment Kapitalverwaltungsgesellschaft mbH (5.02 percent), Morgan Stanley (4.95 percent), Investmentaktiengesellschaft für langfristige Investoren TGV (3.24 percent), GRENKE Stiftung (3.05 percent) and Universal Investment GmbH (3.02 percent). areas.

8. Analyst ratings

GRENKE AG's shares were regularly evaluated by a total of seven analysts during the 2022 financial year. Four analysts issued a buy recommendation, and two analysts issued hold recommendations. One analyst did not issue a share recommendation. The average target price of the analysts' ratings was EUR 37.30 per share on December 30, 2022.

9. Investor relations

GRENKE AG is in continuous dialogue with capital market stakeholders. In the 2022 financial year, GRENKE AG's Board of Directors and Investor Relations team participated in a large number of capital market conferences and roadshows. These took place in Frankfurt, Munich and London, next to a large number which took place virtually. In addition, the Board of Directors and Investor Relations team were in direct, personal contact during this period with 183 investors, analysts, and press representatives in a total of 120 conference calls and one-on-one meetings (previous year: 139 meetings with 226 investors, analysts, and press representatives). Additionally, the chair of the Supervisory Board engaged with interested investors on topics relevant to the Supervisory Board.

In an assessment of the corporate management, entitled "Corporate Governance", performed by the professional association of capital market experts, the "Deutsche Vereinigung für Finanzanalyse und Asset Management" (DVFA), GRENKE achieved a top ranking for the SDAX market segment in 2022. Achieving 74.14 percent of the possible points, the Company climbed to third place among the total of 64 SDAX companies assessed.

GRENKE AG's Investor Relations team is available for enquiries both in writing by email at investor@grenke.de and by telephone at 07221 5007 204. Further information on the Company and the GRENKE AG share is also provided in the "Investor Relations" section of the Company's website (www.grenke.de).

Reference data

Symbol (Xetra / Bloomberg)	GLJ / GLJ:GR
ISIN	DE000A161N30
Market segment	Regulated market (Prime Standard)
Index	SDAX
Designated Sponsors	HSBC Trinkhaus & Burkhardt AG; ODDO BHF Corporates & Markets AG
Total number of registered shares outstanding	46'495'573.00
Class	No-par-value shares (registered shares)
Notional nominal value per share	1,00 EUR
Shareholder structure: Freefloat according to Section 1.9 of the current "Deutsche Börse Stock Indices Guideline" Grenke Beteiligung GmbH & Co. KG*	59,2 % 40,8 %

* General partner: Grenke Vermögensverwaltung GmbH
Limited partners: Grenke family (Wolfgang, Anneliese, Moritz, Roland and Oliver Grenke)

Share data

	Unit	2022	2021	2020
CLOSING PRICE ON LAST DAY OF FISCAL YEAR	EUR	19.58	30.65	38.82
Highest share price	EUR	33.32	43.10	104.04
Lowest share price	EUR	17.99	24.20	23.92
MARKET CAPITALISATION	EURM	910	1'425	1'805
Earnings per share	EUR	1.75	1.94	1.86
Dividend per share*	EUR	0.45	0.51	0.26
Dividend yield*	Percent	2.30	1.66	0.67
PRICE-EARNINGS RATIO		11.19	14.97	20.87

Share prices based on XETRA closing prices.

* 2022: Proposal to the Annual General Meeting

GRENKE AT A GLANCE

We are a global financing partner for small and medium-sized enterprises (SMEs) in the small-ticket leasing sector. Through our offers, we provide companies with the financial leeway they need to make investments while conserving their own liquidity. Simple, fast and personal – from entrepreneur to entrepreneur. Factoring and banking services round off our range of services.

Founded in Baden-Baden in 1978, today we are active worldwide with approximately 2,000 employees in 33 countries. GRENKE's shares are listed on the Frankfurt Stock Exchange in the SDAX index.

Financing partner for SMEs

Founded in 1978

IPO in 2000

Listed in the SDAX

Offering a range of refinancing options

RATINGS
Fitch rating: BBB / F2 / outlook stable
S&P rating: BBB+ / A-2 outlook negative

Specialised in small-ticket leasing

Around **300** different leasable object categories

More than **1 million** active lease contracts

Over **665,000** lessees

CORE VALUES
SIMPLE
FAST
PERSONAL
ENTREPRENEURIAL

LEASING @ GRENKE

2022

51 %
of lease applications lead to a signed contract

>1 million active contracts

Average ticket size
Approx. € 8,500

48
months is average contract duration

530k
lease applications

41 %
of the contracts are concluded using eSignature

LESSEES

0.2 %
of lease receivables attributable to the largest lessee

31 %
IT equipment

>5 %
green portfolio

LEASE INSTALLMENT PAYMENTS

LEASING CONTRACT

CHOICE OF OBJECT

DELIVERY

GRENKE

0.3 %
of the lease receivables portfolio is attributable to the largest reseller partner

PAYMENT

PURCHASE CONTRACT

RESELLER PARTNERS

SALES
Approx. 1,100 employees

>150 locations

33
countries

>20 industries

33k
active resellers

VARIETY OF SECTORS

SHARE OF LESSEES **BY SECTOR**

2022

	RESELLER SALES	DIRECT SALES
SHARE OF NEW BUSINESS VOLUME	82 %	18 %

Retail	20.4 %
Production	13.5 %
Professional, scientific, technical services	11.9 %
Services	9.9 %
Construction	7.8 %
Hotel and catering industry	7.7 %
Medical equipment	7.3 %
Information, communication	3.6 %
Transport, storage	3.2 %
Real estate	2.9 %
Finance, insurance	2.7 %
Education	2.6 %
Other	6.4 %

2022

GREATEST POTENTIAL IN FUTURE CORE MARKETS

The implementation of our growth strategy at a local level depends on the maturity of the market in question. On this basis, the regions can be divided into three clusters: established core markets, future core markets, and hidden stars. In our established markets – particularly in Europe – we will continue to grow strongly in the leasing market while expanding into new segments of these markets to generate above-average growth overall. In recently entered countries, such as the USA and Australia, we plan to make targeted investments in establishing and expanding our market presence. Our hidden stars are markets where we already have a solid position that ensures us sustained profitability. Examples include Brazil and Belgium.

We currently work with more than 665,000 lessees and over 33,000 resellers worldwide. The number of SMEs shows our global growth potential, because we consider this as our market potential. Behind every small investment made by an SME, a leasing contract can be there to help make the investment in the best possible way.

Combined Management Report

Combined Management Report

Business performance

- New leasing business exceeds prior year by 38.7 percent (2021: EUR 1.7 billion) and, at EUR 2.3 billion, reaches upper end of the guidance range (EUR 2.1 billion to EUR 2.3 billion)
- Northern/Eastern Europe is strongest region with 58.1 percent growth; Germany is strongest country in terms of volume with EUR 486 million (+22.9 percent year-on-year)
- Contribution margin 2 (CM2) equals 16.1 percent in 2022 reporting year compared to 17.6 percent in 2021; CM2 volume up 26.4 percent year-on-year to EUR 369.6 million versus EUR 292.3 million

Results of operations

- Group earnings of EUR 84.2 million also reaches the upper end of the guidance range of EUR 75 million to EUR 85 million
- Loss rate is 1.3 percent, placing it even lower than guidance range of 1.4 percent to 1.7 percent
- Cost-income ratio of 55.2 percent slightly above the target of 55.0 percent

Net assets and financial position

- Equity ratio rises to 20.8 percent and clearly exceeds the long-term target of a minimum of 16.0 percent
- Total assets in the reporting year was EUR 6.4 billion

Opportunities and risks

- Strong market position through diversified contract portfolio and scoring
- Continued stable payment behaviour of lessees

Guidance

- For the 2023 financial year, the Board of Directors expects new leasing business of EUR 2.6 billion to EUR 2.8 billion
- Group earnings guidance for the 2023 financial year is EUR 80 million to EUR 90 million
- Loss rate in the 2023 financial year expected below 1.5 percent

Combined Management Report

This combined management report for the 2022 financial year (January 1 to December 31) concerns both the GRENKE Group ("Consolidated Group") and the parent company GRENKE AG (the "Company"). It also includes the non-financial statement. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company prepares its financial statements in accordance with the German Commercial Code (HGB). The consolidated financial statements and the Company's annual financial statements for the 2022 financial year are published in the German Federal Gazette (Bundesanzeiger). In addition, the report on the 2022 financial year is available as a PDF document on the Company's website at www.grenke.com/investor-relations/reports-and-presentations/

1. Group fundamentals

1.1 GRENKE at a glance

We are a global financing partner for small and medium-sized enterprises (SMEs). Our focus is on fast and simple processing as well as personal contact with lessees. Founded in Baden-Baden in 1978, we were active worldwide with around 2,000 employees in 33 countries at the end of 2022.

GRENKE AG is the parent company of the GRENKE Group with 55 subsidiaries (as defined in Section 290 HGB/IFRS 10). GRENKE AG is managed by the Board of Directors, which is based at the Company's headquarters in Baden-Baden and, as of December 31, 2022, consisted of three members. The Company's Supervisory Board consisted of six members in accordance with the Articles of Association.

1.1.1 Business model and segments

We offer financial services for SMEs in the leasing, factoring and banking segments.

In the core leasing business, we generated 96.2 percent of the Consolidated Group's interest income in the reporting year (previous year: 96.7 percent). We concentrated mainly on small-ticket leasing, where the ticket size is below EUR 25k. Contracts of this size accounted for more than 93 percent (previous year: over 94 percent) of all lease contracts in the reporting year.

The Leasing segment comprises all of the activities related to the Consolidated Group's leasing operations. The range of services includes rental, service, protection and maintenance offers, assuming financing for commercial lessees, as well as the sale of used equipment. Our specialty is primarily the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors and other peripheral equipment, software and telecommunications, as well as copy and medical technology. Nearly all lease contracts concluded are full amortisation contracts. The focus of the leasing portfolio remains IT and office communication products as well as software. IT equipment as a percentage of the total number of contracts was 30.6 percent in the past financial year (previous year: 32.0 percent). In addition, we have expanded our business model in the past few years to include other product groups, such as small machinery and equipment, medical and security devices and eBikes. Together these product groups accounted for 35.2 percent of the number of contracts in 2022 compared to 32.2 percent in the previous year.

In times of economic volatility, we manage our business by adjusting our acceptance practice for lease applications. By focusing strictly on smaller tickets and lower-risk new business – i.e. excluding high-risk sectors and companies – we can influence new business in a targeted manner. We are also generally able to adjust our conditions to the respective macroeconomic environment, such as the dynamic interest rate environment that existed in 2022. As a result, our business model has proven to be resilient in the face of economic fluctuations. Even in the financial market crisis of 2009 and the corona pandemic in 2020 and 2021, we succeeded in upholding risk-adequate margins, operating profitably in a sustainable manner and generating a profit every year since going public in 2000.

In the Factoring segment, we specialise in conventional factoring services within small-ticket factoring. We offer both notification factoring, in which the debtor is informed about the assignment of receivables, and non- notification factoring, in which the debtor is not informed. There is also an option for receivables management without financing (recourse factoring). In this case, the default risk for the respective receivable remains with the customer. In terms of new business – the total of all purchased receivables – the factoring business represented a share of 25.0 percent (previous year: 29.3 percent) of the Consolidated Group's total new business volume in the reporting year. The percentage share of interest income, in contrast, is significantly lower at 2.6 percent (previous year: 2.0 percent), as is segment income at 1.7 percent (previous year: 1.6 percent). This is due to the very short term of the receivables in the factoring business. While a lease receivable has an average contract term of about four years when the lease contract is concluded, purchased receivables in the factoring business are due after 42 days on average.

As a financing partner primarily for SMEs in Germany, the Banking segment comprises the activities of GRENKE Bank. In cooperation with various German federal government and individual state development banks, GRENKE Bank provides development loans to SMEs and self-employed professionals who finance new business acquisitions through leasing. The Bank's business is primarily with German customers and, since 2021, has focused mainly on microcredit business conducted as part of the "Mikrokreditfonds Deutschland" funding programme. GRENKE Bank also offers fixed-term deposit products for private and commercial customers via its website as well as through online platforms such as Deposit Solution and Weltsparen. GRENKE Bank's market access to customer deposits gives it an important role in refinancing the Consolidated Group through purchasing lease receivables and issuing loans. Representing 24.0 percent (previous year: 27.8 percent) of the Consolidated Group's financial liabilities, the deposit business makes a significant contribution to refinancing. The attraction of this this business is also reflected in the conditions, as the deposit business accounts for just 10.8 percent (previous year: 18.2 percent) of the interest expenses for refinancing as a whole.

For information on the business development of the segments in the reporting year, please refer to chapter 2.6.1.1 "Business segments", contained in the combined management report, and Note 8 "Segment reporting", contained in the notes to the consolidated financial statements.

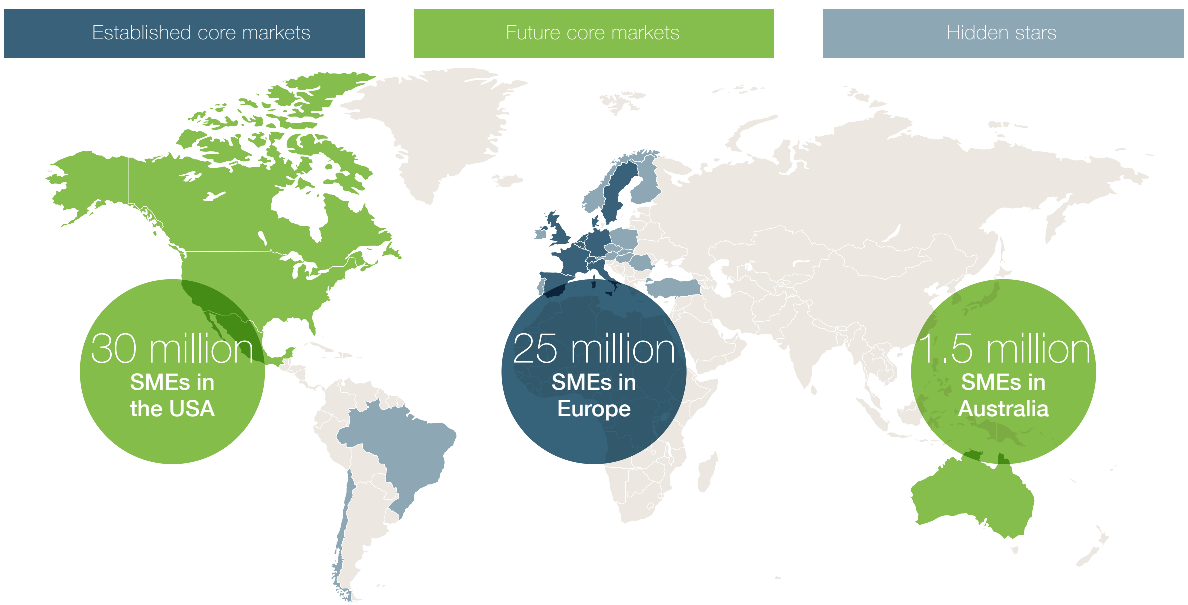
1.1.2 Sales markets and market position

With our focus on small-ticket leasing, we have defined a segment of the leasing market characterised by ticket sizes of EUR 500 to 25,000. The object groups in small-ticket leasing fall predominantly into the categories of information technology, telecommunications technology, and medical technology. According to the Association of German Leasing Companies (BDL), the leasing market in Germany is largely dominated by the "passenger car, station wagon, truck, bus, trailer and van" segment, which accounts for about 75 percent of the new business volume of the entire leasing market.

The providers in the leasing market are mainly mid-sized companies. According to the BDL, the object groups relevant for GRENKE – office equipment and IT, other equipment, medical technology, intangible assets, bicycles and e-scooters – account for approximately 11 percent of total market volume. A study we commissioned on the competitive structure in tech small-ticket leasing showed that we are one of the five largest providers in this category in Germany, next to DLL, BNP Paribas, MMV Leasing and Mercator Leasing. The market study covered the object groups IT equipment and software, office equipment, and photocopiers. The results were based on figures from the year 2021.

In the 2022 financial year, we were operating in 33 countries on 5 continents with a total of 152 locations. The Consolidated Group's core presence is in Europe, where we operate in almost all countries. Germany, France, Italy, Spain, the UK and Sweden represent our established core markets where we have been active for at least 15 years. In the 3 largest core markets, Germany, France and Italy, we had 32, 19 and 18 locations, respectively, by the year's end. Outside of Europe, we have entered markets in various countries in Asia, Australia and in North and South America. In terms of new leasing business, we generated 94.4 percent (previous year: 94.5 percent) of our business in Europe and 5.6 percent (previous year: 5.5 percent) outside Europe in the past financial year.

Our global market potential



The leasing markets in Europe we operate in are predominantly served by local providers, particularly leasing subsidiaries of banks and equipment manufacturers. Many of these competitors are not focused on small-ticket leasing but additionally offer lease financing for cars or aircraft, for example. Across all markets, we consider BNP Paribas, DLL and Crédit Mutuel to be our major competitors.

The French leasing market is dominated primarily by leasing subsidiaries of the large French banks. According to the INVIGORS study on the competitive structure in tech small-ticket leasing, we rank third in France after BNP Paribas and CCLS (Crédit Mutuel/CIC).

In Italy, we have built a substantial market position over the past several years, particularly in the market segments of lease financing for acquisition volumes of less than EUR 25k and between EUR 25k and EUR 50k. According to the INVIGORS study on our market position in tech small-ticket leasing, we rank third in Italy after BNP Paribas and DLL.

1.1.3 Expansion model

Between 2003 and 2020, we relied primarily on a franchise model for developing new regional markets. GRENKE AG does not hold an interest in the legally independent companies of the franchisees; instead, the shares are or were held by financial investors and the managing directors of the franchise companies. In spite of the ownership structure, the franchise companies were fully consolidated by GRENKE AG for the first time in the 2020 financial year and retroactively for the 2019 financial year due to de facto control as defined by IFRS 10. In the past, we had the opportunity to acquire the franchise companies after a typical period of four to six years. The purchase price for a franchise company was generally based on a formula established at the time of concluding the franchise agreement. The price took into account market parameters and the individual business development of the franchise company. Under our franchise model, we provide our partners with expertise, operational infrastructure, a range of services, and the rights to use the brand name. The refinancing of the operating business under the rental/lease agreements and factoring agreements that a franchisee concludes with its customers is generally ensured by GRENKE AG.

At the end of 2022, we had 14 franchise company subsidiaries. In the Leasing segment, there were franchise companies in Australia, Canada, Chile and Latvia, and in the Factoring segment, in the United Kingdom, Ireland, Poland and Hungary. There were also sales agencies in Norway for the leasing business and, in Portugal and Italy for the factoring business. During the reporting year, we acquired the majority shares in the former franchise companies in the United States and Singapore. At the end of 2022, we also signed purchase agreements for the majority shares in the franchise companies in Ireland, Great Britain, Poland and Hungary. This leaves a further 10 franchise companies/sales agencies still outstanding. Option agreements exist for 4 of the companies operating under the franchise model, allowing us to purchase them at different times. None of the purchase options were exercised in the reporting year.

In addition to its own operating business activities, the Consolidated Group has acquired strategic interests in other companies over the past few years. GRENKE Bank, for example, acquired a 13.7 percent interest in Finanzchef24 GmbH, headquartered in Munich. The company is a digital insurance broker for commercial customers in Germany and operates an online finance portal for entrepreneurs and self-employed professionals to compare and conclude insurance policies online.

After a review of its strategic goals, GRENKE digital GmbH sold its capital interests and voting rights in finux GmbH to fino digital GmbH in 2022.

1.1.4 Business processes and services

In the leasing business, we use a variety of sales channels. Our employees in local sales offices support specialist reseller partners who broker financing contracts to end customers. We work together with more than 30,000 specialist resellers worldwide. These relationships give us a solid foundation to scale our growth and offer excellent protection against being overly dependent due to the high degree of diversification.

Another channel is our direct business, via which our sales department offers leasing solutions to selected SMEs independently, without involving manufacturers or specialist resellers. Here, we use our existing network of specialist reseller partners, while enjoying the flexibility of direct customer contact and loyalty. In the reporting year, we were able to expand our share of direct business measured in number of contracts from 13.8 percent in 2021 to 15.8 percent.

At the same time, we are rigorously forging ahead with the digitalisation of our offers in both channels in order to seize the opportunities digitalisation offers to increase the efficiency of internal and external processes. The “eSignature process”, which enables lease contracts to be processed entirely digitally and therefore quickly and easily, has now been implemented in 27 markets. In the reporting year, 40.5 percent (previous year: 38.7 percent) of all lease contracts were concluded using eSignature. Another digital service available in the customer portal is the sending of electronic invoices by e-mail.

1.2 Goals and strategy

Our goal is to become the world’s leading financing partner for small and medium-sized enterprises. In the medium term, we intend to double our new leasing business to around EUR 3.4 billion by 2024 compared to 2021, accompanied by Group earnings of around EUR 120 million, a CM2 margin of around 17 percent and an equity ratio of more than 16 percent. These targets underlie our growth strategy and were presented publicly at a capital market event in March 2022.

The management of liquidity and refinancing also plays an elementary strategic role for us. To realize our growth targets, we are focusing on the four following core areas and implementing the corresponding strategic measures:

Distribution activities and channels:

- We want to strengthen our presence regionally as well as nationally, because personal contact with our resellers and direct customers are core elements of our brand. We are reviewing the extent to which we need the physical branches we have had in the past to achieve this in the interest of economic efficiency. After all, new digital solutions make it possible for us to communicate efficiently and personally with all stakeholders.
- To this end, we have formed three market segments, each with its own market approach[1]:
  - **Established core markets:** Our largest and most established markets. Here we want to continue to benefit from the strong growth of our established core markets.
  - **Future core markets:** Our markets projected to grow strongly. Here we invest in new growth markets and tap the tremendous market potential they offer us.

1 Established core markets: Germany, Italy, France, Spain, United Kingdom, Netherlands, Sweden
Future core markets: USA, Canada, Australia
Hidden champions: all other smaller and newer markets

  - **Hidden stars:** Our smaller and newer markets with solid contributions. Here we want to maintain our profitable position.
- In sales, we use a broad network of over 33,000 resellers and a customer portfolio of over 600,000 entrepreneurs worldwide. We continue to focus on expanding our direct sales, especially in our established markets. We are also concentrating on strengthening our specialist reseller network by adding new object categories and ongoing digitalisation.
- The perpetual investment needs of our customers provide us growth opportunities in every market segment. We are expanding our portfolio of leasable goods and use-based contract concepts in line with the current and future investment projects of SMEs, self-employed professionals and freelancers, public sector companies and institutions, as well as those of our partners.

We want to be the leading financing partner for SMEs worldwide			
Profitable growth			
Sales activities and channels	Operational excellence and cost discipline	Digitalisation	Sustainability
Increase in national and regional presence Expansion of reseller and digital direct customer network Broadening of product range	Cost leadership in processing and administration Higher efficiency in business origination and customer transactions	Digitalisation of all processes with external parties Process optimisation, unification and standardisation	Extension of product portfolio to include innovative object categories Opening up new market potential Development of GRENKE Sustainability Index (GSI) Focusing on ESG compliance
Sustainability as an integral, overarching component of the strategy – both internally and externally			

Operational excellence and cost discipline

- Our business model requires us to manage a large number of reseller and customer relationships in a cost-effective manner. We continuously analyse and optimise all our core operational processes – from immediate decision-making and fast and convenient contract conclusion, to fully digital process handling.
- We want to maintain and expand our high cost efficiency in the processing and administration of more than one million current lease contracts and more than one million active customer relationships ("mass market business")
- We want to increase our efficiency in initiating business and in all customer and reseller transactions as well as in internal transactions.

Digitalisation

- We want to fully digitalise our business processes with a pronounced focus on customer centricity and the design of an optimal customer journey. Our aim is to not only minimise the complexity for our customers and resellers wherever possible, but also provide them with fast and convenient solutions.
- Our goal is to achieve an effective mix of digital processes and personal customer contact to seize on the advantages of digitalisation in sales for achieving operational excellence.

- Examples include our use of new payment and contract models, such as pay-per-use contracts, and our expanded use cases for eContracts. For their efficient implementation, we have established our own internal Consolidated Group IT service provider, GRENKE digital GmbH (GdG).
- We launched an evaluation programme "Fast. Forward.Digital" to ensure the compatibility of our infrastructure with our requirements and the transfer into routine process goes smoothly on a timely basis.

Sustainability

- Weighing all business activities and decisions against the sustainability dimensions of environment, society and profitability is an integral part of our strategy and processes.
- In line with the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda, we expanded our definition of sustainability, developed a vision of what we want to achieve, and derived a sustainability strategy that includes measures to be carried out by the Consolidated Group.
- In the medium term, we want to make GRENKE fundamentally sustainable, which includes aligning all business and corporate activities along the dimensions of "Climate and Environment" (Environmental), "Social Contribution" (Social) and "Responsibility and Trust" (Governance), or ESG for short.
- We want to act sustainably ourselves as a company and enable entrepreneurs to finance sustainable investment projects.
- An important component of this strategy is the expansion of the portfolio to include innovative object categories in order to tap new market potential in the area of sustainability.
- We plan to measure our contribution to sustainability and have developed our own ESG index for this purpose. We also want to explore the issue of sustainable financing instruments ("Sustainable-linked Funding")

Liquidity and refinancing play a fundamental, central role in our business model and are managed accordingly. A solid equity base is of decisive importance in this context for the costs of our refinancing. For many years, we have maintained a self-set target for our equity ratio of above 16 percent. To ensure sufficient liquidity, we have relied on a diversified refinancing structure for many years. We have a wide range of instruments at our disposal that we can choose from, depending on the market conditions, as part of our overall strategy.

Debt-based financing consists primarily of the following three pillars:

- Deposits at GRENKE Bank
- Receivables-based financing, including through ABCP programmes
- Senior unsecured instruments such as promissory notes, bonds and commercial paper

Based on these pillars, we avoid maturity transformation and thus eliminate potential interest rate and follow-up financing risks at portfolio level. We use the individual refinancing pillars depending on demand and market conditions. We have an investment grade rating from the Standard & Poor's and Fitch Ratings rating agencies.

1.3 Management system

1.3.1 Financial performance indicators

The Board of Directors uses the following financial **performance indicators** to manage the Consolidated Group and evaluate its business development:

- **New leasing business:** New leasing business is defined as the total acquisition cost in euros of all newly concluded lease contracts for a specific period. It shows the development of the leasing portfolio over a defined period (quarter/year).
- **Group earnings:** The profit after tax for the Consolidated Group in a given period. This shows the profitability realised by GRENKE AG in the reporting period.
- **Equity ratio:** Equity's share of total assets on the balance sheet. A solid equity ratio is the basis for an investment grade rating, which in turn is relevant for obtaining refinancing on the capital market.
- **Cost-income ratio:** This is the ratio of total cost items (staff costs, depreciation and amortisation and impairment, selling and administrative expenses) to total income items (operating income before settlement of claims and risk provision) and is an indicator of cost efficiency.
- **Loss rate:** This represents the ratio of expenses for the settlement of claims and risk provision for a certain period to the lease volume on the period's closing date. Like the expected loss, the loss rate shows the amount of calculated losses for a certain period. The loss rate thus reflects the performance of the leasing portfolio in the reporting period.
- **Contribution margin 2 (CM2 margin):** The ratio of the discounted operating income of all newly concluded lease contracts over the total period (entire term) to the net acquisition value of all new lease contracts within a period. This indicator shows the projected profitability of the newly concluded leasing portfolio.

Development of financial performance indicators

	Guidance 2022	2022	2021	2020
New leasing business (in EUR billions)	2.1–2.3	2.3	1.7	2.0
Net Profit (in EUR millions)	75–85	84.2	95.2	88.4
Equity ratio	>16%	20.8%	19.1%	16.3%
Cost-income ratio (CIR)	<55%*	55.2%*	50.5%	43.1%
Loss rate	1.4–1.7%	1.3%	1.6%	2.3%
CM2 margin	Slightly below the previous year's figure	16.1%	17.6%	18.4%

* *Changed calculation logic of CIR. Excluding other expenses and income.

1.3.2 Performance indicators

In addition to the Consolidated Group performance indicators, there are other performance indicators applied to the **leasing business:**

- Contribution margin 1 and 2
- Embedded value
- Net acquisition value (NAV)
- Expected loss

To measure and control the profitability of our leasing business, we calculate contribution margins, which show the income from a lease contract over the total period. In the leasing business, a distinction is made between contribution margin 1 (CM1), or the CM 1 margin (contribution margin 1 in relation to new business), and contribution margin 2 (CM2), or the CM2 margin. CM1 corresponds to the present value of the net interest income of a lease contract less the commission paid to third parties. CM2 represents the present value of the operating income of a leasing contract, including risk costs, as well as service and disposal income. Management focuses on CM2, whose calculation corresponds to the Consolidated Group's operating profit. While the contribution margin is determined by the new business of the past reporting period, the operating income from the concluded lease contracts is distributed over their term. As a result, the operating income and the Group earnings for the financial year are also determined by the new business acquired in previous financial years.

The expected loss corresponds to the amount of loss initially calculated over the entire term of a lease contract or portfolio. We strive to keep the deviation of expected losses from realised losses as low as possible.

Expenses incurred from expansion into new markets and cell divisions or from opening of new branches in existing markets are not immediately covered by income but usually covered later after the end of the start-up phase. For this reason, we also use embedded value as a performance indicator. Embedded value represents the present value of all outstanding instalments and gains from disposals after costs and risk provisioning over the remaining term of the entire portfolio. The difference between the embedded value at the beginning and at the end of a financial year represents the change in the intrinsic value. The CM2 indicates the total embedded value of the new business for a period before costs and taxes. By managing on the basis of the embedded value, we combine two goals into one: the growth of new business with an increase in intrinsic value.

Performance indicators leasing	unit	2022	2021	2020
CM1 margin	percent	10.0	11.4	12.8
CM2 margin	percent	16.1	17.6	18.4
Net acquisition value (NAV)	EURm	2'299.2	1'657.8	2'027.9
Expected loss / NAV	percent	5.0	4.5	4.8

The most important performance indicators for the factoring business are the gross margin – defined as the income from the purchase of receivables, crediting and receivables management in relation to the respective net acquisition values – and the factoring volume, which increases with the acquisition of new customers. The acceptance of financing applications is managed according to risk classes.

Performance indicators factoring	unit	2022	2021	2020
Gross margin	percent	1.4	1.3	1.4
New factoring business	EURm	784.2	700.9	647.8

One of GRENKE Bank's key performance indicators is deposit volume, due to GRENKE Bank's importance for the refinancing strategy of the GRENKE Group through the purchase of lease receivables. GRENKE Bank is also managed in accordance with its equity base, which is evaluated using the equity ratio, the total capital ratio according to capital requirement regulations (CRRs), the leverage ratio and the liquidity coverage ratio (LCR).

Performance indicators banking	unit	2022	2021	2020
Deposit volume	EURm	1'236.0	1'489.9	1'600.4
Equity ratio	percent	23.1	22.7	19.5
Total capital ratio	percent	27.5	26.7	23.1
Leverage ratio	percent	19.3	16.2	14.6
Liquidity coverage ratio	percent	531.9	543.4	679.1

The respective medium-term targets for the Consolidated Group's relevant financial performance indicators as well as the forecast for the 2023 financial year can be found in Chapter 6.2 "Report on forecasts and outlook."

1.3.3 Non-financial performance indicators

In addition to the financial key performance indicators (KPIs) described in Chapter 1.3.1, the GRENKE Group's enterprise value is also determined by non-financial performance indicators.

In the 2022 financial year, the GRENKE Group's sustainability strategy made significant advances. The most important non-financial performance indicators were defined as TOP KPIs. A TOP KPI is the most important key performance indicator for managing our sustainability targets and can consist of several components. These components are to be further developed and provided with target figures in 2023.

The other non-financial performance indicators used in previous years will continue to be measured and reported as part of the non-financial statement. For more details, please refer to Chapter 3.4 "Key sustainability topics".

The chart below shows the Consolidated Group's key non-financial performance indicators for the 2021 and 2022 financial years. The TOP KPIs described have applied since 2022.

Non-financial performance indicators

Non-financial performance indicators - until FY 2021	Non-financial performance indicators* - as of 2022	
	ESG products and services as % of overall portfolio	Climate & Environment
	CO_2 emissions (Scope 1, 2 and 3)	Climate & Environment
Workforce development	Degree of automation in core leasing processes	Climate & Environment
Employee development in Germany	GRENKE Engagement Score (employee satisfaction)	Social Contribution
Fluctuation rate →	Fluctuation rate	Social Contribution
Training ratio →	Number of days for employee training	Social Contribution
Gender-specific quota	Overall strategy awareness (OSA) score	Responsibility & Trust
Number of trainees/work students	Share of top management positions with sustainability component in variable remuneration	Responsibility & Trust
	Completion rate of internal audit reviews	Responsibility & Trust

* These non-financial performance indicators are also referred to as TOP KPIs in the non-financial statement.

CLIMATE and ENVIRONMENT

Share of ESG products and services in the overall portfolio:

It is a priority for us to make our product portfolio and leases more sustainable. This is the reason we are expanding our portfolio of leased assets to specifically include green economy leases. This means objects that help SMEs make their business activities more sustainable, thereby contributing to the sustainable transformation of the economy as a whole. These include objects from the categories of renewable energy generation and storage, sustainable mobility solutions, and resource management. In the 2022 financial year, green economy objects accounted for 5.2 percent of the total portfolio (2021: 4.0 percent), based on Group-wide new leasing business in the respective year. In addition, we initiated the development of our GRENKE Sustainability Index (GSI) this year to assess the sustainability of our lease financing. This index is intended to provide insights in the future in order to make our portfolio more sustainable. More detailed information on the GSI is presented in Chapter 3.4.1.1 “ESG products and services”.

- TOP KPI: Percentage of green economy objects in the overall portfolio in comparison to new leasing business (new business volume in EUR) in the financial year

CO_2 emissions (Scope 1, 2 and 3)

For the reduction of our own carbon footprint, we calculate the greenhouse gas emissions of our direct business activities (Scope 1), our indirect energy consumption (Scope 2) and our supply chain (Scope 3) in accordance with the Greenhouse Gas (GHG) Protocol. In the 2022 financial year, we were able to approximate our corporate footprint in cooperation with DEKRA Assurance Services GmbH.[2]

Currently, the emissions data cannot yet be collected completely throughout the GRENKE Group. We are continuing to work on improving data availability and consistency. Due to the expected increased data availability and quality, we expect an increase in reported greenhouse gas emissions in the short term.

2 The carbon footprint is always based on data from the previous calendar year, i.e., the carbon footprint for the 2022 financial year is based on the consumption and emissions data for calendar year 2021

The following Scope 1 and 2 greenhouse gas emissions data represent approximately 70 percent of all our locations and space used. Scope 1 emissions of approximately 4,492 metric tonnes of CO_2 equivalent (tCO_2e) and Scope 2 emissions of 870 tCO_2e were measured. We have also started collecting our Scope 3 emissions in this reporting. The emissions accounted for currently cover around 30 percent of our locations and amount to a value of 6,186 tCO_2e.

In limiting climate change, our goal is to achieve CO_2 neutrality in terms of our Scope 1 and Scope 2 emissions by 2025. Also by 2025, we aim to improve the measurability of our Scope 3 emissions and to reduce them further.

- TOP-KPI: Greenhouse gas emissions in total and for Scope 1, 2, 3 measured in tCO_2e in accordance with the GHG Protocoll

Degree of automation in the core leasing process

Given our business model as a financer of small-ticket leases, the digitalisation of our business processes is a key driver for implementing our sustainability strategy. This is especially true for the dimension of environment in terms of a conscious use of resources. It also applies however to the dimensions of social and governance, for example, through 24/7 availability and self-service functions, we increase the service level for our customers and partners and, at the same time, ensure our actions are legally compliant through integrated controls in these processes.

As in past, we measure our degree of automation by the availability of our eSignature and eInvoice solutions, as well as the share of new contracts that are concluded using eContracts. In the 2022 reporting year, digital signature solutions were available in 27 countries (2021: 27 countries), and the share of leases concluded electronically via eSignature was 40.5 percent (2021: 38.7 percent).

Our digital invoicing solution was also rolled out in Croatia in the reporting year, which means this solution is now available in 26 countries (2021: 25 countries). We will continuously improve the measurability of the degree of automation in the core leasing process, i.e. from the initial application to the conclusion of the contract, in the financial years to come.

The TOP KPI consists of the following:

- Number of countries with available eSignature solutions
- Number of countries with available eInvoice solutions
- eContract ratio, measured by the share of the total number of new lease contracts concluded using eSignature in the financial year.

SOCIAL CONTRIBUTION

GRENKE Engagement Score (employee satisfaction)

Our annual employee survey is an important contributor to evaluating our attractiveness as an employer. The 2022 financial year marked the first year we have calculated the GRENKE Engagement Score (GES) from the detailed survey questions. It is used to measure employee satisfaction and combines the results from the areas of engagement, identification, retention, and overall satisfaction with the Company into a score. The GES score is determined on a scale of 1 to 7, where 1 = high satisfaction and 7 = low satisfaction. This year's survey resulted in a GES of 1.99. Compared to the calculation based on the data from the 2021 financial year, this represents an improvement of 0.29 (2021: 2.28).

- TOP-KPI: GRENKE Engagement Score, measured as a quantitative score between 1 and 7 based on the annual employee survey.

Fluctuation rate

Another indicator of sustainable human resources management and our attractiveness as an employer is the staff fluctuation rate. This reflects the retention and turnover behaviour in relation to the average number of employees, excluding parental leave and unpaid absences. In the 2022 reporting year, this indicator averaged 11.4 percent for the Consolidated Group (2021: 12.9 percent), placing us back at a healthy level similar to the level before the corona pandemic (2019: 11 percent). There were also no compulsory redundancies in the 2022 financial year.

- TOP-KPI: Fluctuation in percent in the reporting year, measured by retention and turnover behaviour in relation to the average number of employees.

Training days per employee

For the long-term development of our employees, we offer a comprehensive range of training and further education. We measure the use of these offers by calculating the average number of days each employee spends on voluntary and mandatory training during the reporting period. In the 2022 financial year, the number was 2.87 days (2021: 2.48 days).

- TOP-KPI: Average number of training and development days per employee in the reporting year, measured on the basis of the total number of employees.

RESPONSIBILITY AND TRUST

Overall Strategy Awareness (Score)

In order to best implement our corporate strategy and, in turn, our ESG strategy, we place a high value on the approval and support of our employees. We measure overall strategy awareness, i.e. the identification of our employees with the strategy based on the questions in the annual employee survey on strategy, products and innovation. The Overall Strategy Awareness Score is determined on a scale of 1 to 7, where 1 = high awareness and 7 = low awareness. In the 2022 financial year, the Overall Strategy Awareness Score was 2.52, representing a year-on-year improvement of 0.43 (2021: 2.95).

- TOP-KPI: Overall Strategy Awareness Score, measured on a scale of 1 to 7, based on all responses to the “Strategy, Products and Innovation” section of the annual employee survey.

Share of top management positions with variable remuneration featuring a sustainability component

To ensure steering along our sustainability strategy across the entire Consolidated Group, we integrate sustainability components into the variable remuneration of top management. We measure this as the proportion of top management positions with variable remuneration featuring sustainability components compared to the total number of top management positions (i.e. the Management Board and the first and second management levels). In the 2022 financial year, variable remuneration components were linked to sustainability targets for the first time for the Consolidated Group’s entire Board of Directors. This resulted in a quota of 100 percent for the Management Board and 1.6 percent for the Management Board and senior management as a whole.

- TOP-KPI: Share of top management positions with variable remuneration featuring sustainability components, measured on the basis of the total number of top management positions (i.e. the Management Board and the first and second management levels).

Completion rate of internal audits

Maintaining and further developing a governance structure characterised by effective processes and controls to ensure integrity and legally compliant behaviour is central to our corporate success. To accomplish this, we measure the proportion of completed audits compared to the total number of internal audits planned for the financial year throughout the GRENKE Group. This completion rate equalled 58 percent in the 2022 reporting year (2021: 55 percent).

- TOP-KPI: Proportion of audit reviews completed by the Internal Audit department, measured in percent based on planned audits according to the annual audit planning.

Further information can be found in Chapter 3 “Non-Financial Statement”.

1.4 Research and development

Our core capabilities include standardised and highly digitalised processes – particularly in the area of leasing – as well as the efficient evaluation of lease applications. We continuously optimise our software solutions and applications to maintain these capabilities. An important focus of our technical activities is the development of and migration to a suitable and secure cloud infrastructure. We are consistently advancing the development and implementation of automated and customer-centric processes for sales and administration. In 2022, for example, we launched a central customer master data management system as an important basic building block for achieving significantly more customer-centric settlement processes in the future. GRENKE digital GmbH, which houses all of our digital capabilities and develops system solutions for us and our partners, is of central importance in this regard. In 2022, GRENKE digital GmbH had a total of 153 employees (previous year: 146 employees).

In the 2022 financial year, development costs of EUR 4.4 million (previous year: EUR 3.7 million) were capitalised. Amortisation of internally generated software amounted to EUR 4.7 million (previous year: EUR 6.3 million). The decrease compared to the previous year resulted from special items due to the technological realignment of a software solution, which led to a one-time impairment loss in 2021. We also use third-party services for research and development purposes. In the 2022 reporting year, these services were mainly in connection with IT projects and amounted to EUR 10.5 million (previous year: EUR 8.0 million), of which EUR 1.9 million (previous year: EUR 1.8 million) was capitalised.

2. Economic report

2.1 Macroeconomic environment

The macroeconomic environment in 2022 was marked by a number of challenges. After the focus on the pandemic at the beginning of the reporting year, the Russia-Ukraine war in February 2022 and its consequences for the economy increasingly took centre stage. The economy came under pressure, above all, from a tightened supply of energy sources and higher energy prices. In both March and June of 2022, for example, the Brent oil spot price temporarily reached levels in excess of USD 120 per barrel. This compares to approximately USD 80 per barrel at the beginning of 2022. As 2022 came to a close, the oil price declined again slightly to USD 85 per barrel. Rising energy prices caused the inflation rate in the eurozone to increase significantly, clearly exceeding the level of two percent considered by the European Central Bank (ECB) to be compatible with price stability. In October of 2022, inflation peaked for the year at 10.6 percent. In view of the progressive loss of purchasing power, the ECB began to raise the key interest rate in four steps in July 2022. As a result, the main refinancing rate in the eurozone rose from 0 percent at the beginning of 2022 to 2.5 percent at the end of the year. The US Federal Reserve tightened monetary policy even more, raising key interest rates in seven steps from 0 to 0.25 percent at the beginning of 2022 to 4.25 to 4.5 percent at the end of the year.

In addition, supply bottlenecks continued to occur in the first three quarters of the reporting year. In the fourth quarter, industrial material shortages noticeably eased, as shown in a survey conducted by the ifo Institute. The acute threat of the pandemic dissipated in 2022, yet latent concerns remained that the pandemic could flare up again and bring renewed lockdowns, such as those in China, which could slow down the global economy.

According to the estimates of the International Monetary Fund (IMF), the global economy grew by 3.4 percent in 2022. At 3.5 percent, growth in the euro area as a whole was higher than in the USA at 2.0 percent. Great Britain was able to show relatively high growth of 4.1 percent. Compared to the previous year, growth weakened significantly, mainly due to the central banks' interest rate hikes and the war in Ukraine. Within the euro area, the southern countries Spain (5.2 percent) and Italy (3.9 percent) performed better than France with 2.6 percent and Germany with 1.9 percent, respectively.

Economic growth according to IMF estimates

Percent	2022	2021
Worldwide	3.4	6.2
USA	2.0	5.9
Euro area	3.5	5.3
Germany	1.9	2.6
France	2.6	6.8
Italy	3.9	6.7
Spain	5.2	5.5
United Kingdom	4.1	7.6

2.2 Sector environment

At the time of the publication of this annual report, the Federal Association of German Leasing Companies (BDL) had not yet published any figures for the development of the German leasing market in 2022 as a whole.

The ifo Business Climate Index for the German leasing industry declined on balance over the course of the year and stood at 6.5 points in December 2022 (December 2021: 23.4 points). After trending down to a low of -7.1 points in October 2022, the index turned upward again at the end of the year. The BDL attributes the decline in the index primarily to uncertainty about future energy costs and the associated order situation.

Leaseurope, the umbrella organisation of European leasing companies, had also not yet published data for the full year 2022 at the time of publication of the annual report. Its half-yearly statistics show that new equipment leasing business across Europe was EUR 48.05 billion in the first half of 2022, for a year-on-year increase of 13.9 percent. The country with the highest volume was the United Kingdom at EUR 7.9 billion, followed by France at EUR 7.3 billion. Germany took third place with a volume of EUR 6.9 billion. According to the association, supply chain bottlenecks, rising energy prices, and increased uncertainty were the main challenges facing companies in the first half of 2022.

2.3 Macroeconomic influences on business development

Interest rate developments in the eurozone had a significant influence on our business development in the reporting year, which was reflected in the CM2 margin. The 2-year interest rate, which is relevant for us due to the approximately 2-year duration of the overall portfolio, was still –0.3 percent at the beginning of 2022 but rose continuously and ended the year at 3.4 percent. This resulted in an increase in interest rates for these maturities by 370 basis points for the year as a whole. In an environment of rising interest rates, business owners prefer to hold on to their free liquidity as a precaution rather than use it for operating investments. Since leasing is an important tool for financing and lease instalments are set at the time the investment is made and the contract is concluded, above all else, it offers lessees a reliable basis for calculation, especially in times of rising interest rates. The fact that rising interest rates make loans more expensive and less attractive than lease financing has also had a positive effect on the demand for leasing. At the same time, rising interest rates lead to higher refinancing rates for us and thus to higher costs. This can be priced into the lease conditions, however, after a time lag of around one quarter. In 2022, which was characterised by continuously rising interest rates, we adjusted our contract conditions several times. As a result of the time lag needed to catch up with interest rates, the CM2 margin remained below the previous year's level when interest rates were less volatile.

The higher interest rates and rising inflation, driven by higher prices for energy and raw materials, caused the risk of a global economic downturn to increase in the 2022 reporting year. The momentum in new leasing business however still picked up during the reporting year, as described in Chapter 2.5, likely as a result of companies' decisions to invest in business replacement and expansion using lease financing. In contrast to lending, where liquidity can be used freely, every leasing contract is generally based on an object that is necessary for operations, representing concrete medium- to long-term demand. The payment behaviour of lessees remained stable, see Chapter 2.6.1.

The delivery delays resulting from the bottlenecks that were mainly evident in the first three quarters of the reporting year were largely anticipated by business owners and thus taken into account when timing investment decisions. We were not directly affected by the war in Ukraine or the sanctions against Russia, as we do not have any locations or operations in the affected countries.

Other macroeconomic influences on refinancing costs, such as changes in capital market and central bank interest rates, are presented in detail in Chapter 5.8 in the risk report.

2.4 Business performance in 2022

2.4.1 Significant events

On **February 16, 2022,** we announced that the German Federal Financial Supervisory Authority (BaFin) had completed its bank-related measures resulting from the special audit of GRENKE AG and GRENKE BANK AG conducted between autumn 2020 and spring 2021. As part of the regular Supervisory Review and Evaluation Process (SREP), there was an adjustment made in the minimum amount of additional own resources that must be held by us. As a result, GRENKE AG's capital requirement is now 10.5 percent compared to the previous 9 percent, due to an additional SREP capital surcharge of 1.5 percentage points. For the subsidiary GRENKE BANK AG, the capital requirement at the single-entity level is now 11.5 percent compared to a previous 8.5 percent (additional SREP capital surcharge of 3 percentage points). BaFin has also ordered the assurance of proper rules of procedure. In 2021, we already launched an extensive organisational development project that addressed a large number of the findings. It is expected, that the additional SREP capital surcharge will be lifted again as soon as BaFin is satisfied with GRENKE's further progress when it conducts its regular follow-up audits.

On **April 7, 2022,** GRENKE FINANCE PLC successfully issued a EUR 150 million bond with a coupon of 4.125 percent p.a. and a term of 2.5 years on the Luxembourg Stock Exchange. The proceeds of the bond will be used to finance the Consolidated Group's future new business.

On **May 13, 2022,** we held our first Capital Markets Update, at which the Board of Directors explained to investors and lenders the strategy for doubling new business and net profit by 2024 compared to the level in the 2021 financial year (excluding the gain from the sale of viafintech). The growth target is to be achieved by strengthening global sales. A special focus is being placed on those countries where we have secured a strong market position in recent years. Above all, these countries include the core markets of Germany, France, Italy and the United Kingdom. We also see potential in markets only recently entered by GRENKE, which include Canada, Australia and the USA. We also plan to further widen our portfolio of leased objects. In order to ensure the high long-term profitability of the business, we are focusing even more on the digitalisation of our processes and on cost efficiency.

On **May 23, 2022,** we announced the conclusion of the purchase agreements for the franchise companies in the USA and Singapore. The sellers were the investment companies WGW Investment Inc. and Garuna Inc. and CTP Handels- und Beteiligungs GmbH and Garuna AG, who together held 58 percent in each franchise company. The remaining 42 percent in each franchise company is held by the local management. The total purchase price agreed for the acquired shares of both companies was approximately EUR 0.3 million. With these purchases, we acquired the first two of the total of 16 franchise companies outstanding for purchase. The acquisition has no effect on the scope of consolidation under IFRS, as all franchise companies were already included in the consolidated financial statements under IFRS. The purchase price payment directly reduces GRENKE AG's equity. For further details on the financial effects of the acquisitions, please refer to the explanations in Note 6.3 of the notes to the consolidated financial statements.

On **May 25, 2022,** at GRENKE AG's virtual Annual General Meeting, the majority of shareholders approved all items on the agenda. In addition to the distribution of a higher dividend of EUR 0.51 per share compared to the previous year (2021: EUR 0.26), agenda items included the re-election of Norbert Freisleben and Jens Rönnberg to the Company's Supervisory Board.

On **June 14, 2022,** we announced the conclusion of a global loan agreement with NRW.BANK in the amount of EUR 20 million. The new loan is the tenth loan since the start of the cooperation with NRW.BANK in 2010 and the first since the beginning of the corona pandemic. The cooperation with NRW.BANK provides self-employed professionals and SMEs access to GRENKE's leasing offers for new business purchases. Commercial companies and self-employed professionals based in North Rhine-Westphalia with annual sales of up to EUR 500 million are eligible.

On **October 4, 2022,** the Board of Directors announced an increase in the guidance for new leasing business to between EUR 2.1 billion and EUR 2.3 billion for the 2022 financial year. This compares with the guidance published on March 17, 2022, in which the Board of Directors had guided for new leasing business of EUR 2.0 billion to EUR 2.2 billion.

On **October 24, 2022,** we received our first rating from the renowned rating agency Fitch. Fitch awarded GRENKE a further investment grade rating of BBB with a stable outlook.

On **November 21, 2022,** we announced that the Supervisory Board of GRENKE AG had revoked the appointment of the Chair of the Board of Directors, Michael Bücker, for a limited period starting on December 1, 2022 through February 28, 2023 at his own request due to illness. Upon this, he was assured of his reappointment at the end of this period. Mr Bücker's tasks as CEO were assumed by the Deputy Chair of the Board of Directors, Dr Sebastian Hirsch, to ensure continuity on the Board of Directors.

On **December 29, 2022,** we announced the conclusion of purchase agreements for the majority acquisition of the factoring franchise companies in the United Kingdom, Ireland, Poland and Hungary. In each case, GRENKE AG acquired 58 percent of the shares. The sellers were the investment companies CTP Handels- und Beteiligungs GmbH, Garuna AG and Pro Gulf FZ-LLC. Following these acquisitions, we had acquired the majorities in four of the further 14 franchise companies still outstanding for purchase. A total purchase price of around EUR 3.5 million was agreed to for the initially acquired majority shares in the four companies. The corresponding contracts were signed by the contracting parties on December 29, 2022. The purchase agreements do not affect the scope of consolidation according to IFRS, as all franchise companies had already been included in the consolidated financial statements according to IFRS. The accounting treatment (change in ownership interest) has been performed at the time of closing in accordance with the accounting standards. The acquisitions are expected to close in early 2023. For further details on the financial effects of the acquisitions, please refer to the description in Note 9.8 in the notes to the consolidated financial statements.

2.4.2 Actual and forecast business performance

With the publication of the Annual Report 2021 on **March 17, 2022,** we announced our guidance for the 2022 financial year as well as an outlook for the 2024 financial year. According to this guidance, the Board of Directors expected new leasing business in a range of EUR 2.0 billion to EUR 2.2 billion in the 2022 financial year. This compared to new leasing business of EUR 1.7 billion reported in 2021, corresponding to an expected growth in the range of 20 to 33 percent.

At the same time, the Board of Directors guided for a net profit of EUR 75 to 85 million for the 2022 financial year (2021: EUR 72.2 million, excluding extraordinary income of EUR 23 million from the sale of the viafintech shares). This guidance was based on the expectation that the lower volume of new business in the 2020 and 2021 financial years would lead to reduced operating interest income from the leasing portfolio. In addition, it was assumed that the level of staff costs would exceed the prior year's level due to the institution-related regulatory measures and the introduction of the new salary model. Based on the continued stable payment behaviour of SMEs, risk provisioning was expected to decrease and the loss rate should be between 1.4 and 1.7 percent. For the cost-income ratio, the Board of Directors aimed for a level of below 52 percent.

The CM2 margin for the 2022 reporting year was expected to be slightly lower year-on-year. The assumption was that refinancing conditions and, to a lesser extent, a renewed increase in the average ticket size would be decisive for the expected slight decline.

We expected the balance sheet equity ratio to be higher than 16 percent based on the expected Consolidated Group net profit development.

On **October 4, 2022,** the Board of Directors raised the forecast for new leasing business for the 2022 financial year due to the strong growth in new leasing business in the first nine months of the year. On the assumption of continued good business development, the Board of Directors increased the guidance for new leasing business in the 2022 financial year to EUR 2.1 billion to EUR 2.3 billion, compared to the previous guidance of EUR 2.0 billion to EUR 2.2 billion.

With the publication of the quarterly statement for the third quarter on **November 10, 2022,** the Board of Directors adjusted the expectation for the cost-income ratio to below 55 percent. In the forecast published on March 17, 2022, the Board of Directors had assumed a cost-income ratio of under 52 percent. The change in the guidance was prompted by higher staff costs and impairment losses on goodwill due to the higher discount rates following the sharply higher overall market rates used in the valuation models.

In the 2022 financial year, GRENKE generated new leasing business of EUR 2.3 billion, reaching the upper end of the guidance that had been raised to EUR 2.1 to 2.3 billion. The Group thus achieved year-on-year growth of 38.7 percent. The CM2 margin reached 16.1 percent amid a volatile interest rate environment and was thus below the previous year's figure (17.6 percent), as previously forecast.

At 1.3 percent, the loss rate in the 2022 financial year was better than had been guided at the beginning of the year (1.4 to 1.7 percent). The cost-income ratio was 55.2 percent and met the most recent forecast of 55.0 percent, and was largely influenced by higher staff costs and interest expenses and impairment losses on goodwill.

In the 2022 financial year, GRENKE generated Consolidated Group net profit of EUR 84.2 million, meeting the upper end of the guidance range of EUR 75 million to EUR 85 million.

At 20.8 percent at the end of the year, the equity ratio significantly exceeded the minimum target of 16 percent.

Overview of changes to the Consolidated Group's forecasts, 2022

	Financial year 2022	**Forecast Adjustment Statement Q3 2022 November 10, 2022**	**Forecast Adjustment October 4, 2022**	**Annual Report March 17, 2022**	**Financial year 2021**
New leasing business	EUR 2.3 bn	--	EUR 2.1 to 2.3 bn	EUR 2.0 to 2.2 bn	EUR 1.7 bn
CM2-margin of new leasing business	16.1 %	--	--	slightly below the previous year	17.6 %
Loss rate	1.3 %	--	--	1.4 to 1.7 %	1.6 %
Cost-Income-Ratio*	55.2 %	below 55 %	--	below 52 %	49.6 %
Profit	EUR 84.2 m	--	--	EUR 75 to 85 m	EUR 95.2 m**
Equity ratio	20.8 %	--	--	above 16 %	19.1 %

** including the extraordinary income of EUR 23 million from the sale of the viafintech shares

2.5 New business

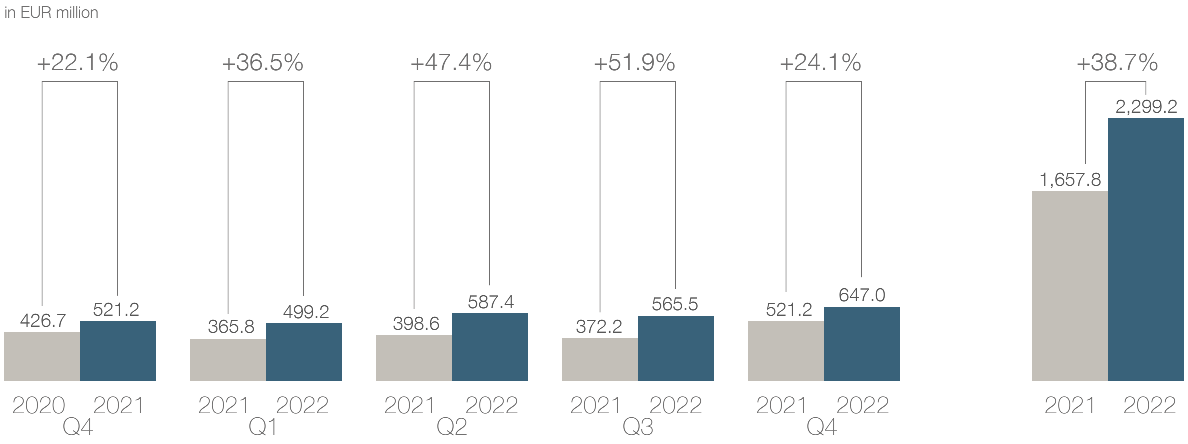
The GRENKE Group's new business comprises the newly financed business volumes of the subsidiaries and consolidated franchise companies for the three segments Leasing, Factoring and Bank within one period. At 96.2 percent of total interest income, leasing represents the Company's largest segment, while the Factoring and Banking segments generate a relatively small share of total interest income, at 2.6 percent and 1.2 percent, respectively.

Despite the challenging economic environment described at the beginning of this report, we were able to significantly increase our volume of new business in the 2022 financial year by 31.0 percent to EUR 3,134.4 million (previous year: EUR 2,392.0 million).

2.5.1 New leasing business

New leasing business – defined as the total acquisition cost of newly acquired leased assets – reached a volume of EUR 2,299.2 million in full-year 2022 (previous year: EUR 1,657.8 million), which was 38.7 percent above the previous year's figure. In each quarter of the reporting year, we were able to increase new business compared to the same quarter of the previous year, marking our return to our growth path.

Development of new leasing business by quarter



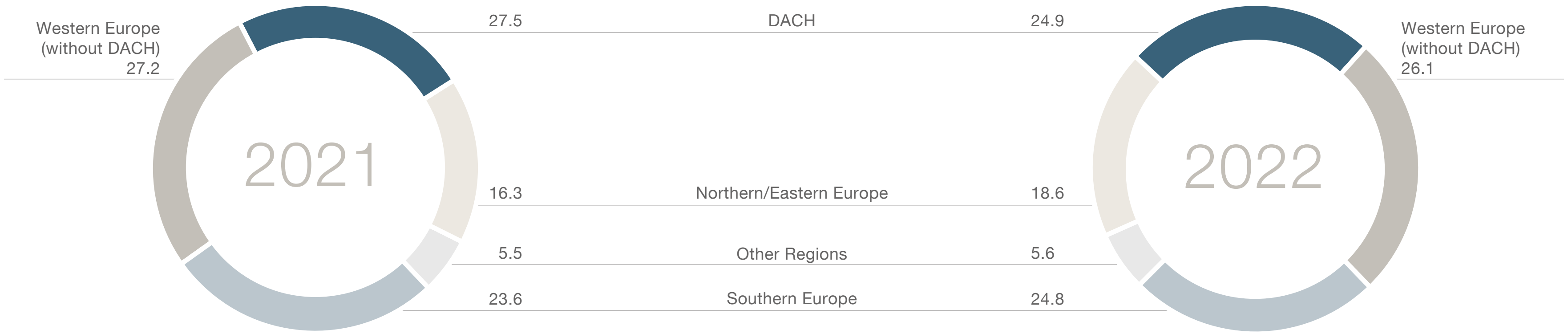
New business Leasing

EURm	2022	2021	Change (%)
LEASING NEW BUSINESS	2'299.2	1'657.8	38.7
DACH	571.4	455.1	25.5
Western Europe (without DACH)	600.0	450.2	33.3
Southern Europe	571.1	390.7	46.2
Northern/Eastern Europe	427.2	270.2	58.1
Other regions	129.5	91.7	41.2

Regions:
DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern / Eastern Europe: Denmark, Finland, Ireland, Latvia*, Norway*, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia*, Brazil, Canada*, Chile*, Singapore, Turkey, UAE, USA
* Consolidated franchise companies

Share of new leasing business by region

in percent



All regions recorded growth in new leasing business in the 2022 financial year. In the DACH region, consisting of Germany, Austria and Switzerland, new leasing business rose 25.5 percent year-on-year to EUR 571.4 million (previous year: EUR 455.1 million). Germany, the largest single market in the region, recorded a 22.9 percent increase in new business. The main growth drivers in the DACH region were the medical segment and green economy products such as bicycle leasing. In Western Europe without DACH, new business rose by 33.3 percent to EUR 600.0 million in the reporting year (previous year: EUR 450.2 million). In terms of its share of the Consolidated Group's new leasing business, Western Europe without DACH was the largest region in the reporting year. In France, the most important single market in this region, the increase for the year as a whole was 32.1 percent. Here we were able to gain a number of new specialist reseller partners and expand our existing cooperations through specific product offers. The strongest percentage increase in the reporting year was recorded in the Northern/Eastern Europe region, where new business grew by 58.1 percent to EUR 427.2 million (previous year: EUR 270.2 million). The United Kingdom, which is our most important market in Northern/Eastern Europe, contributed significantly to the region's growth with an increase of 70.9 percent in 2022. In Southern Europe, new business rose by 46.2 percent and reached a volume of EUR 571.1 million (previous year: EUR 390.7 million). The most important single market in this region, Italy, recorded a 56.7 percent increase in new business volume with Spain, the second most important market in Southern Europe, generating new business growth of 27.2 percent. Starting from a relatively low base, new business volume in the other regions rose by 41.2 percent to EUR 129.5 million (previous year: EUR 91.7 million).

CM margins in new leasing business

percent	2022	2021	Change (pp)
CM1 MARGIN	**10.0**	**11.4**	**–1.4**
CM2 MARGIN	**16.1**	**17.6**	**–1.5**
DACH	12.0	13.0	–1.0
Western Europe (without DACH)	17.4	19.0	–1.6
Southern Europe	16.4	19.3	–2.9
Northern/Eastern Europe	18.2	19.4	–1.2
Other regions	20.1	22.3	–2.2

Contribution margins in new leasing business

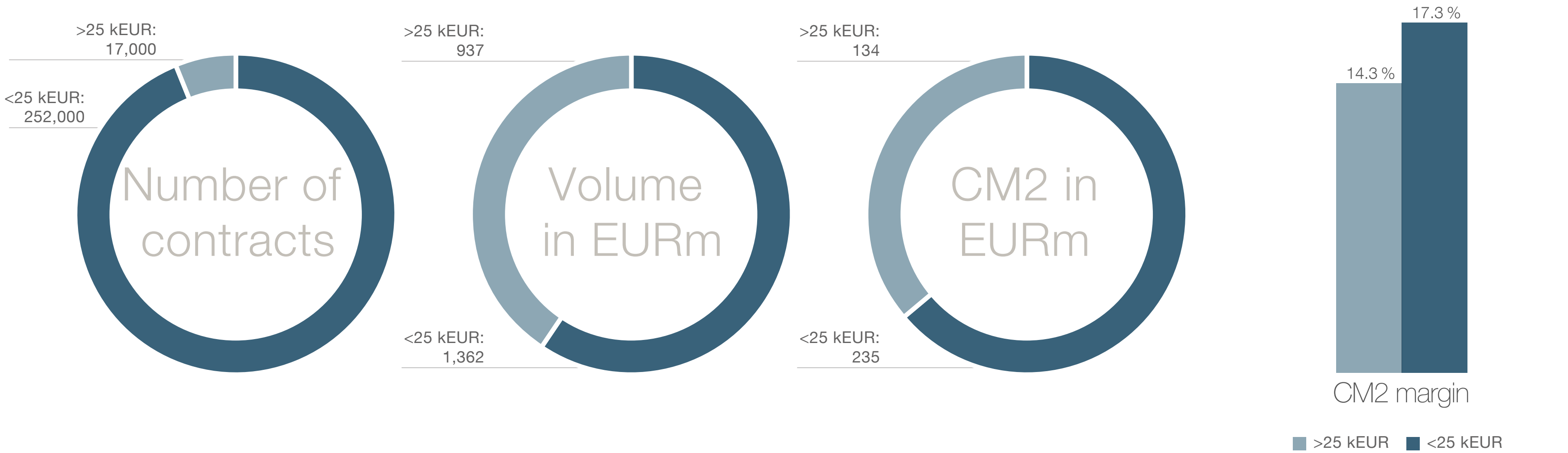
EUR million	2022	2021	Change (%)
DB1	**231.1**	**189.6**	**21.9**
DB2	**369.6**	**292.3**	**26.4**
DACH	68.6	59.3	15.7
Western Europe (without DACH)	103.6	85.0	21.9
Southern Europe	93.6	75.2	24.5
Northern/Eastern Europe	77.7	52.3	48.6
Other regions	26.1	20.4	27.9

At 10.0 percent, the CM1 margin in the reporting year was slightly down on the prior-year figure of 11.4 percent. While the contribution margin 2 (CM2) of the new leasing business in the financial year 2022 increased to EUR 369.6 million (previous year: EUR 292.3 million), the CM2 margin reached 16.1 percent (previous year: 17.6 percent). The declining CM margins compared to the previous year resulted mainly from the sharp rise in interest rates. The effect of this increase can only be passed on to customers in the lease contract conditions after a time lag. As a result, the decline in margins recorded amid this dynamic interest rate environment was essentially as expected and should correct itself once the interest rate level stabilises. In addition, the restrictive acceptance practice in the 2020 and 2021 financial years had led to an extraordinarily high CM2 margin in both financial years.

Compared to the last year before the outbreak of the Covid-19 pandemic, the CM2 margin was around 90 basis points lower (2019: 17.0) than in the reporting year. In addition to the delay in passing on refinancing costs, the higher proportion of larger tickets, which tend to generate slightly lower margins, contributed to the margin development.

New leasing business by ticket size

FY 2022



Contracts with a net acquisition value above EUR 25 thousand are often concluded with slightly lower margins. For example, we generated a CM2 margin of 17.3 percent in small-ticket leasing for net acquisition values of less than EUR 25 thousand. In comparison, we achieved a CM2 margin of 14.3 percent with larger contracts (net acquisition value greater than EUR 25 thousand). It is therefore also important to look at the absolute contribution margins. The share of larger contracts in the total contribution margin was 36.3 percent at EUR 134.0 million in the reporting year, although this contract group represents only 6.3 percent of all contracts concluded. The CM1 margin of new leasing business was 10.0 percent in the 2022 financial year and reached an absolute value of EUR 231.1 million (previous year: 11.4 percent or EUR 189.6 million). Higher interest rates and the contract conditions for the larger contracts were also responsible for the decline in the CM1 margin.

Geographically, the contribution margin 2 improved in all regions. The Southern Europe and Northern/Eastern Europe regions recorded extraordinarily strong growth. In Southern Europe, the CM2 increased 24.4 percent to EUR 93.6 million. The CM2 in Northern/Eastern Europe rose by 48.7 percent to EUR 77.7 million. The DACH region (15.7 percent), Western Europe (21.8 percent) and the other regions (27.9 percent) also showed double-digit growth.

The CM2 margin, on the other hand, declined in all regions. In Southern Europe (16.4 percent after 19.3 percent in the previous year) and in the other regions (20.1 percent after 22.3 percent in the previous year) we recorded temporary declines. In Western Europe, the CM2 margin decreased significantly from 19.0 percent to 17.4 percent. In the DACH region and in Northern/Eastern Europe, the CM2 margin fell moderately (DACH: 12.0 percent after 13.0 percent in the previous year; Northern/Eastern Europe: 19.4 percent after 18.2 percent in the previous year).

Lease applications and contracts

	unit	2022	2021	Change
Leasing applications	units	530'074	454'442	16.6 %
Leasing contracts	units	268'689	214'079	25.5 %
Convertion rate	percent	50.7	47.1	3,6 pp
Average NAV	EUR	8'557	7'744	10.5 %
eSignature quota	percent	40.5	38.7	1.8 pp

The new business of the consolidated franchise companies in Australia, Canada, Chile, Latvia and Norway included in the figures for the Leasing segment totalled EUR 91.8 million in the 2022 financial year (previous year: EUR 53.7 million), corresponding to an increase of 70.7 percent. The consolidated franchise companies generated a total CM2 of EUR 16.5 million (previous year: EUR 10.7 million), resulting in a CM2 margin of 18.0 percent (previous year: 20.0 percent), which was above the Group's average of 16.1 percent.

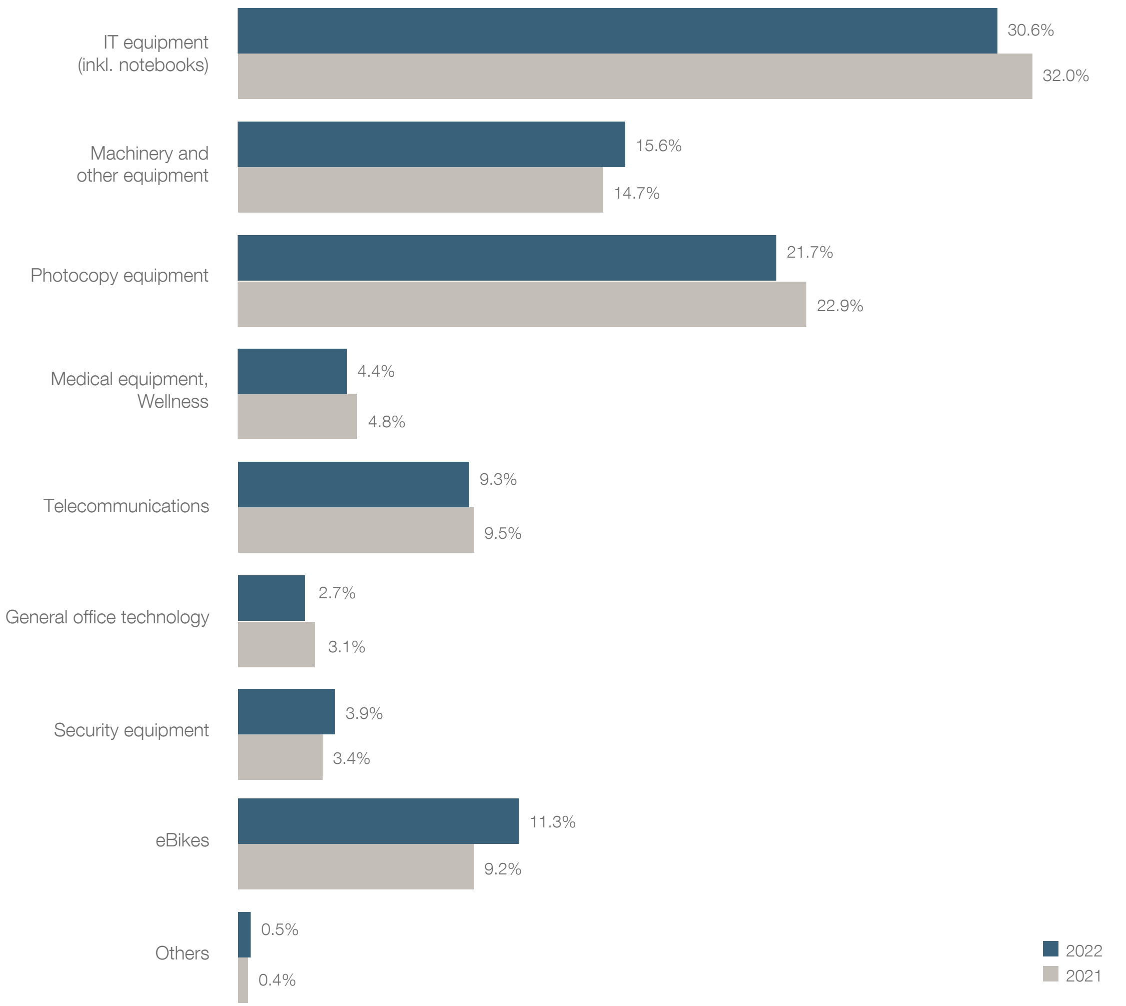
In the 2022 financial year, we registered a total of 530,074 lease applications (previous year: 454,442). Expanded market access and new product categories contributed to higher demand for leasing products. The number of new lease contracts concluded was 268,689 (previous year: 214,079), which corresponded to a slightly higher conversion rate (applications into contracts) of 50.7 percent (previous year: 47.1 percent). After an exceptionally risk-conscious and margin-oriented acceptance practice in the pandemic years 2020 and 2021, we normalised the acceptance practice in the reporting year. As expected, this resulted in an increase in the conversion rate. The larger share of eBikes, where more applications are regularly converted into contracts, also contributed to a higher conversion rate. In the DACH region, the conversion rate rose to 64.7 percent (previous year: 61.4 percent). The international markets accounted for 430,308 applications (previous year: 366,071), which led to 204,188 (previous year: 159,825) new contracts. Accordingly, the conversion rate there for the full year 2022 was 47.5 percent (previous year: 43.7 percent).

The mean acquisition value per lease contract rose by 10.5 percent to EUR 8,557 in 2022 (previous year: EUR 7,744). The higher average value resulted, among other things, from the fact that more contracts were concluded in the direct business in 2022, amounting to a share of 15.8 percent compared with 13.8 percent in the previous year. In direct sales, the underlying framework agreements tend to accommodate larger ticket sizes. After more small-ticket financing solutions with higher profitability were concluded in 2020 and 2021, new business in 2022 was characterised by slightly higher ticket sizes per individual contract.

The acceptance of eSignature, which allows lease contracts to be processed entirely digitally, continued to increase in 2022 despite an increase in personal customer support and advice. The share of contracts concluded via eSignature increased to 40.5 percent in the reporting year (previous year: 38.7 percent). At the end of the reporting year, eSignature was available in 27 markets.

Share of object groups in the leasing portfolio by number of contracts

in percent



In line with current trends, we were able to expand the portfolio of leased objects in the 2022 financial year to include more products such as e-Bikes, photovoltaic systems and wallboxes. We observed only slight shifts in demand for the other categories. The share of IT equipment, as the largest object group measured by the number of contracts, declined slightly in the reporting year. Object groups general office technology, telecommunications equipment and photocopying technology also recorded slight declines compared to the previous year. Machinery and equipment as well as security equipment increased proportionately compared to the previous year. Due to the investments of SMEs in digitalisation and sustainability, more new leased objects in these categories were added to the portfolio. For example, we financed more than 30,000 eBikes in 2022 alone, as well as an increasing number of photovoltaic systems and wallboxes.

Demand for leasing products also varied according to the type of sales channel. For example, in dealer sales, photocopiers, IT and telephone systems were among the product groups most in demand. In direct sales, entrepreneurs invested primarily in eBikes, notebooks and IT systems.

2.5.2 New factoring business

Factoring reported new business with a purchased receivables volume of EUR 784.2 million in the 2022 financial year. This corresponds to an increase of 11.9 percent compared to the previous year.

In Factoring, new business corresponds to the sum of purchased receivables. Due to the nature of the factoring business (i.e. significantly shorter periods of approx. 42 days on average for generating income compared to leasing), only comparatively low income results from the new business. The gross margin of the factoring business is derived from the generated income in relation to the net acquisition values. The demand for refinancing is lower than in the new leasing business due to the revolving purchase of receivables and the resulting lower volumes.

New factoring business

	unit	2022	2021	Change
NEW BUSINESS FACTORING	**EURM**	**784.2**	**700.9**	**11.9 %**
DACH	EURm	297.0	294.5	0.8 %
Southern Europe	EURm	148.5	92.6	60.4 %
Northern/Eastern Europe	EURm	338.7	313.8	7.9 %
GROSS MARGIN	**PERCENT**	**1.4**	**1.3**	**0.1 PP**
DACH	percent	1.5	1.3	0.2 pp
Southern Europe	percent	1.4	1.5	–0.1 pp
Northern/Eastern Europe	percent	1.4	1.1	0.3 pp
AVERAGE PERIOD	**DAYS**	**42**	**35**	**7**
Average period DACH	days	27	26	1
Average period Southern Europe	days	79	71	8
Average period Northern/Eastern Europe	days	38	38	–0

Regions:
DACH: Germany, Switzerland
Southern Europe: Italy, Portugal
Northern / Eastern Europe: Hungary, UK, Ireland, Poland

New factoring business increased 11.9 percent across all regions in the 2022 financial year to EUR 784.2 million (previous year: EUR 700.9 million). Of this amount, 19.6 percent related to receivables management (without financing function). In the DACH region, new factoring business increased by 0.8 percent to EUR 297.0 million (previous year: EUR 294.5 million), and the gross margin rose to 1.4 percent (previous year: 1.3 percent). In Southern Europe, new factoring business increased by 60.4 percent to EUR 148.5 million (previous year: EUR 92.6 million).

The strongest growth in the region was recorded in Portugal as a result of the successful business expansion with existing customers and strong synergy effects within the established Leasing segment. The Northern/Eastern Europe region achieved growth of 7.9 percent to EUR 338.7 million (previous year: EUR 313.8 million). In Northern Europe, the United Kingdom was the strongest growth driver after the end of the pandemic-related restrictions. Growth was particularly strong as a result of increased sales activities in the second half of the year and a redefinition of target customers. The gross margin in Southern Europe fell to 1.4 percent (previous year: 1.5 percent). In Northern/Eastern Europe, in contrast, the gross margin rose sharply and reached 1.4 percent (previous year: 1.1 percent). The gross margin refers to the average period of a factoring transaction. Due to the different payment terms and habits, the average period in the DACH region was around 27 days (previous year: around 26 days), roughly 79 days in Southern Europe (previous year: approx. 71 days), and 38 days in Northern/Eastern Europe (previous year: around 38 days).

The new business of the consolidated franchise companies included in the figures for the Factoring segment rose by 19.9 percent in the 2022 financial year to a total of EUR 487.2 million (previous year: EUR 406.4 million).

2.5.3 GRENKE Bank's lending business

As in the previous year, GRENKE Bank's new business consisted solely of the microcredit business operated as part of the "Microkreditfonds Deutschland" (Microcredit Fund Germany). It increased by 53.7 percent in the reporting year to EUR 51.1 million (previous year: EUR 33.2 million).

2.5.4 Currency effects

The year-on-year change in the average exchange rates of foreign currencies in relation to the euro resulted in positive currency effects of EUR 5.1 million for the new leasing business volume as a whole. These positive effects stemmed primarily from the appreciation of the Swiss franc and the Brazilian real. The devaluation of the Turkish lira and the Swedish krona had a mitigating effect.

2.6 Business performance

2.6.1 Results of operations

Interest and similar income from financing business is dependent on lease receivables from current contracts. In the 2022 financial year, the opening balance of lease receivables from current contracts was EUR 5.1 million, compared with EUR 5.6 million in the 2021 financial year. As a result, interest and similar income from financing business amounted to EUR 413.5 million in the 2022 financial year, down 2.7 percent year-on-year (EUR 424.8 million). The strong growth in new business in recent quarters will only lead to higher interest on lease receivables in the coming periods and thus to higher interest income. Due to the higher refinancing requirements associated with the increased volume of new business and the general rise in interest rates, interest expenses increased by 18.9 percent to EUR 69.0 million (previous year: EUR 58.0 million). On balance, net interest income in the reporting year was EUR 344.5 million, down 6.1 percent on the prior-year figure of EUR 366.8 million. The leasing segment accounted for the majority of net interest income in the 2022 financial year. For further information, please refer to Note 4.1 "Net interest income" in the notes to the consolidated financial statements.

Selected information from the consolidated income statement

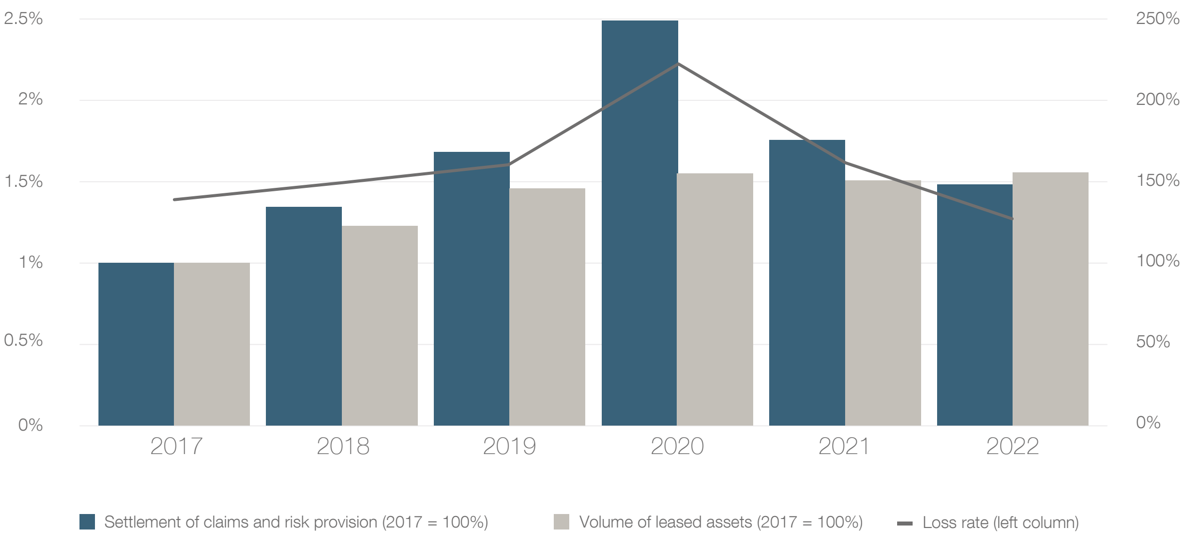
EURk	2022	2021	Change (%)
NET INTEREST INCOME	344'513	366'785	–6.1
Settlement of claims and risk provision	120'437	142'785	–15.7
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	224'076	224'000	0.0
Profit from service business	124'031	119'165	4.1
Profit from new business	40'673	36'585	11.2
Gains (+) / losses (–) from disposals	–3'121	–5'719	–45.4
INCOME FROM OPERATING BUSINESS	385'659	374'031	3.1
Staff costs	149'067	127'530	16.9
of which total remuneration	122'637	105'454	16.3
of which fixed remuneration	102'469	84'396	21.4
of which variable remuneration	20'168	21'058	–4.2
Selling and administrative expenses (excluding staff costs)	97'663	97'156	0.5
of which IT project costs	8'602	6'170	39.4
GROUP EARNINGS BEFORE TAXES	**111'033**	**123'500**	**–10.1**
GROUP EARNINGS	**84'184**	**95'185**	**–11.6**
EARNINGS PER SHARE (IN EUR; BASIC/DILUTED)	**1.75**	**1.94**	**–9.8**

Expenses for the settlement of claims and risk provision declined in the 2022 financial year by 15.7 percent to EUR 120.4 million (previous year: EUR 142.8 million). This item consists of the derecognition of bad debts and impairment for expected losses in a risk provisioning sense. The decrease in the reporting year resulted from the reversal of the risk provision created in the pandemic due to macroeconomic uncertainties, which could be gradually reduced. New measures due to the Ukraine war and the assessment of the overall economic environment had a counteracting effect. The determination of expected credit losses is based on a three-stage approach in accordance with IFRS 9. If a significant deterioration in the credit risk (Level 2) or an impairment in creditworthiness (Level 3) occurs, a risk provision in the amount of the expected losses over the entire remaining term of the contract must be recognised. For information on the method for determining the impairment of lease receivables, please refer to the disclosures in Note 5.2 "Lease receivables" in the notes to the consolidated financial statements. In contrast, expenses for losses actually incurred increased to EUR 160.1 million in the 2022 reporting year (previous year: EUR 106.0 million). Actual losses essentially include expenses in connection with the derecognition of receivables, legal costs and income from the sale of items from terminated leases. The increase in expenses from actual losses essentially resulted from the change in the derecognition of receivables. Since 2022, fully impaired receivables in processing class 7 have been derecognised. Adjusted for this effect, expenses for actual claims in the 2022 financial year were EUR 82.7 million.

Of the total expenses for the settlement of claims and risk provision, EUR 105.2 million (previous year: EUR 139.9 million) or 87.4 percent was attributable to the Leasing business, EUR 14.3 million (previous year: EUR 2.1 million) to the Bank's lending business and EUR 0.1 million (previous year: EUR 0.3 million) to the Factoring business. For further information on the composition of the expenses, please refer to the information in Note 4.2 "Settlement of claims and risk provisioning" in the notes to the consolidated financial statements.

Development of the loss rate, settlement of claims and risk provision as well as volume of leased assets

Loss rate* (left column)



The loss rate (expenses for the settlement of claims and risk provision in relation to the volume of leased assets on the respective reporting date) improved to 1.3 percent in the 2022 financial year (previous year: 1.6 percent). The loss rate was thus below its average value since 2017 of 1.6 percent. The volume of leased assets (sum of the net acquisition values of all current leasing contracts) increased by 3.3 percent to EUR 9,059 million as of the December 31, 2022 reporting date (December 31, 2021: EUR 8,769 million) as a result of the higher volume of new business.

Due to the year-on-year decline in risk provisioning and the lower net interest income, net interest income after settlement of claims and risk provision remained almost unchanged at EUR 224.1 million in the reporting year (previous year: EUR 224.0 million).

The profit from service business improved by 4.1 percent in the reporting year and reached EUR 124.0 million (previous year: EUR 119.2 million). The steady development resulted, among others, from the high volume of new business in the 2022 financial year. In principle, it should be taken into account that the service business also includes effects from previous years due to the average contract term of around four years. The profit from new business rose in the 2022 financial year by 11.2 percent to EUR 40.7 million (previous year: EUR 36.6 million). As a result of the higher volume of new business, income from lease down payments and the service fee for making the lease assets available for use developed positively in the 2022 financial year. Lower than average offsetting effects resulted from the change in the remuneration model as part of the reduction in the variable remuneration component. This resulted in fewer initial direct costs being capitalised in accordance with IFRS 16, which is reflected in the profit from new business. Gains and losses from disposals amounted to EUR –3.1 million (previous year: EUR –5.7 million).

Due to the increase in the profit from service business and new business, income from operating business in the 2022 financial year rose by a total of 3.1 percent to EUR 385.7 million (previous year: EUR 374.0 million).

The Consolidated Group's largest expense item in absolute terms, staff costs, increased by 16.9 percent to EUR 149.1 million in the reporting year (previous year: EUR 127.5 million). The increase resulted primarily from an adjustment in salaries to a more attractive remuneration level in line with the market. It was also a result of the higher number of employees, among others due to the strengthening of the internal control units with additional specialists. The new remuneration model continues to contain two components, one fixed and one variable. The variable remuneration component was reduced in favour of the fixed remuneration in line with the market practices. Fixed remuneration therefore increased by 21.4 percent compared to the previous year and amounted to EUR 102.5 million (previous year: EUR 84.4 million). Variable remuneration, in contrast fell by 4.2 percent compared to the previous year. The average number of employees in the 2022 financial year was 1,878 (based on full-time employees), which was a year-on-year increase of 4.7 percent (previous year: 1,794).

Depreciation, amortisation and impairments increased by 3.1 percent to EUR 32.5 million (previous year: EUR 31.5 million). In the 2022 financial year, this item included impairment losses on goodwill totalling EUR 5.9 million. These related to the cash-generating units from the leasing business in Portugal at EUR 5.2 million and Hungary at EUR 0.7 million. The main reason for the impairments was the significant increase in the discount rates of the cash-generating units. In the previous year, the Consolidated Group recognised an impairment of EUR 2.7 million on the goodwill of the cash-generating unit Factoring Germany. In addition, depreciation, amortisation and impairments in the previous year included an impairment on an internally developed software application in the amount of EUR 1.5 million.

Selling and administrative expenses increased by 0.5 percent in the past financial year to EUR 97.7 million (previous year: EUR 97.2 million). This was due to additional ancillary personnel costs, advertising expenses, increased vehicle costs as well as maintenance and repair expenses. IT project costs also increased by 39.4 percent to EUR 8.6 million (previous year: EUR 6.2 million). The increase compared to the previous year resulted from the conception and implementation of automated and customer-centric processes for sales and administration as well as initial project activities for the gradual development of suitable cloud infrastructure. This was offset by lower legal, consulting and auditing costs. These had risen sharply in the previous year following the special audit in accordance with Section 44 (1) sentence 2 of the German Banking Act.

Other operating expenses decreased by 0.8 percent to EUR 14.0 million in the 2022 reporting year (previous year: EUR 14.1 million). The increase in foreign currency translation differences was offset by the effects of the decline in expenses unrelated to the accounting period.

Other operating income fell in the reporting year to EUR 5.5 million (previous year: EUR 28.8 million). The previous year's figure included income of EUR 23.7 million from the sale of the stake in viafintech GmbH.

The cost-income ratio rose to 55.2 percent in the 2022 financial year (previous year: 49.6 percent) and was thus slightly above the value of below 55 percent targeted for the full year and adjusted in October. The calculation of the CIR was changed with the Capital Markets Update on May 13, 2022 and since then has been carried out without the items other operating income and expenses and other interest income and expenses. Since we calculate the cost-income ratio according to the usual calculation method for the banking/financial sector without the expenses for settlement of claims and risk provisioning, the underlying operating income – in deviation from the presentation in the consolidated income statement – fell by 2.1 percent to EUR 506.1 million (previous year: EUR 516.8 million) in the past financial year. Higher staff costs due to the change in the remuneration model are also reflected in the cost-income ratio.

The operating result fell by 26.0 percent to EUR 98.1 million in the 2022 financial year (previous year: EUR 132.5 million).

The balance of other interest income and interest expenses improved to EUR 0.9 million (previous year: EUR –10.4 million). This resulted from the general rise in interest rates, which is reflected, among others, in lower negative interest on balances at the Deutsche Bundesbank, which amounted to EUR 1.8 million in the reporting year (previous year: EUR 4.1 million). In addition, interest income of EUR 7.7 million was recognised on a tax refund.

Earnings before taxes fell in 2022 by 10.1 percent to EUR 111.0 million (previous year: EUR 123.5 million). The tax rate rose to 24.2 percent after 22.9 percent in the previous year. It should be noted that impairment on goodwill is not taken into account for tax purposes and that the income from the sale of the stake in viafintech GmbH in the previous year had a positive effect on the tax rate.

Accordingly, the Group earnings reached EUR 84.2 million (previous year: EUR 95.2 million), equalling a decline of 11.6 percent. In the previous year, Group earnings excluding the income from the sale of the investment in viafintech GmbH (EUR 23.0 million after taxes) was EUR 72.2 million. Group earnings attributable to the shareholders and hybrid capital investors of GRENKE AG was EUR 90.4 million (previous year: EUR 99.5 million). The profit attributable to non-controlling interests resulting from the consolidation of the franchise companies amounted to EUR –6.2 million (previous year: EUR –4.4 million). Accordingly, earnings per share reached EUR 1.75 in 2022 (previous year: EUR 1.94).

2.6.1.1 Business segments

The reporting on the development of the segments follows the organisational structure of the Consolidated Group. We therefore subdivide the operating segments into Leasing, Banking and Factoring based on the management of the corporate divisions. Further information on the business segments is presented in the Consolidated Group segment reporting in Note 8 in the notes to the consolidated financial statements.

2.6.1.2 Business development

As 88.8 percent of our income from operating business in the 2022 financial year was attributable to the Leasing segment (previous year: 85.8 percent), the comments in Chapter 2.6.1 “Results of operations” essentially refer to the development in the Leasing segment.

Despite the environment described in the chapters on the macroeconomic and sector environments, operating income in the Leasing segment rose by 6.8 percent to EUR 342.7 million in the reporting year (previous year: EUR 320.9 million). The increase resulted from the decline in expenses for the settlement of claims and risk provision, which fell by 24.5 percent to EUR 106.0 million (previous year: EUR 140.4 million). Staff costs rose by 16.6 percent to EUR 136.1 million (previous year: EUR 116.7 million). Despite higher staff costs, nearly unchanged selling and administrative expenses and the impairment of goodwill of EUR 5.9 million, the segment result for the reporting year rose by 1.5 percent to EUR 100.2 million (previous year: EUR 98.6 million).

Operating income in the Banking segment recorded a decline of 23.1 percent to EUR 36.4 million in 2022 (previous year: EUR 47.4 million), mainly as a result of increased risk provisions for former loan portfolios. Risk provisioning in the Banking segment was EUR 14.3 million in the 2022 financial year after EUR 2.1 million in the previous year. With a simultaneous increase in staff costs to EUR 7.5 million (previous year: EUR 5.7 million) and higher sales and administrative expenses, the segment result reached EUR –0.1 million (previous year: EUR 39.7 million). The income from the sale of the investment in viafintech GmbH by GRENKE Bank was a primary reason for the stronger segment result in the previous year.

Operating income in the Factoring segment increased by 13.6 percent to EUR 6.6 million in the 2022 financial year (previous year: EUR 5.8 million). Risk provisioning fell to EUR 0.1 million (previous year: EUR 0.3 million). Staff costs rose by 4.2 percent to EUR 5.7 million (previous year: EUR 5.5 million). The segment loss came to EUR 2.1 million (previous year: EUR 5.8 million). The segment result of the previous year included an impairment of EUR 2.7 million on the goodwill of the cash-generating unit Factoring Germany.

For further information, please refer to Note 8 “Segment reporting” in the notes to the consolidated financial statements.

2.6.2 Financial position

The cash flow from operating activities decreased in the 2022 reporting year to EUR –346.8 million (previous year: EUR –72.0 million). This was due to the deliberate reduction in cash holdings built up as a precaution during the corona crisis, which were invested in new business as expected. In the presentation below, cash flow from new business includes investments for new lease receivables. This includes the net acquisition values for the leasing objects and the costs directly related to the conclusion of the contract. Due to the higher volume of new business, investments for new lease receivables rose to EUR 2,363.8 million in the reporting year (previous year: EUR 1,705.3 million). These were partly offset by the proceeds from the increase in refinancing of EUR 1,984.5 million after EUR 656.3 million in the previous year. In addition, GRENKE BANK AG’s deposit business decreased by EUR 261.3 million after EUR 129.3 million in the previous year. In total, cash flow from new business rose to EUR –640.6 million (previous year: EUR –1,178.3 million). In the 2022 financial year, EUR 2,065.3 million (previous year: EUR 1,328.5 million) was repaid to refinancers. Cash flow from existing business fell to EUR 254.2 million (previous year: EUR 1,000.7 million) due to higher repayments to refinancers.

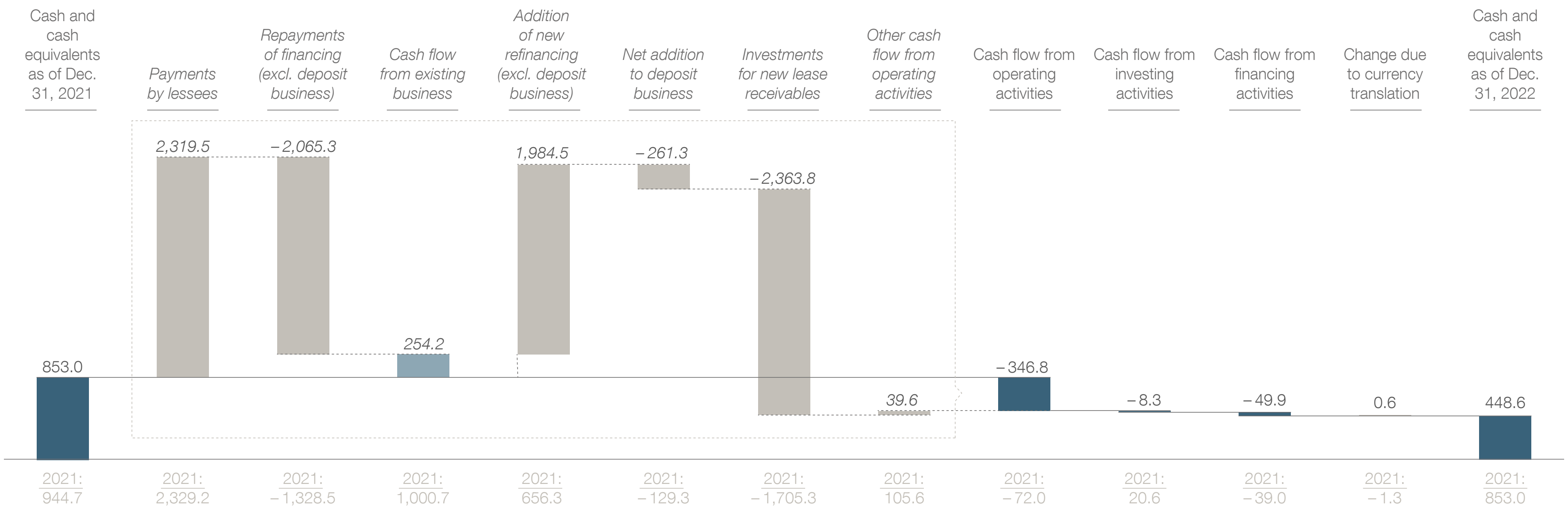
Cash flow from investing activities in the 2022 financial year was EUR –8.2 million (previous year: EUR 20.6 million). This item included mainly payments for the acquisition of property, plant and equipment and intangible assets of EUR 8.2 million (previous year: EUR 7.1 million). The previous year had also included proceeds of EUR 27.7 million from the sale of shares in viafintech GmbH by GRENKE BANK AG.

Cash flow from financing activities amounted to EUR –49.9 million in the reporting year (previous year: EUR –39.0 million). The change resulted primarily from the higher dividend payment for the 2021 financial year in the amount of EUR 23.7 million. This compares to EUR 12.1 million in the previous year. The interest payment on the hybrid capital was EUR 12.9 million (previous year: EUR 13.4 million). The repayment of lease liabilities also resulted in a cash outflow of EUR 13.3 million (previous year: EUR 13.5 million).

As a result, the total cash flow in the 2022 financial year equalled EUR –405.0 million (previous year: EUR –90.4 million). Cash and cash equivalents fell accordingly to EUR 448.6 million as of December 31, 2022, compared to EUR 853.0 million at the end of the 2021 financial year.

Consolidated cash flow statement

In EUR millions



2.6.3 Net assets

Compared to the end of the 2021 financial year, the GRENKE Group's total assets decreased by EUR 0.3 billion to EUR 6.4 billion as of December 31, 2022 (December 31, 2021: EUR 6.7 billion).

Selected information from the consolidated statement of financial position

EURk	Dec. 31, 2022	Dec. 31, 2021	Change (%)
CURRENT ASSETS	**2'847'293**	**3'195'670**	**–10.9**
of which cash and cash equivalents	448'844	853'071	–47.4
of which lease receivables	1'985'059	1'963'532	1.1
NON-CURRENT ASSETS	**3'565'450**	**3'465'270**	**2.9**
of which lease receivables	3'258'885	3'155'440	3.3
TOTAL ASSETS	6'412'743	6'660'940	–3.7
CURRENT LIABILITIES	**2'443'391**	**2'287'620**	**6.8**
of which financial liabilities	2'247'666	2'073'493	8.4
NON-CURRENT LIABILITIES	**2'637'185**	**3'104'324**	**–15.0**
of which financial liabilities	2'547'052	3'003'670	–15.2
Equity	1'332'167	1'268'996	5.0
Equity ratio (in percent)	20.8	19.1	1.7 pp
TOTAL LIABILITIES AND EQUITY	6'412'743	6'660'940	–3.7

On the assets side, the decline in total assets resulted mainly from the planned reduction in cash and cash equivalents of EUR 404.3 million to EUR 448.8 million. Compared to the previous year (December 31, 2021: EUR 853.1 million), however, we still have adequate liquidity. In addition, we are obliged to maintain a liquidity buffer due to regulatory requirements. Therefore, at the end of 2022, EUR 326.6 million (December 31, 2021: EUR 639.3 million) was held in accounts at the Deutsche Bundesbank.

Non-current and current lease receivables rose to EUR 5.2 billion (December 31, 2021: EUR 5.1 billion). Lease receivables therefore accounted for 81.8 percent of total assets as of December 31, 2022. The increase in non-current and current lease receivables compared to the previous year was primarily due to the positive performance of new business in the reporting year. For further details on the development of lease receivables in the 2022 financial year, please refer to the information in Note 5.2 "Lease receivables" in the notes to the consolidated financial statements.

Non-current and current derivative financial instruments with a positive market value increased to EUR 38.0 million (December 31, 2021: EUR 10.2 million). This above-average rise was a result of the very strong market valuations, which was due to the rise in interest rates.

Within non-current assets, the item property, plant and equipment increased by 7.3 percent to EUR 88.0 million (December 31, 2021: EUR 82.1 million). This resulted from higher investments in leased assets from operating leases due to higher new business and a valuation effect from the application of IAS 29 at the Turkish subsidiary. The 14.3 percent decline in other intangible assets to EUR 16.5 million (December 31, 2021: EUR 19.3 million) was the result of low investments in the reporting year (EUR 4.7 million), which were offset by amortisation and impairments of EUR 7.3 million. Goodwill fell to EUR 34.9 million (December 31, 2021: EUR 41.0 million) due to the impairments of the Portugal and Hungary cash-generating units of EUR 5.2 million and EUR 0.7 million, respectively. For further details, please refer to the information in Note 5.7 “Goodwill” in the notes to the consolidated financial statements.

On the liabilities side, the decline in total assets is reflected mainly in the decrease in current and non-current financial liabilities of a total of 5.6 percent to EUR 4.8 billion (December 31, 2021: EUR 5.1 billion). Current financial liabilities rose by EUR 174.2 million to EUR 2.2 billion (December 31, 2021: EUR 2.1 billion), while non-current financial liabilities fell by EUR 456.6 million to EUR 2.5 billion (December 31, 2021: EUR 3.0 billion). The largest item within financial liabilities, current and non-current liabilities from refinancing, remained almost unchanged compared to the end of 2021 (EUR 3.7 billion) at EUR 3.6 billion. GRENKE BANK AG’s current and non-current liabilities from the deposit business totalled EUR 1.2 billion, or 18.5 percent below the level at year-end 2021 (EUR 1.4 billion).

The decrease in investments accounted for using the equity method resulted from the sale of finux GmbH. The effect on total assets was less than 0.1 percent and is therefore immaterial.

The Consolidated Group’s equity increased by 5.0 percent to EUR 1,332.2 million as of December 31, 2022 (December 31, 2021: EUR 1,269.0 million). The Group earnings of EUR 84.2 million generated in the reporting year was offset by the dividend payment (EUR 23.7 million) and the interest payment for the hybrid capital (EUR 12.9 million). In addition, there were positive effects in the other comprehensive income from currency translation (EUR 0.3 million), the market valuation of hedging instruments (EUR 13.2 million) and the change in the reserve for actuarial gains and losses (EUR 1.7 million). Due to the increase in equity and the simultaneous decrease in total assets, the equity ratio increased to 20.8 percent as of December 31, 2022 (December 31, 2021: 19.1 percent). The equity ratio thus exceeded the Consolidated Group’s own target of a minimum of 16.0 percent.

2.6.4 Liquidity

Thanks to the diversified refinancing structure, we met our payment obligations at all times in the past financial year.

We have a wide range of refinancing instruments at our disposal, which are utilised in view of market conditions as part of our overall strategy. Refinancing is essentially based on three pillars: the deposit business, including GRENKE BANK AG's development loans; receivables-based financing, including ABCP programmes; and senior unsecured instruments such as bonds, debentures and commercial paper. We avoid maturity transformation and thereby eliminate risks resulting from changes in interest rate and follow-up financing at the portfolio level. Depending on our requirements, we aim to finance between 15 and 30 percent of our financial liabilities via GRENKE BANK AG.

EURm	Dec. 31, 2022	share in %	Dec. 31, 2021	share in %
GRENKE BANK	1'208	25	1'615	31
Senior Unsecured	2'572	52	2'803	54
Asset Backed	1'137	23	802	15
TOTAL	**4'918**	**100**	**5'220**	**100**

The decline in the refinancing base of EUR 302 million to EUR 4,918 million (December 31, 2021: EUR 5,220 million) resulted above all from deliberately reducing the level of customer deposits and from a decrease in the utilisation of development loans. In contrast, refinancing via ABCP programmes increased. The use of refinancing through senior unsecured instruments as an important refinancing pillar decreased due to a lower utilisation of the debt issuance programme.

GRENKE BANK AG's refinancing via customer deposits amounted to EUR 1,150.7 million as of the December 31, 2022 reporting date, compared to EUR 1,412.0 million at the end of 2021. This corresponds to a decrease of 18.5 percent and is due to the deliberate reduction in customer deposits.

In the 2022 reporting year, two new euro-denominated bonds with a total volume of EUR 170 million were issued and an existing bond was increased by EUR 50 million. Bonds were redeemed as scheduled in the reporting year. Further information on the bonds can be found in the notes to the consolidated financial statements under Note 5.11 as well as on the website www.grenke.com/investor-relations/debt-capital/issued-bonds/.

In addition, two new promissory notes with a nominal volume of EUR 10 million and CHF 20 million were issued in the reporting year. Redemption of promissory notes also took place as scheduled in this reporting year.

In the 2022 financial year, we concluded a credit facility with Deutsche Bank AG Hungary Branch for a total volume of HUF 540 million. In addition, a credit facility was made available to us as of November 2022 from Itaú Unibanco Holding S.A., Brazil, for a total volume of BRL 100 million.

We also have two new money market lines with Landesbank Hessen-Thüringen and DZ Bank AG in the amount of EUR 40 million.

On April 19, 2022, we launched a new ABCP programme, FCT “GK”-COMPARTEMENT “G5”, with a total volume of EUR 172.4 million, thereby expanding our receivables-based refinancing. A total of EUR 148.9 million of the programme was utilised as of the reporting date.

For more information on the refinancing instruments and refinancing measures carried out in the reporting year, please refer to the notes to the consolidated financial statements under Note 5.11 “Current and non-current financial liabilities”.

The Consolidated Group’s unutilised credit lines (i.e. bank credit lines plus available volume of bonds) amounted to EUR 3,671.1 million, HUF 540.0 million, PLN 40.0 million and HRK 40.0 million as of December 31, 2022 (December 31, 2021: EUR 2,702.4 million, PLN 2.5 million and HRK 75.0 million).

For our refinancing, we use various instruments and stagger the maturities over several periods. This allows the Consolidated Group to react flexibly to changes in the refinancing markets. The table below shows the expected cash outflows resulting from the contractual obligations existing as of December 31, 2022. Of the total EUR 1.5 billion in financial debt maturing in 2023, EUR 420.8 million relates to liabilities from ABCP programmes and EUR 963.9 million to bonds, debentures and private placements. Details on the maturities of the individual instruments are presented in the notes to the consolidated financial statements under Note 5.11 “Current and non-current financial liabilities”.

The GRENKE Group’s off-balance sheet obligations totalled EUR 838.4 million as of the December 31, 2022 reporting date (previous year: EUR 692.1 million). In addition to the usual purchase obligations in the ordinary course of business, these include irrevocable loan commitments and obligations from onerous contracts. Lease and rental agreements are off-balance sheet only to the extent that lease liabilities are not required to be recognised under IFRS 16. Further details on off-balance sheet obligations are presented in the notes to the consolidated financial statements under Note 9.2 “Contingencies (contingent liabilities) and other financial commitments”.

Expected cash outflows from contractual obligations

			Payment due			
EURk	**Dec. 31, 2021 total**	**Dec. 31, 2022 total**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**after 5 years**
Financial liabilities	3'927'464	4'030'296	364'434	1'131'006	2'318'920	215'936
ABCP related liabilities (denominated in EUR)	603'898	966'436	98'371	266'435	599'515	2'115
ABCP related liabilities (not denominated in EUR)	158'270	141'655	15'363	40'649	84'269	1'374
Bonds, debentures, private placements (denominated in EUR)	2'550'714	2'368'792	188'123	661'558	1'464'687	54'424
Bonds, debentures, private placements (not denominated in EUR)	360'728	334'746	23'312	90'916	63'224	157'294
Sales of receivables agreements (denominated in EUR)	3'600	5'884	617	1'850	3'417	0
Sales of receivables agreements (not denominated in EUR)	108'086	134'454	16'488	38'911	79'055	0
Payments related to bank liabilities	142'168	78'329	22'160	30'687	24'753	729
Hybrid bond	248'981	236'035	87'946	0	148'089	0
Leases and rentals	50'388	40'186	3'997	10'747	23'341	2'101
Irrevocable credit commitments	6'892	6'392	6'392	0	0	0
Purchase obligations*	662'102	818'479	642'062	176'417	0	0
Obligations from onerous contracts	9'899	4'041	654	1'763	1'624	0
TOTAL CONTRACTUAL COMMITMENTS	**4'905'726**	**5'135'429**	**1'105'485**	**1'319'933**	**2'491'974**	**218'037**

[1] The obligations include those payment obligations that the Consolidated Group cannot avoid even if it exercises contractual termination options.
Legally binding obligation to accept goods and services and trade payables.

2.7 General statement on the Consolidated Group's business performance and financial situation

The 2022 financial year was another challenging year for us. The effects of the Covid-19 pandemic slowly subsided with the reduction of restrictions at the beginning of the year. However, the war in Ukraine starting in February 2022 accelerated the sharp rise in inflation, which resulted in the ECB raising key interest rates with several strong interest rate hikes in the second half of 2022. As a result, refinancing costs increased significantly. In light of the operating environment, the Board of Directors of GRENKE AG believes we delivered solid performance.

Every quarter, we were able to record significant growth in new leasing business as planned with significant double-digit growth rates in each quarter. We could therefore continue the growth path we embarked on in the fourth quarter of 2021. A milestone was reached in this respect with the crossing of the threshold of one million current leasing contracts in the second quarter. Accordingly, on October 4, 2022 we raised our new business forecast for the 2022 financial year to EUR 2.2 billion to EUR 2.3 billion (previously EUR 2.1 billion to EUR 2.2 billion). At the same time, we were able to successfully pass on the rising refinancing costs to the lessees with the usual time lag of around one quarter.

The high quality of our portfolio was again clearly evident in this financial year. As a result of the stable payment behaviour of entrepreneurs, expenses for the settlement of claims and risk provision continued to decline. As a result, the loss rate fell from 1.6 percent in the previous year to 1.3 percent in the reporting year and was even below our forecast of 1.4 percent to 1.7 percent.

With the acquisition of the leasing franchises in the USA and Singapore and the conclusion of purchase agreements for the factoring franchises in Great Britain, Ireland, Poland and Hungary, we have already taken over six of our original 16 franchises as announced. We plan to complete the remaining ten acquisitions by mid-2023.

In October, we were rated by Fitch Ratings for the first time, receiving another investment grade rating of BBB/stable/F2. S&P Global Ratings had already confirmed our investment grade rating of BBB+/negative/A-2 in August. Based on our higher equity ratio of 20.8 percent at the end of 2022 and our strong refinancing mix, the Board of Directors is confident that we will be able to finance the planned growth in new leasing business at attractive conditions in the coming year.

3. Non-Financial Statement 2022

3.1 GRENKE at-a-glance

3.1.1 Report and regulatory framework

This report presents the mandatory non-financial consolidated statement ("non-financial statement" or "NfS") of the GRENKE Group for the period from January 1, 2022 to December 31, 2022. The non-financial statement is a legal requirement pursuant to Sections 289b (1) and 289c HGB in conjunction with Section 315 HGB and the requirements of the EU taxonomy (EU Regulation 2020/852) and associated delegated acts. In our annual report, we use the non-financial statement to report annually on our management approaches, key measures and progress on the selection of non-financial topics relevant to GRENKE. As part of this, we provide information on the status of the development of our sustainability strategy (cf. Chapter 3.2.2 "Sustainability strategy and targets" and Chapter 3.3.1 "Sustainable corporate governance") and report on our TOP KPIs (cf. Chapter 1.3.3 "Non-financial performance indicators"). This includes detailed KPIs that were also developed for the fields of action (cf. Chapter 3.4 "Key sustainability topics").

We publish further information and updates during the year on our website at www.grenke.com/esg/.

- **Included companies**

Unless otherwise indicated, the disclosures that follow relate to the GRENKE Group, i.e., the non-financial disclosures take into account the companies included in the IFRS-compliant scope of consolidation for accounting purposes. The same applies to the disclosures on the EU taxonomy, as the regulatory scope of consolidation of the GRENKE Consolidated Group corresponds to the scope of consolidation under IFRS (see in detail, Chapter 3.5 "Disclosures pursuant to Article 8 of the EU taxonomy").

- **Applied framework**

For the first time, the non-financial statement was prepared according to the "with reference" option of the Global Reporting Initiative Sustainability Reporting Standards (GRI SRS) – i.e. the general standards GRI 1 to 3 as well as the thematic standards on the economy (GRI 200 series), ecology (GRI 300 series) and governance (GRI 400 series).

- **Editorial note**

The non-financial statement is published annually as part of the Group management report. The reporting date for the 2022 non-financial statement is December 31, 2022. Events of particular relevance to the non-financial aspects in the reporting period were taken into account until February 16, 2023. For any questions regarding the report, please contact our Investor Relations department (investor@grenke.de).

3.1.2 Business model

For details on the Consolidated Group and its business activities, please refer to Chapter 1.1.2 "Business model and segments" in the combined management report. Details on GRENKE AG's ownership structure can be found in the explanations in the chapter "Shares and investor relations" and in Chapter 7 "Acquisition-related information" in the combined management report. Updates on the ownership structure and other information relevant to the capital markets are published on our website at ww.grenke.com/investor-relations/grenke-share/shareholder-structure/ during the year.

3.2 Our sustainability strategy

3.2.1 Stakeholder dialogue and materiality analysis 2022

The contents of this non-financial statement were derived from the results of the materiality analysis conducted in the 2022 financial year.

The materiality analysis was based on dialogues with various stakeholders prior to the analysis. Since 1996, the expectations of stakeholders – mainly capital market participants, employees and SMEs – have been gathered and evaluated and subsequently incorporated into our strategic decisions.

Stakeholder	Formats and channels

Workforce and management
// Supervisory Board
// Board of Directors and senior management
// Employees
	Group-wide calls with Board of Directors and a management forum, quarterly town hall meeting, regular information for the workforce (intranet), workforce surveys, campaigns on occupational health and safety; social media (LinkedIn, Xing, Facebook)

Business partners
// Lessees and customers
// Resellers for the Leasing segment and partners for the three business segments Leasing, Factoring and Banking
	On-site visits, workshops, welcome calls, customer and partner magazines, satisfaction surveys

Capital market
// Investors (debt and equity)
// Banks/financial analysts
	Annual reports, the Annual General Meeting, analyst and investor conferences, road shows and capital market conferences, ratings (S&P, GBB)

Supervisory authorities and regulators
// Regulatory authorities
// Regulators
// Auditing firms
// National/international legislators (including standard setters)
	Supervisory discussions, reporting, annual reports/other reporting, dialogue with development banks such as Kreditanstalt für Wiederaufbau for development programs and the German Federal Ministry of Labor and Social Affairs for microcredits

Civil society
// Potential employees
// Media representatives
// Local stakeholders
// Non-profit institutions
	Associations Social media presence on LinkedIn, Xing, Facebook and kununu, corporate reporting (press releases / guest articles), exchange with media representatives, customer and partner magazine, exchange in non-profit projects

We use various target group-specific communication formats and channels to engage with our stakeholders. The dialogue on sustainability-related topics is continuously gaining importance, driven by increasing government regulation in the ESG area as of 2017, as well as other reasons.

Materiality analysis

We designed our materiality assessment to ensure it conforms with the double materiality requirement of Section 289c (3) of the German Commercial Code (HGB) while at the same time orienting itself towards the GRI 3 standards. As a result, we identified the non-financial topics that are material from both an inside-out and outside-in perspective. The inside-out perspective describes the impact of our Company on society and the environment. The outside-in perspective describes the impact of non-financial issues on our Company's business success (cf. materiality matrix diagram).

Materiality analysis process

In conducting our material analysis, we first identified the most important internal and external stakeholder groups (see diagram "Relevant stakeholder groups"). We accomplished this by taking into consideration the potential influence of the stakeholders on GRENKE and vice versa.

The potentially relevant non-financial topics were compiled by drawing from several sources. This included the ESG issues already identified by GRENKE, the content of the GRI framework, ESG-related inquiries from rating agencies and industry comparisons on material ESG issues.

The potentially relevant content identified was validated again in terms of its relevance to our business model. We then consolidated this information, creating a list of 20 ESG issues.

These ESG issues encompassed the following areas:

- Environmental concerns
- Social issues
- Labour and human rights issues
- Business model and innovation
- Leadership and governance

In order to comply with the requirements of the German Commercial Code (HGB), the topics from the above-mentioned areas were allocated to the sustainability aspects specified in Section 289c of the HGB.

The survey of stakeholders provides an assessment of the impact of the GRENKE Group's business activities on the selected non-financial aspects (inside-out perspective).

The responses from the survey are also used to assess the extent to which the non-financial issues affect the GRENKE Group's business performance, results of operations, and position (outside-in perspective).

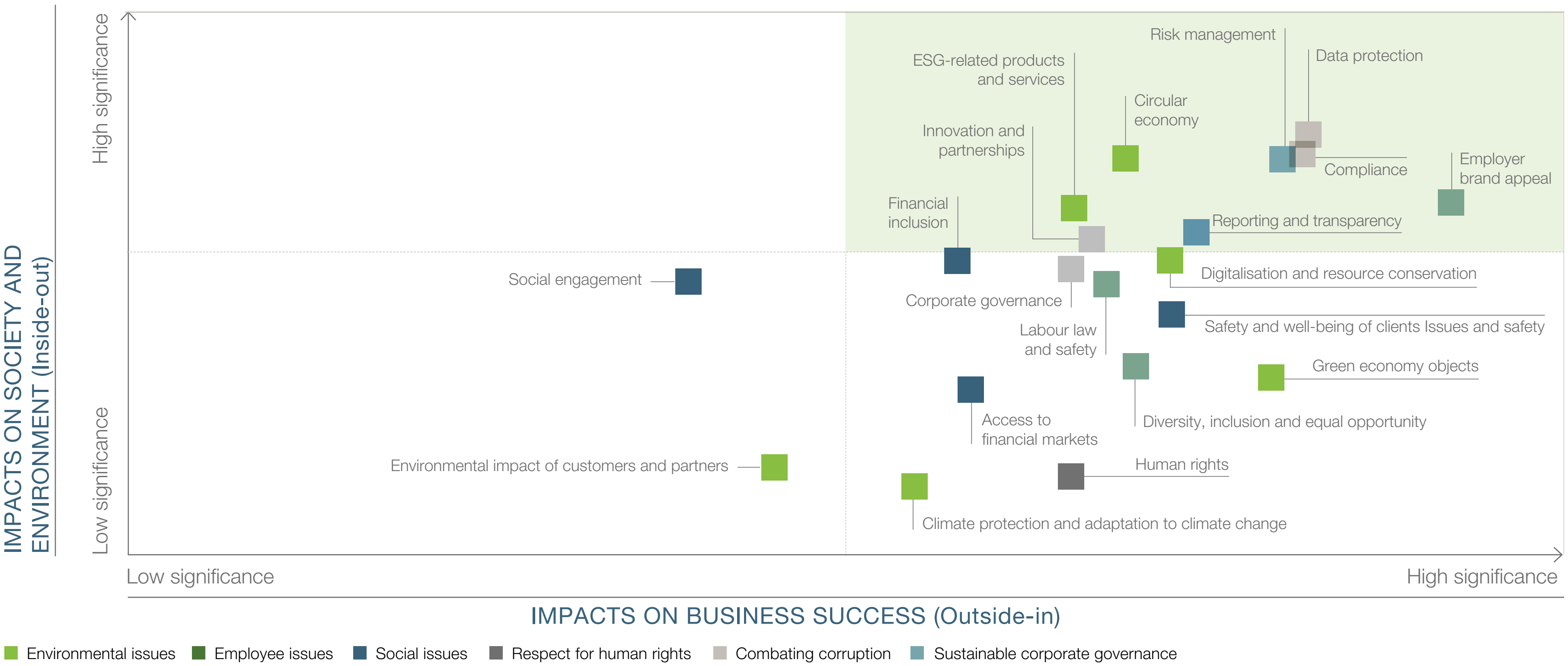
The external and internal stakeholders (see diagram "Relevant stakeholder groups") were surveyed by means of an online survey. For the materiality analysis, 708 external stakeholders and 266 internal stakeholders were contacted in the reporting year. A total of 147 internal stakeholders and 60 external stakeholders responded to the survey. The response rate was 21.3 percent.

Relevant stakeholder groups

Individual expert interviews were also conducted with representatives from research and science as well as with the members of the Supervisory Board. The experts came from the fields of sustainable bioeconomy, sustainable corporate management, sustainable product development and human resources management/leadership. They gave further insight into the classification of the non-financial topics and helped to validate the results of the stakeholder survey.

All of the responses from the online survey and the expert interviews were analysed and mapped in a materiality matrix:

Materiality matrix



In the course of validating the results of the materiality analysis, the definitions of the material topics were supplemented and then adopted for better operationalisation and management as follows:

- ESG products and services:
This topic describes our ability to offer sustainable (lease) financing and services to SMEs. The two topics, “ESG-related products and services” and “Green economy objects”, were combined due to their similarities in terms of content.

- Circular economy:
This topic deals specifically with the reuse and recycling of leased assets after the end of the contract term to support a circular economy.

- Digitalisation and resource conservation:
This topic describes our ability to digitalise processes and procedures, among others, to minimise the use of resources.

- Employer attractiveness:
This topic is where we measure our ability to attract and retain qualified employees.

- Customer safety and satisfaction:
The focus of this topic is on our ability to create targeted customer experiences and ensure high customer satisfaction by offering SMEs attractive and equal access to financing. The two topics, client safety and well-being and financial inclusion, have been combined into this topic due to their similarities in terms of content.

- Innovation and partnerships:
This topic describes the development and maintenance of targeted partnerships as part of our commitment to promoting a sustainable society.

- Risk management:
This topic addresses our ability to assess, manage and minimise risks that could potentially affect the Company’s position and development.

- Reporting and transparency:
The focus of this topic is on the transparent design of corporate communication and financial and non-financial reporting.

- Compliance and data protection:
This topic covers the protection of data by the GRENKE Group and compliance with the relevant laws and regulatory requirements. The topics of compliance and data protection were combined under this topic due to their strong similarity in terms of content.

These nine topics that are material for GRENKE are supplemented by the following minimum content in accordance with the German Commercial Code as part of the non-financial statement:

- Climate change mitigation and climate change adaptation:
We see this topic as directly linked to the topics of ESG products and services, digitalisation and resource conservation, and risk management. The topic continues to be oriented towards the first and second environmental objectives of the same name in the EU taxonomy. For this reason, the topic was classified as material in the course of the validation of the results.

- Labour law issues and safety:
We consider these issues to be fundamental as they are the prerequisites for meeting the expectations for employer attractiveness. In addition, employee matters constitute minimum content according to Section 289c HGB. Consequently, these are also the subject matter of the non-financial statement.

- Respect for human rights:

Respect for human rights is a fundamental prerequisite for the fulfilment of our strategically important topics. These are also mentioned as minimum content in Section 289c HGB and are therefore also included in the non-financial statement.

The following table shows an overview of the allocation of topics according to the classification pursuant to Section 289 HGB:

Environmental concerns
// ESG products and services
// Circular economy
// Digitalisation and resource conservation
// Climate protection and adaptation to climate change

Employee issues
// Employer brand appeal
// Labour law issues and safety

Social issues
// Customer safety and satisfaction
// Innovation and partnerships

Respect for human rights // Human rights
Combating corruption and bribery // Compliance and data protection

Sustainable corporate governance
// Risk management
// Reporting and transparency

The presentations of key fields of action and sustainability measures used in the previous year are no longer included in this form in this year's report. All fields of action mentioned in the previous year have been integrated into our sustainability strategy, our focus initiatives (cf. Chapter 3.2.2 "sustainability strategy and targets") and the activities of our material topics (cf. Chapter 3.4 "material sustainability topics").

3.2.2 Sustainability strategy and targets

We see our non-financial commitment as a key success factor for our future viability and performance and to ensure our strong market positioning for the long term. Sustainability is already anchored in our corporate strategy. Building on this, our sustainability strategy describes our sustainability vision to be a pioneer for sustainable SMEs. Aligned with this vision, our sustainability strategy describes our objectives and measures in terms of ESG along the three dimensions of Climate and environment, social contribution, and responsibility and trust. We have defined a strategic ambition for each dimension:

Our sustainability ambition

Enabler for sustainable SMEs

Climate & Environment	Social Contribution	Responsibility & Trust
We enable the transformation to a green future by providing sustainable financial services and facilitating green investment choices	We promote equal opportunities and innovative strength for our customers, partners and employees alike	We strengthen transparent communication and create a sustainable corporate structure

During the past financial year, we analysed the topics that are material for us and derived our strategic focus topics from this analysis (see Chapter 3.2.1 “Stakeholder dialogue and materiality analysis 2022”). The design of our strategic ambitions is based on the Sustainable Development Goals (SDGs) of the United Nations’ 2030 Agenda. The material topics, as well as the alignment with the SDGs, detail our sustainability strategy as follows:

Climate & Environment

// ESG products & services

// Circular economy

// Digitisation & resource conservation

For the climate and the environment, our ambition is to support the transformation to a green future by offering sustainable financial services and making it easier for entrepreneurs to make environmentally conscious investments. To this end, we are expanding our object portfolio to include green economy objects and, thereby, financing the investment needs of the SMEs sustainable transformation (SDG 12). Among others, this includes objects for the generation and storage of renewable energies (SDG 7).

We also want to advance the development of our own product range along ESG criteria to offer our SME customers a sustainable lease contract in the sense of circular economy and resource conservation (see 3.4.1.1 ESG products and services). To minimise our ecological footprint and our products, we rely internally and externally on efficient digital processes (SDG 12 and 13).

We want to make the sustainability of our leasing portfolio measurable and transparent. To this end, we have started developing the GRENKE Sustainability Index (GSI). The GSI will evaluate each lease contract with regard to defined sustainability criteria and create transparency for both us and SME and help build a strong awareness of sustainable investment opportunities.

Social Contribution

- // Employer appeal
- // Customer security & satisfaction
- // Innovation & partnerships

We see our social contribution in our promotion of equal opportunities and our innovative strength for our SME customers, business partners and employees alike. We consider equal opportunities and diversity (SDG 5) to be the cornerstones of our success. To this end, we pay attention to gender diversity in our Board of Directors, Supervisory Board and among our employees. By offering flexible work schedules, we also support the compatibility of career and family.

We create a work environment that promotes the health of our employees by offering ergonomic workplaces, preventive health care and work scheduling and pension scheme models, among others. With the increasing share of medical equipment in our leasing portfolio, we contribute to the promotion of health and well-being in society through our financial services for the health sector (SDG 3).

We promote access to quality education (SDG 4) through our employee training and development measures (see Chapter 3.4.2.1.5 “Employee training and development” and Chapter 3.4.2.1.6 “Training and education”). Outside of the Company, we promote education and culture through collaborations such as those with schools and universities in the areas of research and development.

Responsibility & Trust

// Risk management

// Reporting & transparency

// Compliance & data protection

Under responsibility and trust we have summarised our claim of a sustainable corporate structure and transparent, reliable and trustworthy corporate management. We secure our lasting success through careful risk management. We incorporate current developments and circumstances, such as the opportunities and risks of climate change, into our risk management. Transparent reporting and capital market communication (cf. Chapter 3.4.3.2 “Reporting and transparency”) form an important cornerstone of our responsibility and our faithful interaction with our stakeholders.

We take responsibility for sustainable economic growth and promote the backbone of innovation through our financing solutions for SMEs (SDG 8 and 9). The responsible handling and protection of our stakeholders’ data, as well as effective risk management, foster trust and thereby lay the foundation for long-term partnerships (SDG 17).

By developing and implementing a holistic management system consisting of TOP and management KPIs, we want to be able to regulate the impact of our measures and make them transparent. In the 2022 financial year, we defined the TOP KPIs for our sustainability strategy. We understand this to mean the most important key figures for controlling our sustainability goals. A TOP KPI can consist of several components (see Chapter 1.3.3 “Non-financial performance indicators”).

Operationalisation and implementation in the Consolidated Group are carried out by means of focus initiatives, which advance the achievement of goals for our strategic focus topics.

We initiated the following focus initiatives in the 2022 financial year:

Our Flagship Initiatives

Climate & Environment

// Development of market access for Green Economy objects

// Development and introduction of the GSI as a measure of sustainability

// Determination of CO_2 emissions according to GHG Protocol

// Start of program Fast.Forward.Digital to Digitalise and Automation of central business processes

Social Contribution

// Conducting and further developing the annual employee survey and deriving measures

// Expansion of the GRENKE Talent Lab offering to promote employee development

// Development and introduction of an overarching satisfaction survey for customers and partners

Responsibility & Trust

// Benchmarking and ensuring a marketable ESG rating

// Implementation and further development of training courses on compliance and data protection

// Inclusion of sustainability criteria in Executive Board remuneration as of 2022

The following sections provide more details and progress on the above activities.

3.3 Sustainability at GRENKE Group

3.3.1 Sustainable corporate governance

3.3.1.1 ESG organisation and management

Ensuring activities are legally compliant and economically viable at the same time in the dimensions of climate and environment, social contribution and responsibility and trust is a central element of our sustainable development. We ensure responsible corporate action by embedding sustainability in our organisation and governance.

As a result of a short-seller's report published in September 2020, we commissioned a separate audit from KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) in the 2020 financial year. In addition, the German Federal Financial Supervisory Authority (BaFin) mandated a special audit by the auditing firm Mazars in accordance with Section 44 of the German Banking Act (KWG) as well as an audit of the consolidated financial statements of GRENKE AG as of December 31, 2019 and the combined group management report and management report for the 2019 financial year.

We saw the resulting points of criticism as an opportunity to embrace and implement further measures to strengthen our governance.

The measures initiated, we continued to drive forward in the 2022 financial year so that a continuous strong focus was maintained on the measures to strengthen regulatory compliance. We are also strengthening our governance with regard to sustainability in the form of measures, concepts and due diligence processes, such as our introduction of a code of conduct (see Chapter 3.3.2.1 "Policies and guidelines").

GRENKE AG complies with the material statutory provisions for the management and supervision of listed companies as set out in the German Corporate Governance Code (GCGC), as well as the standards for good and responsible corporate governance recommended by the GCGC (see Chapter 9 "Corporate governance statement") to the greatest extent possible. Our measures to strengthen governance were confirmed by the results of the DVFA Scorecard 2022, which ranked GRENKE AG third among the SDAX companies.

As a stock corporation under German law, GRENKE AG has a Board of Directors, a Supervisory Board, and an annual general meeting. The Board of Directors is responsible for managing the Company and is monitored and advised by the Supervisory Board. For information on personnel changes in the Board of Directors and the Supervisory Board, please refer to Chapter 6 "Changes in the governing bodies".

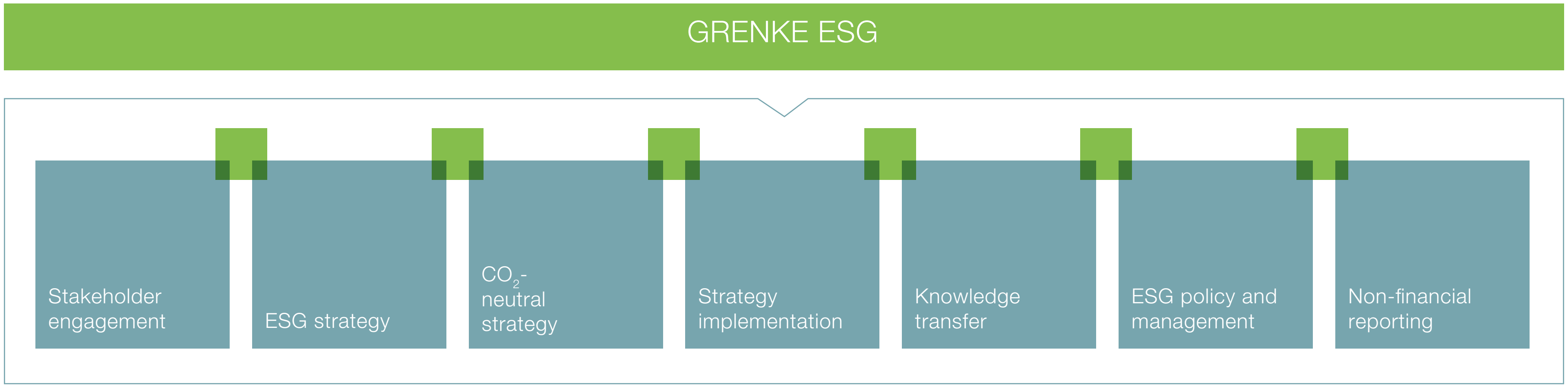
The sustainability strategy was developed in the 2022 reporting year with the involvement of the entire Board of Directors. Involving the Board of Directors in all major decisions ensures that the sustainability strategy fits into the overall corporate strategy. At the same time, the importance of ESG for the Consolidated Group was strengthened in the financial year by the appointment of Dr Ljiljana Mitic as the Sustainability Officer within the Supervisory Board. As an expert for sustainable corporate development (www.grenke.com/management/supervisory-board/), she supports and monitors the ESG transformation of the GRENKE Group.

The operational management of the sustainability strategy at GRENKE is the responsibility of the ESG department. The department was newly created in 2022 and encompasses the responsibility for the strategic orientation and coordination of Group-wide ESG-related activities.

The ESG department is tasked with the following responsibilities:

- Advancing the sustainability strategy
- Establishing and further developing an appropriate control system
- Coordinating and managing the Group-wide operationalisation of the sustainability strategy
- Developing our CO_2-neutral strategy
- Further developing ESG policies
- Ensuring internal and external non-financial reporting
- Building up expertise on the topic of sustainability in all countries and locations
- Exchanging and advocating with internal and selected external stakeholders

ESG Organisation and management



The ESG department takes on these tasks in close coordination with the Board of Directors and the departments. This enables it to develop a foundation for viable solutions and decision-making for operational implementation in the departments.

In addition to the organisational anchoring, the high relevance of the ESG topic is underscored by linking senior management remuneration to the achievement of sustainability goals. We also measure the share of senior management positions with sustainability components in variable remuneration as a TOP KPI (see Chapter 1.3.3 “Non-financial performance indicators”). In addition to the Board of Directors, the definition of senior management also includes the first and second and third management levels. The first step was to incorporate sustainability components into the Board of Directors’ remuneration in the 2022 financial year. This resulted in a ratio of 100 percent for the Management Board and 1.6 percent for the Management Board and senior management as a whole. For further details on remuneration, please refer to our remuneration report (www.grenke.de/unternehmen/investor-relations/berichte-und-praesentationen/).

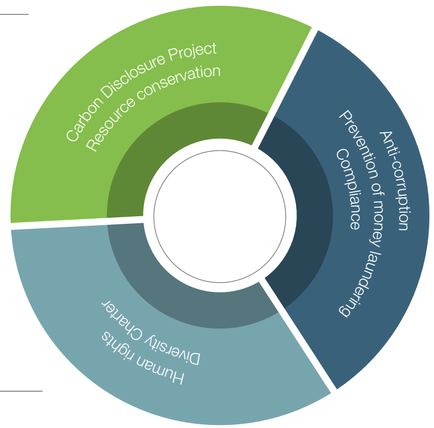
3.3.1.2 ESG compliance

We use various measures and concepts to operationalise the sustainability strategy and integrate it into the business organisation and processes:

Central aspects of sustainable corporate governance

Climate and environment

// Travel policy
// Resource conservation
// Carbon Disclosure Project



Responsibility and trust

// Data protection
// CMS
// KYC
// GRENKE Integrity Line
// Audits (external and internal)
// Quality management

Social contribution

// Code of conduct
// Diversity Charter
// Engagement score
// GRENKE Talent Lab

The measures and concepts of the focus topic Responsibility and trust are strongly influenced by legal regulations, in particular, which we have implemented accordingly into our organisational structure:

- Compliance management: To ensure that our actions comply with the law, we have implemented a Group-wide compliance management system (CMS) as well as a whistleblower system and have appointed compliance officers (see Chapter 3.4.3.3.1 "Compliance management").

- Prevention of money laundering: In order to comply with the regulations for the prevention of money laundering and terrorist financing, we have established Group-wide security measures, appointed money laundering officers and regularly train our employees (cf. Chapter 3.4.3.3.2 "Prevention of money laundering").

- Data protection: For the implementation of data protection requirements, we have taken appropriate protective measures and appointed data protection officers and work to raise the awareness of our employees (see Chapter 3.4.3.3.3 "Data protection").

- Information security: We have implemented an information security system and are continuously developing it in order to fully comply with the regulatory requirements. We ensure the effectiveness of the measures taken through internal and external audits as well as employee training (cf. chapter 3.4.3.3.4 Information security).

3.3.2 Sustainable corporate policies

3.3.2.1 Policies and guidelines

We align our sustainability strategy and activities with internationally recognised frameworks and standards, including guidelines we have created ourselves, and integrate them into our business activities. The most important policies and guidelines include the following:

- UN Sustainable Development Goals

We take responsibility for sustainable development across all our business activities and have integrated the United Nations Sustainable Development Goals (SDGs) into our sustainability strategy.

The following SDGs are highly relevant to our business model:

SDGs relevant to our sustainability strategy

Climate & environment | Social contribution | Responsibility & trust

- Diversity Charter

Equal opportunities and diversity are an integral part of our corporate culture. By signing the Diversity Charter in the 2022 financial year GRENKE Group has actively committed to further embedding the concept of diversity in the organisational structure. We are also committed to an organisational culture characterised by mutual respect and appreciation and align our personnel processes in such a way that they complement the diverse skills of our employees.

We recognise the diversity within and outside our company and utilise this potential in furthering our company's development. At the same time, we promote internal and external dialogue about the Diversity Charter and involve our employees in its implementation.

- Carbon Disclosure Project

In order to report transparency on our CO_2 emissions as well as the opportunities and risks for our business model from climate change, we submitted the Carbon Disclosure Project (CDP) reporting questionnaire for the first time for the 2022 financial year. A rating is targeted for the 2023 reporting year.

- GRENKE Code of Conduct

We regard our code of conduct as an ethical framework for our actions and decisions. For us, transparency and trust are the basis of solid collaborations. We therefore expect our creditors and suppliers to adhere to the same principles.

GRENKE Code of Conduct

// Workers' and human rights
// Environmental protection
// Material procurement
// Conduct towards business partners and third parties
// Money laundering prevention
// Fair competition
// Fighting corruption and bribery
// Avoidance of conflicts of interest
// Compliance management
// Compliance with the Code

Our code of conduct is based on international conventions, guiding principles and declarations:

- The Universal Declaration of Human Rights
- The United Nations Guiding Principles on Business and Human Rights
- The Guidelines on Children's Rights and Entrepreneurship
- The United Nations Global Compact (UNGC)
- The International Labour Standards of the International Labour Organization (ILO)

Our code of conduct requires our creditors and suppliers to comply with laws concerning labour practices, human rights and environmental protection. Our suppliers are also obliged to carry out effective quality assurance when procuring materials and to minimise the associated risks. Suppliers and creditors must always act ethically and with integrity towards business partners and third parties. At the same time, they must comply with legal requirements regarding money laundering prevention, competition and antitrust law and guarantee intellectual object rights. Furthermore, we expect our suppliers to take measures to prevent corruption, bribery and conflicts of interest and to establish and maintain an effective compliance management system.

3.3.2.2 Quality management

In addition to ensuring compliance with legal requirements, we set ourselves high quality standards for our own actions. To this end, we use a quality management system that provides the framework for the operating and work processes established across the Consolidated Group in its everyday business.

All employees have access to our quality management system and have been trained in how to use it. The international quality management team at our headquarters in Baden-Baden draws on a broad internal network to communicate material information and changes to the relevant departments quickly and in a targeted manner. There is a QM contact person in every country, and some countries even have their own QM teams. Regular network calls and monthly newsletters ensure the exchange of information and experience in order to further develop quality management in the best possible way. The focus of the quality management system is on work processes.

Since 1998, GRENKE's quality management has been certified annually by TÜV SÜD Management Service GmbH, an independent auditing company. Following its surveillance audit in 2021, TÜV SÜD Management Service GmbH reconfirmed that we have a well-functioning and effective quality management system that fully meets the requirements of the ISO 9001:2015 standard.

The current certificate is valid until October 2025. Our certified locations and companies can be found on our website at www.grenke.de/unternehmen/grenke-deutschland/auszeichnungen-zertifizierungen/.

Quality management is a central component of our corporate philosophy, risk management and due diligence processes. We use a "quality management control loop", which comprises the building blocks of quality policy, quality goals, programmes and projects, quality audits and quality review to systematically review and optimise the organisational structure, processes and results in the Consolidated Group. In this way, we ensure to the long-term success of the Company (see graphic Quality Control Loop).

Quality management control loop

As part of the quality management control loop, we conduct internal quality management audits – in addition to the aforementioned TÜV monitoring and recertification audits – and continuously record quality-relevant documents that are regularly updated. This helps to ensure that both legislative changes and ongoing product and process adjustments are reflected in our quality management. It also enables us to identify process deviations in good time and make adjustments when necessary. In the 2022 financial year, 28 locations were audited by TÜV SÜD as part of the random sample certification (previous year: 24 locations). In addition, 115 internal audits took place (previous year: 112 internal audits).

Ideas and suggestions from the workforce

Our suggestion scheme has always been part of GRENKE's corporate culture. We digitised and optimised our suggestions process in 2018 and gave our employees the opportunity to submit their ideas via quarterly idea campaigns. In 2021, four campaigns were carried out, in which 19 percent of the employees' ideas were accepted and tested for their feasibility. By the end of the 2022 financial year, seven ideas from 2021 had been implemented and one was still in the implementation process.

Following our first campaign in 2022, we revised the process again based on a survey of our employees and relaunched it in the fourth quarter of 2022. Since then, our employees have had the opportunity to submit their ideas on an ongoing basis, regardless of time-limited campaigns or thematic requirements. We also made the submission and evaluation criteria clear and simple, updated the reward system and adapted the training offered to correspond with the revised process. These actions are intended to continue to promote and expand the innovative strength of our employees. In 2022, employees submitted 62 ideas to the last quarterly theme campaign. Of these, 50 percent were accepted. Of the accepted ideas, five had already been implemented by the end of the reporting year, and four others were still being implemented. In the fourth quarter, a further 46 ideas were submitted using the new process and are currently under review.

3.4 Key sustainability issues

3.4.1 Climate and environment

3.4.1.1 ESG products and services

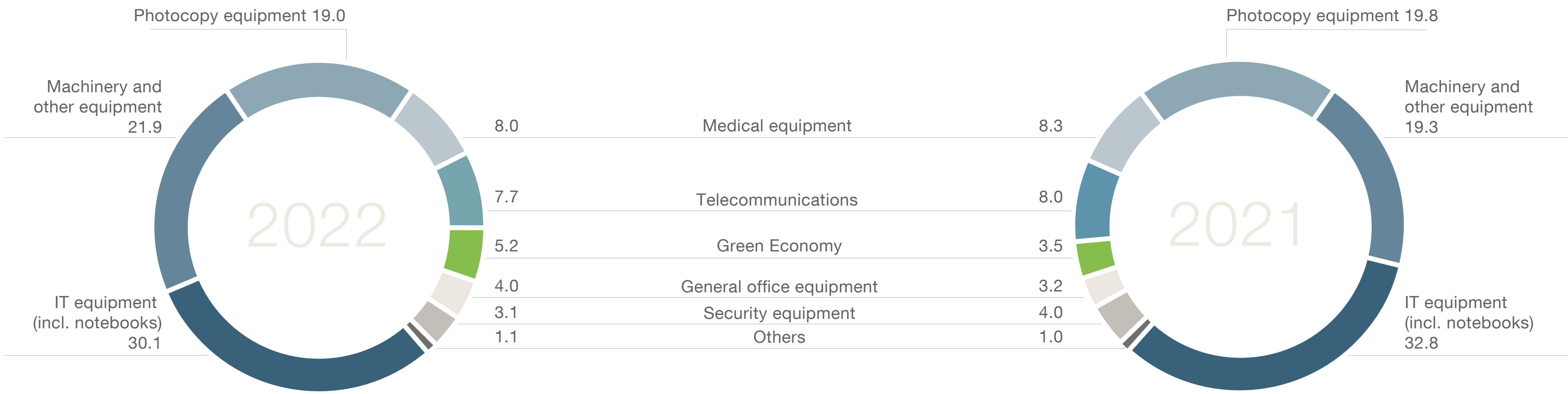
Our focus at GRENKE is on financing solutions tailored to small and medium-sized enterprises and their investment needs. For the sustainable orientation of our company, we believe it is our task to offer and finance ESG products and services in particular. We measure our activities and progress using a TOP KPI (cf. Chapter 1.3.3 “Non-financial performance indicators”).

In order to meet SME customer needs, our leasing and rental products cover a wide variety of leasing objects, which also ensures that we have a diversified portfolio (see graphic, Composition of our leasing object portfolio). Given the transition of the economy as a whole towards sustainability, we too are striving to make our object portfolio more sustainable. By financing green economy objects, our intention is to enable SMEs to operate more sustainably themselves. By “green economy” we mean objects such as those for generating and storing renewable energies, supporting sustainable mobility, or facilitating waste and resource management.

In the 2022 financial year, we defined the new Green Economy segment. In addition to the e-bike business, this segment now also includes photovoltaic systems and energy storage systems, among others, and already accounted for 5.2 percent of our new leasing business in 2022 (2021: 4.0 percent). In Germany, the share of green economy objects was as high as 15.2 percent, which was a further increase compared to the previous year (2021: 14.0 percent). E-bikes continue to be particularly relevant in the Green Economy segment, accounting for 4.3 percent of new leasing business in the Consolidated Group as a whole in 2022 (2021: 3.6 percent).

Composition of our leasing object portfolio

in percent



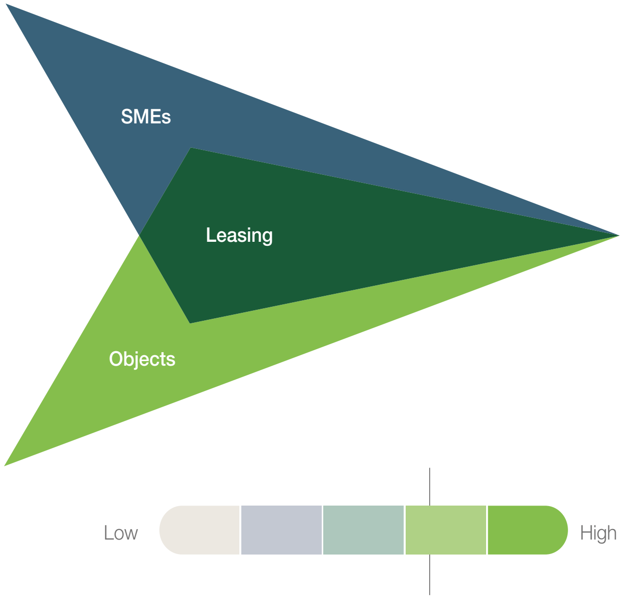
In the context of ESG, we also make a contribution to healthcare, for example, by enabling medical practices and medical facilities to finance medical technology objects. The share of medical objects in our total portfolio remained almost constant at 8.0 percent in the 2022 financial year (2021: 8.3 percent).

As a financing partner, we are not directly involved in the production of goods and commodities, but we nevertheless strive to exert our influence on sustainability criteria in upstream and downstream processes (see GRENKE Code of Conduct in Chapter 3.3.2 “Sustainable corporate policies for details”).

The sustainability of our services is influenced by both the leased assets and the lease contracts themselves. In order to make the sustainability of our financing transparent and measurable, we are currently developing the GRENKE Sustainability Index (GSI). This index takes into account the various components relevant to the lease contract’s life cycle. These include parameters related to the leased asset (e.g. asset category or recyclability), the contract (e.g. digitalisation of the settlement processes) and our lessees (e.g. industry code). The objective of the GSI is to evaluate our financing transactions taking into account the specifics of object-related financing. The evaluation criteria are specially defined and do not correspond to the criteria for sustainable financial products as defined by the Sustainable Finance Disclosure Regulation (SFDR) or are derived from it. We decided to use the GSI definition because no relevant criteria for sustainable leases exist.

Our goal is to further develop the prototype of the GSI and validate it in cooperation with the Karlsruhe Institute of Technology (KIT) in order to introduce the GSI as a meaningful assessment metric. For the development of a sustainable leasing contract, we also started planning another project in the reporting year in cooperation with KIT and AfB gGmbH, Europe’s largest non-profit IT company.

GRENKE Sustainability Index



GRENKE Sustainability Index

Our goal is to further develop the prototype of the GSI and validate it in cooperation with the Karlsruhe Institute of Technology (KIT) in order to introduce the GSI as a meaningful evaluation metric. For the development of a sustainable leasing contract, we also initiated plans for another project in cooperation with the KIT and AfB gGmbH in the reporting year.

Our employees learn about the sustainability of our product and object portfolio in training courses and through other formats. The subject of these workshops is the operationalisation and further development of the objects we are able to finance that are part of the green economy. Through these formats, we support the local implementation of our Group-wide sustainability strategy in line with the local country-specific requirements. Furthermore, we want to enrich the knowledge of our workforce on the topic of ESG and ensure that our employees align their own actions with our sustainability strategy. We also want our employees to be able talk about sustainability with our lessees and business partners. This is the reason we provided training courses to familiarise our employees with the ESG basics and on the topic of ESG@GRENKE – Our Ambitions and Insights in the 2022 financial year. These topics were taught within the scope of 32 interactive, digital live sessions. This voluntary training offer was taken up by a total of 910 participants from 28 countries. In addition to this Group-wide offer, further sustainability initiatives were launched by our branch offices in the different countries. For example, GRENKE Locazione S.r.l. in Italy offered a sustainability-focused team-building session to the winning team of a sales campaign. Further information on the training offered is provided in Chapter 3.4.2.1.5 “Employee training and development”.

3.4.1.2 Circular economy

As a leasing provider, we see a key advantage in supporting a sustainable circular economy. For us, this begins even before the potential return of the objects. The objects we lease are new and meet the current market and technology standards, which we expect will extend the useful life of the leased objects. This means that the equipment can be used by our lessees beyond the normal leasing period. In addition, it is essential for us to offer objects that can be transitioned to a second product life cycle, e.g. through their resale after the lease term, or for which the recovery of resources can be guaranteed. In this way, we can make a valuable contribution to the transition to a sustainable circular economy.

To facilitate a second life cycle for our leased objects, we operate our own recycling platforms in our core markets of Germany, France and Italy. The majority of the assets are resold to specialist resellers at the end of the lease term. If GRENKE takes back the leased assets, they can be resold to third-party customers through our asset brokers and reused after being tested to check their proper function.

In 2022, our GRENKE asset brokers took back 23,837 objects (2021: 23,627 objects). This resulted in a redemption rate of 6.5 percent in Germany (2021: 9.8 percent), 9.9 percent in France (2021: 11.7 percent) and 3.1 percent in Italy (2021: 4.1 percent). Of these, 23,381 objects were resold to third-party customers (2021: 22,838 objects), of which 13,021 were in Germany (2021: 13,230 objects), 8,731 in France (2021: 7,895 objects) and 1,989 in Italy (2021: 1,713 objects).

Only a small proportion of objects, 456 in total, could not transition to a second life cycle and were disposed of properly by our asset brokers (2021: 789 items). Of these disposed items, 429 were in Germany, 6 in France and 21 in Italy (2021: 775 in Germany, 2 in France, 12 in Italy). Thus, compared to the previous year, more objects could be reused, while the share of professionally disposed devices decreased.

We will continue to work closely with our GRENKE asset brokers to promote the reusability of our leased assets and reduce our impact on the environment. We are also looking at improving our return processes, with respect to areas such as the packaging used, as part of our effort to make lease agreements more sustainable.

3.4.1.3 Digitisation and resource conservation

The key performance indicator for our digitalisation and resource conservation measures is the degree of automation of our processes in the core leasing business. This TOP KPI is measured using the following indicators (see Chapter 1.3.3 "Non-financial performance indicators"):

- Number of countries with available eSignature solutions
- Number of countries with available e-invoice solutions
- E-contract ratio, measured by the share of lease contracts concluded with eSignature compared to the total number of new contracts concluded

As a provider of small-ticket lease financing, our business model traditionally involves a high volume of records and documents. Our set goal is to identify all paper-intensive processes and significantly reduce paper consumption by 2024. In the 2022 financial year, we launched the Fast.Forward.Digital focus programme to support our digitalisation strategy. We also formed a cross-divisional team tasked with designing solutions for scalable and digital processes.

To provide added support, the following offers were further developed in the reporting year:

The digital personnel file

The digital personnel file enables our employees to access personnel documents from any location and at any time. At the same time, we ensure legally compliant handling of deletion and retention periods. The digital personnel file also makes it possible to process and manage important formalities such as salary slips or holiday applications paperlessly.

The digital customer portal

Using our digital customer portal, our lessees can manage their contracts, invoices and data online at any time. Since the 2022 financial year, the portal has been available in 27 countries[1] countries available (2021: 21 countries) – and will be rolled out in other GRENKE markets in the future. Invoices are sent paperless as far as possible. In 2022, 26 countries[2] (2021: 25 countries) sent invoices digitally (TOP KPI).

We also use e-invoicing in our collaboration with public institutions. According to the EU Directive (2014/55/EU), all EU countries must successively introduce e-invoicing, at least in the business-to-government sector. We see ourselves in a pioneering role here, as we are already implementing e-invoicing in Germany, in our subsidiaries in France, Italy, Portugal, Sweden, Turkey and Finland, and in our franchise subsidiary in Chile. We regularly make format adjustments which, in the reporting year, included our subsidiary Italy.

The mailing of invoices was further reduced overall at GRENKE as a result of the above-mentioned measures. The subsidiary in France made a significant contribution in this respect by reducing dispatches to the post office by a further percentage point in the re-

1 Australia, Austria, Belgium, Brazil, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United Arab Emirates

2 Australia, Austria, Belgium, Canada, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovenia, Spain, Switzerland, United Arab Emirates, United Kingdom, United States of America

porting year to 4 percent (2021: 5 percent). The postal dispatch rate in Germany and Italy in 2022 was unchanged compared to the previous year, at 7 percent and < 1 percent, respectively (see chart Percentage of printed invoices in the core markets).

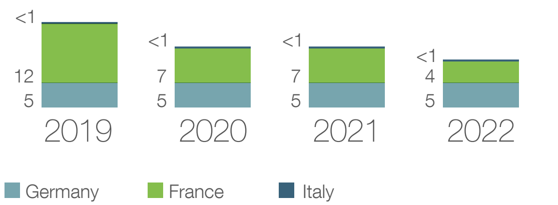
The eSignature

GRENKE introduced the eSignature back in 2015 and has seen the usage of this product increase ever since. The process, which is free of charge for specialist resellers and customers, simplifies the conclusion of financing agreements. The documents are sent electronically and signed with a legally valid signature. This solution saves us paper for printouts and envelopes. The eSignature was initially introduced in Germany and France and is currently implemented in a total of 27 markets (2021: 27) (part of the TOP KPI). We use two market solutions for this: DocuSign and the BankID via Verified. In three markets, BankID is used as the digital signature solution, while DocuSign is used in the remaining 24. This means that in more than 80 percent of GRENKE's stored documents are digitally signed. A total of 108,841 contracts were concluded with electronic signatures in the reporting year (2021: 82,953 contracts) (see chart Number of Leasing Contracts Concluded with Electronic Signatures). Thus, the share of digitally signed contracts continued to increase and corresponded to an e-contract ratio (part of the TOP KPI) of 40.5 percent in 2022 (2021: 38.7 percent). To continue eSignature's evolution via DocuSign, the qualified electronic signature was introduced in Germany in the second quarter of 2022. In addition to the signature, this approach also includes digital identification via VideoIdent. The method is to be rolled out in other countries in the future.

Electronic signatures are also becoming increasingly important within the Consolidated Group, for example when signing protocols or contracts between Consolidated Group companies (see graphic "Leasing contracts concluded with electronic signatures").

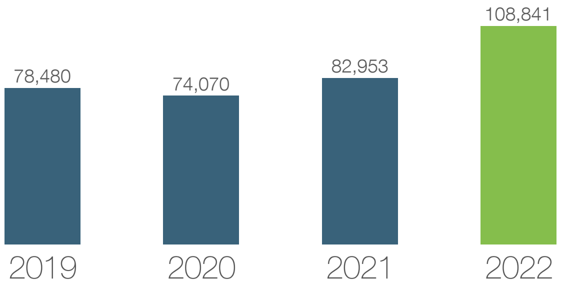
Percentage of printed invoices in the core markets

as of December 31, 2022, in percent



Number of leasing contracts concluded with electronic signature

as of December 31, 2022



Advertising material

Most of our brochures and flyers are printed in Germany by a printing company that is FSC-certified, produces in a climate-neutral way (through CO_2 compensation) and uses mineral oil-free inks. In addition to print materials, we increasingly rely on digital flyers and brochures.

We also want to reduce the waste we produce. As part of the balancing of our corporate footprint, the waste generated by the Consolidated Group was calculated for the first time at 31 tonnes for the year 2021. Because the availability of our data depends on the service charge statements of mostly rented locations, the current determination of the waste generated still has some gaps. We are working on measures to increase data availability and quality in order to be able to more accurately determine the values for all our sites in the future. More detailed information on the calculation according to the GHG Protocol will follow in the next Chapter (see Chapter 3.4.1.4 "Climate protection and adaptation to climate change"). We try to use our building space in a manner that is efficient and conserves resources. This our response to the world of New Work brought on by digitalisation in order to increase GRENKE's attractiveness for all stakeholders. At the same time, it is a way to challenge ourselves to use our resources sparingly in line with the changed environmental and climate conditions. The location of the Italian subsidiary "De Castilla 23" in Milan serves as a model. The location includes new space and workplace concepts that set an example for other GRENKE locations. The first space optimisation projects have also been initiated at our headquarters in Baden-Baden. The aim is to use resources such as office equipment more sparingly.

Further information on our measures will follow in the next chapter (see Chapter 3.4.1.4 "Climate protection and adaptation to climate change").

3.4.1.4 Climate protection and adaptation to climate change

At GRENKE Group, we want to contribute to climate protection and adaptation to climate change by reducing CO_2 emissions (Scope 1, 2 and 3) and achieving climate neutrality in our own operations. To achieve these goals, we have developed a roadmap to climate neutrality where we define our reduction targets for each scope and detail the measures for CO_2 reduction:

- For Scope 1 and Scope 2 emissions, we want to achieve climate neutrality by 2025.
- For Scope 3 emissions, we want to increase the transparency of these emissions and successively reduce them.

In order to be able to reduce CO_2 emissions, we started analysing our carbon footprint in 2021. The first step was to define the data requirements and identify limitations in data availability and quality. This is to be followed by ensuring data availability throughout the Group. In the 2022 reporting year, we were close to achieving a balance[3] for our corporate footprint. To evaluate our emissions according to the Greenhouse Gas Protocol (GHG Protocol), we work together with DEKRA Assurance Services GmbH. According to the GHG Protocol definitions, the emissions data for Scope 1, 2 and 3 are evaluated worldwide. In the future, the emissions values will be recorded and monitored annually in order to be able to make any necessary adjustments.

Scope 1 emissions include the direct greenhouse gas emissions resulting from the heating and cooling systems of GRENKE's locations, the fuel-powered vehicle fleet and processes such as energy generation. Scope 2 and Scope 3 emissions refer to indirect greenhouse gas emissions. Whereas Scope 2 includes emissions from electricity supply, the purchase of district heating and the electrified vehicle fleet, Scope 3 encompasses indirect emissions from daily operations and along the product life cycle. The Scope 3 emissions for the GRENKE Group result mainly from purchased goods,

3 The figures reported in 2022 refer to the financial year 2021 because some of the data required to determine the footprint are only available with a certain time lag, e.g. the data from the service charge statements for our office space, which are necessary for the calculation.

merchandise and services, as well as business trips and transport.

It is not currently possible to collect all emissions data for the entire GRENKE Group. The following information on Scope 1 and Scope 2 greenhouse gas emissions represents approximately 70 percent of all our sites and areas used. We continue to work on improving data availability and consistency. Due to the anticipated increase in data availability and quality, we expect our reported greenhouse gas emissions to increase in the short term.

In the context of determining our carbon footprint, Scope 1 emissions, i.e. emissions directly caused by the Group, amounted to approximately 4,492 tonnes of CO_2 equivalent (tCO_2e) in 2021. Scope 2 emissions amounted to 870 tonnes of CO_2 equivalent and resulted from the purchase of electricity and district heating.

Scope 1 and Scope 2 emissions in tonnes of CO_2 equivalent:

in tCO2e	2021
SCOPE-1 TOTAL	4'492
SCOPE-2 TOTAL	870

We have also started collecting our Scope 3 emissions for this calculation. The emissions accounted for currently cover around 30 percent of our sites and amount to a value of 6,186 tonnes of CO_2 equivalent.

One of the greatest contributors to our CO_2 emissions so far is our energy consumption. We are continuously working to reduce the energy consumption of our sites. To achieve our climate goals, we are constantly modernising our buildings and retrofitting them according to the latest energy standards. The building of our Italian subsidiary “De Castilla 23” in Milan serves as an example. It was built with innovative materials and produces electricity through a photovoltaic (PV) system on the roof and offers modern space utilisation concepts inside.

The buildings we rent for the Company in Germany always carry an energy certificate. We also regularly commission energy audits in Germany to determine the energy efficiency at the Company so that we can take measures to increase efficiency if necessary. In the 2021 financial year, energy audits in accordance with DIN EN 16247 were carried out both at the headquarters in Baden-Baden and at other branches in Germany. TÜV SÜD has been commissioned with regular recertification, and the next audit is planned for 2026.

We are working on sourcing an increasing share of our electricity mix from green electricity. When possible, we try to obtain green electricity for our sites. In September 2022, the photovoltaic system in Baden-Baden with a maximum output of 165 kWp was commissioned for this purpose. The self-use of the generated electricity results in a CO_2 savings potential of approx. 1.4 million kg over the lifetime of the plant. We will publish the consumption data as well as the electricity generated by the PV system for the coming reporting year and are working on further measures to fully record our electricity mix. To reduce energy consumption, we will, for example, use automatic light controls at our locations in the future and inform our employees about energy-saving behaviour.

In addition to the measures to reduce energy consumption at our sites, we are trying to promote the switch from CO_2-intensive business travel to more environmentally friendly forms of communication, such as video and telephone conferencing. During the Covid-19 pandemic in 2020, 80 percent of our employees worked remotely at times, and in 2021, audio and video conferencing was the predominant form of communication. The use of digital audio and video conferencing remains high, especially with the option to work remotely. In 2022, approximately 3.63 million audio conferences (2021: 1.86 million audio conferences) and 1.63 million video conferences (2021: 1.13 million video conferences) took place.

We regulate unavoidable business trips with our travel policy. The travel policy recommends in particular rail travel and the use of public transport. In order to raise awareness among employees, the CO_2 emissions are displayed when planning travel in order to make these means of transport more attractive. Compared to 2021, the number of business trips in Germany increased again after the corona pandemic, as expected. With the introduction of the new digital travel booking and accounting tool Concur in Germany in 2022, we have created the basis for improved data availability for our business trips. In the reporting year, 190 rail trips and 95 air trips were made in Germany, which corresponds to a ratio of 1:3 air trips to rail trips.

Through our car policy, we create incentives for climate-friendly mobility by offering more electric vehicle models to employees, among others. In the entire Group, the share of (partially) electric vehicles in the total vehicle fleet was 12 percent in the reporting year (2021: 4 percent). Of the total of 109 new vehicles ordered in Germany in the reporting year (2021: 85), 40 were (partially) electric vehicles (2021: 37), resulting in 37 percent (2021: 44 percent) of the new vehicles ordered being (partially) electric vehicles.

3.4.2 Social contribution

3.4.2.1 Employer attractiveness

Our success is based primarily on the skills and commitment of our employees. Attracting new employees, retaining and developing them further is therefore at the core of our human resources strategy. We want to continue to ensure adequate staffing levels and, at the same time, keep staff turnover low (TOP KPI; cf. Chapter 1.3.3 “Non-financial performance indicators”). We therefore work continuously to ensure we are attractive as an employer. The Human Resources department coordinates and manages all key personnel matters in close cooperation with the Board of Directors and the local managing directors. Personnel issues and key indicators are regularly evaluated and discussed in board meetings.

We value fairness, respect and mutual appreciation and support personal responsibility and equal opportunities. In our corporate policies, we have summarised the obligations of the workforce towards the Company, but also the obligations of GRENKE towards its employees. When it comes to improving the work environment, we always include the wishes of our employees in our considerations.

We pay special attention to maintaining an attractive and safe working environment to protect the physical and mental health of our employees. In addition, we offer flexible work schedules, training and development opportunities as well as attractive remuneration models and additional benefits. Further information on work schedule models follows in the Chapter 3.4.2.1.4 “Work schedule models and remuneration”.

We are continuously working to ensure that GRENKE is a recognised employer brand both regionally and nationally. To this end, we use selected social media channels to address new target groups and increase the reach of our informational articles, job advertisements and recruiting initiatives. We have a uniform presence on LinkedIn, Xing, kununu and Facebook and also use blogs and podcasts to give potential applicants an insight into our culture and the working world at GRENKE. This gives potential applicants the opportunity to talk directly to our employees. We are also increasingly using social media internationally, including LinkedIn and other local job boards, such as Pôle Emploi in Italy and Hello Work in France.

3.4.2.1.1 Workforce development

In the 2022 financial year, we had an average of 1,954 employees (headcount; 2021: 1,865). On a full-time equivalent (FTE) basis, this corresponded to 1,878 employees (2021: 1,794). Our German locations employed 800 people (2021: 760), and our international locations employed 1,154 people (2021: 1,104).

Number of employees

Annual average, by headcount *

	2022		2021	
	male	female	male	female
TOTAL EMPLOYEES	**887**	**1'067**	**858**	**1'007**
full-time employees	856	883	832	832
part-time employees	31	184	26	175

* Excluding employees on parental/maternity leave, management and trainees.

We also employed 47 trainees and dual study students in the Group (2021: 62 trainees and dual study students). With the start of the training programmes in the 2023 financial year, we are planning to add 59 new training positions. Of these, 31 positions will be in Germany and 28 at international locations.

Workforce development

Annual average, by headcount *

	2022		2021	
	male	female	male	female
TOTAL REGIONS				
Average number of employees during the year	887	1'067	857	1'007
entries	216	243	123	142
departures	101	121	132	109
GERMANY				
Average number of employees during the year	403	396	376	371
entries	83	78	63	58
departures	46	49	54	39
FRANCE				
Average number of employees during the year	65	105	65	98
entries	21	37	15	19
departures	5	8	9	7
ITALY				
Average number of employees during the year	81	130	81	130
entries	5	10	3	5
departures	4	11	5	7

The turnover rate, which we have defined as a TOP KPI (cf. Chapter 1.3.3 "Non-financial performance indicators") is based on entries and exits. The turnover rate in the 2022 reporting year equalled 11.4 percent on average for the Group (2021: 12.9 percent). In Germany, it was 11.8 percent, down from 12.1 percent in 2021, and close to the pre-pandemic level of 11 percent in 2019. Our target is to achieve a lower turnover rate than the rate in the financial and insurance services industry. The industry's rate was around 15 percent in 2021, which means we remain within our target for the year. As in previous years, there continued to be no mandatory redundancies in the 2022 financial year.

3.4.2.1.2 Diversity, inclusion and equal opportunities

We consider diversity and equal opportunity as fundamental principles and important components of our corporate success (see Chapter 3.3.2.1 "Policies and guidelines"). We want to attract, promote and retain the best employees – regardless of culture, nationality, ethnicity, gender, sexual orientation, physical/mental abilities, faith, political convictions, age or experience. We have embedded gender diversity within our Company by means of concrete objectives for the committees and management levels.

In the current reporting period, the Supervisory Board continously comprised 17. percent women, remaining under the target of at least 33 percent. In the long-run, the target figure shall however be met again. The target figure for the Board of Directors of 25 percent women, set out by the Supervisory Board, was met. Further information regarding the composition of the Supervisory Board and the Board of Directors are provided in the "Report of the Supervisory Board".

Proportion of women on the Supervisory Board and Management Board

as of December 31, 2022, in percent

	2022		2021
	target	result	result
supervisory board	33.0	17.0	17.0
board of management	25.0	33,0 (until Dec. 1,: 25.0)	25.0

We adopted a new definition for senior management in 2022 as part of an organizational change. We define it as the first and second management levels below the Board of Directors.

Proportion of women in senior management

as of December 31, 2022, in percent

	2022		2021
	target	result	result
GRENKE AG	30.0	42.1	40.5
GRENKE Group	30.0	26.5	17.6

We adopted a new definition of senior management in 2022 as part of an organisational change. We define this as the first and second management levels below the Management Board.

In 2022, the proportion of women in senior management at GRENKE AG was 42.1 percent. According to the new definition, the share for 2021 was 40.5 percent. These levels place us above the gender-specific target of 30.0 percent for both years. Group-wide, the proportion of women in senior management was 26.5 percent in 2022 (2021: 17.6 percent). We were therefore unable to achieve the gender-specific target. We are adhering to the target of at least 30.0 percent in senior management and are also striving to achieve this in the GRENKE Group. In order to implement our principles of equal opportunity and diversity, our external personnel service providers are also required to include all genders equally in their selection of new talent in order to fill the advertised position with the most suitable candidate.

We firmly believe that effective cooperation across the generations is a decisive factor for GRENKE's future viability.

The age structure of our total workforce breaks down as follows:

Age structure

As of December 31, in percent

	2022	2021
under 30 years	23	24
30 to 50 years	64	64
over 50 years	13	12

3.4.2.1.3 Employee satisfaction and well-being

We want to remain an attractive employer and offer our employees a safe and appealing working environment. As part of our annual satisfaction survey for all employees, we determine the GRENKE Engagement Score throughout the Consolidated Group, which we have also defined as a TOP KPI (see Chapter 1.3.3 "Non-financial performance indicators"). This score is used to measure the satisfaction of our employees and summarises the results from the areas of engagement, identification and retention, and overall satisfaction with the Company in one score. The score is measured on a scale of 1 to 7, where 1 = high satisfaction and 7 = low satisfaction. In the 2022 reporting year, we received responses from 1,495 employees (2021: 1,420 employees), resulting in a participation rate of 74 percent (2021: 76 percent). Based on all of the responses received, the GRENKE Engagement Score in 2022 was 1.99 (2021: 2.28). This significant improvement in the result within one year has reinforced our confidence in our measures and encouraged us. We continue to strive to increase the satisfaction of our employees, not least on the basis of their feedback.

The measures we have implemented so far to improve employee satisfaction are in areas such as appropriate remuneration, work-life balance and support in special circumstances (see Chapter 3.4.2.1.4 "Work schedule models and remuneration"), as well as various issues related to the health and well-being of our employees. The number of sick leave days of our employees increased in the reporting year. On average, employees were absent due to illness for eight days in the reporting year (2021: 6 days); in Germany, it was 12 days (2021: 9 days).

Our health and well-being measures consist primarily of the following:

- We offer our employees the opportunity for regular preventive medical check-ups. This includes preventive check-ups for managers every 2 years from the age of 40 and annual check-ups from the age of 50.

- The health platform GRENKEmachtfit, which was introduced in Germany in 2017, supports our Company's health management by offering fitness options and nutritional advice. In the reporting period, 81 percent of the workforce in Germany was registered on the platform (2021: 83 percent). In 2022, several courses continued to be offered digitally although face-to-face meetings were also offered again. The platform is also used to efficiently organise the occupational health screening for computer workstations (G37 examinations) and to support internal as well as team and health-promoting athletic groups.

- Our country affiliates are able to design comparable health offerings and implement similar offers. Health seminars and "cycle-to-work" programmes have been offered in the UK, for example. In Poland and Portugal, cooperation agreements have already been signed with fitness studios. In France, employees can calculate their "health age". In addition to organised sports sessions, fruit baskets are regularly offered to employees in the branches.

- From October 11-15, 2021, we held our first Group-wide Well-being Week. This week was specifically dedicated to the well-being of our employees. Through informative and interactive events throughout the week, all employees had the chance to gain special insights and new experiences to improve their well-being in everyday life. Based on feedback from our staff, we redesigned this well-being initiative in 2022 and will start to offer it on an ongoing basis in 2023.

In Germany, the following corporate team sports options have been created, which are also open to the participation of board members:

- Since 2006, the Company football team at the Baden-Baden site has met weekly for training and also takes part in recreational competitions. In the past couple of year, friendly matches could not take place due to the Covid-19 pandemic but were able to resume again in the 2022 reporting year.

- Employees have been taking part in the Company's B2RUN marathon since 2014. For training, a weekly running and strength training programme has been offered to the GRENKE team in Baden-Baden since 2019. In 2020 and 2021, the B2RUN initiative was paused due to the pandemic and replaced by the B2Mission initiative. In 2022, the B2RUN events were able to be held again for the first time since the pandemic. In 2022, a total of 110 GRENKE employees registered for the event in 10 cities, including Lausanne in Switzerland for the first time (2021: B2Mission with 131 participants, location-independent remote offer).

3.4.2.1.4 Work schedule models and remuneration

Our digital infrastructure offers our employees various options for flexible work schedules, including remote work. In the 2022 financial year, many of our employees took advantage again of this offer. We welcome the fact that all employees can work remotely at least one day per week and offer them option to work up to 4 days a week remotely, depending on the focus of their activities and in consultation with their supervisor. On the topic of remote work and distance work, we offer our employees digital training to support them technically, communicatively and organisationally with any challenges that may arise. At the same time, we also want to make working at our locations more attractive for our employees and continue to develop with the changes taking place in the working world. We are continuously developing new space and workplace concepts in order to meet our employees' requirements when it comes to "New Work" approaches (see also Chapter 3.4.1.4 "Climate protection and adaptation to climate change").

GRENKE employees have numerous options for individual, life-phase-oriented work scheduling and work location models. Young parents make particular use of special work schedule models that allow them to combine family and career in the best possible way. All our employees are generally entitled to parental leave with the birth of a child. In addition, the Support in Special Life Situations programme was introduced in 2021 to support employees in particularly challenging life situations. Employees have the opportunity to reduce their workload by up to 80 percent through the programme and still receive their full salaries from GRENKE. This programme can be utilised by any employee with the approval of the respective supervisor and the HR department. Employees are allowed to take advantage of this offer once every three years for a maximum period of two months. In 2022, these programmes were supplemented by the “Welcome Baby” measure, which gives all new parents the opportunity to reduce their work hours by up to 75 percent for the first six weeks after the birth of their child, with full pay. The following is the extent to which these offers were utilised by our employees:

Use of work schedule models

As of December 31, by headcount

	2022		2021	
	male	female	male	female
parental leave	27	59	25	45
special life situations	9	6	9	2

Since the beginning of the reporting year, we have also made gradual changes to our employee remuneration system. With the changeover to what we refer to as the Total Reward System, the share of fixed remuneration was increased and the share of variable remuneration decreased accordingly. In addition, the components of the variable remuneration were adjusted. The higher satisfaction of employees with this new remuneration model could be seen by the very positive response from employees in our employee survey (see development of the TOP KPI GRENKE Engagement Score in Chapter 1.3.3 “Non-financial performance indicators and for details”, Chapter 3.4.2.1.3 “Employee satisfaction and well-being”). The year 2022 was characterised by sharply rising consumer prices, which is why we provided support to employees with a one-off payment of EUR 500 and a salary increase of 3.5 percent (see the remuneration report).

In addition to the salary component, we offer our employees other combinable benefits:

- We contributed to childcare costs for children who are not yet old enough to start school and contributes to the care of relatives in need. GRENKE grants a monthly allowance of EUR 250 per dependent relative. Families also receive a childcare allowance of EUR 250 for the first child up to school age. For the second child, support of EUR 125 is granted, and for each additional child EUR 50.
- With the company bike leasing scheme, we offer employees the opportunity for tax-advantaged bicycle and e-bike leasing to make the option of climate-friendly commuting more attractive. To encourage the use of this offer, we provided several informational training sessions that explained the application, processing and benefits in a transparent manner. Employees at the locations in Baden-Baden also had the opportunity to test various bikes and receive advice from a bicycle specialist as part of an action day.

3.4.2.1.5 Employee training and development

Business and work processes are changing, as are the legal framework conditions. In a constantly changing market environment, the knowledge, motivation and continuous training of employees are becoming increasingly important. We are convinced that well-qualified employees make the difference. Further training brings know-how into our company and promotes innovative strength, performance and willingness and increases employee job satisfaction. Due to the high importance GRENKE places on employee training, we measure the number of training days per employee as part of our TOP KPI (see Chapter 1.3.3 “Non-financial performance indicators”). In the 2022 financial year, our employees spent an average of 2.87 days in training (2021: 2.48).

We have also firmly embedded the further development of our employees in our human resources management. A basic prerequisite for this is to actively accompany internal and external change processes and, if possible, to shape them together. Our digital HR platforms, among others, enable us to be involved in these processes. GRENKE uses primarily the SAP SuccessFactors software to manage its HR processes, which supports us at all levels in recruiting, developing and retaining our employees.

Introduction and familiarisation

We want to give all our new employees the best start possible at the Company. Already during the selection process, applicants are supported by a permanent contact person in the HR department and informed about every step of the selection process. In addition, potential new employees can get to know their new team in advance. The application process can be carried out completely digitally. This allows us to offer applicants a high degree of flexibility.

Our Join GRENKE programme was established to support new team members during their induction and integration into our company. As part of the programme, employees learn about our history and brand, the workplace environment at GRENKE and the individual departments through web conferences and other forms. This introduces new team members to their respective area of responsibility enables them to interact with individual departments. In addition to the introduction to the GRENKE Group, new employees also receive comprehensive technical training within their teams. In addition, the Board of Directors personally welcomes new employees in regular welcome calls, which also provides the opportunity for a direct exchange.

Even after the Covid-19 pandemic, we are still using digital platforms and tools to support social interaction and networking throughout the GRENKE Group. To this end, we offer “Explore Breaks”, which are virtual meeting points and exchange formats where employees can get to know and network with colleagues from GRENKE locations worldwide across teams and countries.

In line with legal requirements, we work to significantly raise the awareness of new employees to relevant compliance topics, such as money laundering, fraud prevention, anti-corruption, bribery and the handling of gifts and invitations. For this purpose, we use introductory and training seminars as part of the induction process and carried out independently of the routine compliance training (see in detail Chapter 3.4.3.3 “Compliance and data protection”).

GRENKE Talent Lab

The GRENKE Talent Lab is responsible for all of the training offers and formats within the GRENKE Group. It provides employees cross-location, instructive and methodically structured training. Training programmes are tailored to the various departments and functions within the organisation.

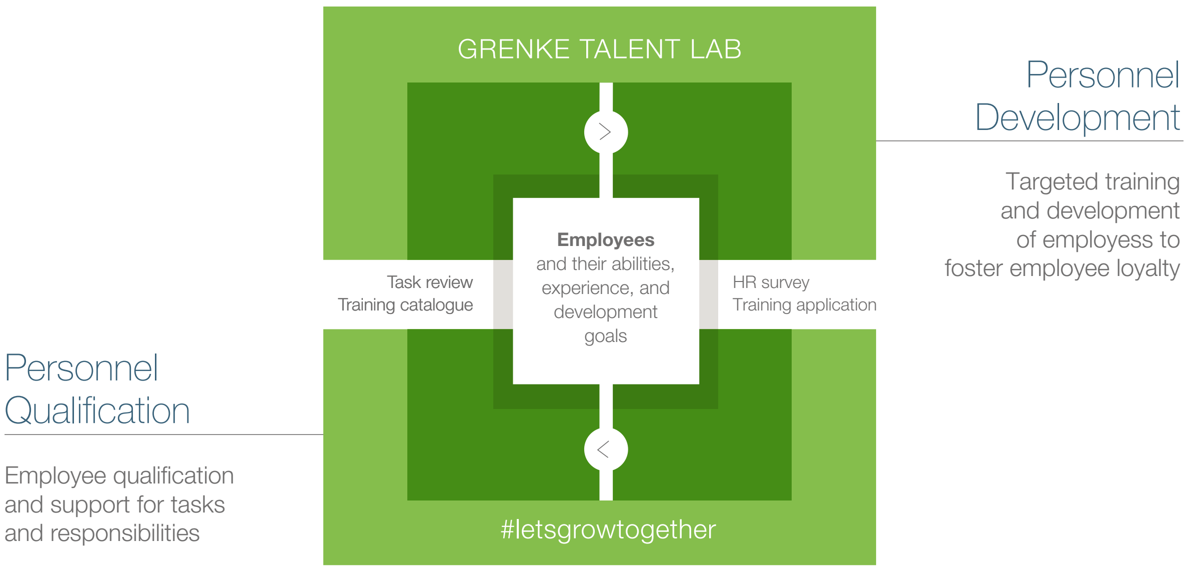
The GRENKE Talent Lab is divided into the two areas of personnel qualification and personnel development. These two pillars complement each other and were designed as a holistic learning journey that can be individually tailored to each team member.

At GRENKE, employee qualification means supporting employees in their day-to-day tasks with high-quality and practice-oriented further training, so they are permanently qualified for their area of responsibility. When compiling the annual training programme, we place particular emphasis on a mixture of internal and external training as well as supplementary individual training on special topics. By using various learning formats and media, including modern e-learning programmes, we ensure the quality of the training offered and the transfer of knowledge within the Company.

Internal training measures are carried out by experts from the respective departments and supported by the HR department. For external training, we commission trained and experienced speakers for the respective specialist topic. The HR department uses a specially developed evaluation model to select and assess external speakers and coaches. Since August 2020, the offerings of the LinkedIn Learning Platform can also be used within the Talent Lab. This platform offers over 17,000 e-learning modules on topics such as business administration, IT and creativity. The training courses cover topics such as project management methods, the use of hardware and software, and design thinking. In order to give our employees a better overview of the diverse possibilities of the platform, we have compiled interesting content on topic groups (collections) in the German and English languages.

In the 2022 financial year, 99 percent of all employees participated in at least one training course offered by the GRENKE Talent Lab (2021: 98 percent). We aim to ensure that every employee participates in at least one training course from the Talent Lab in addition to the mandatory training courses.

GRENKE Talent Lab



We define personnel development as the individual advancement of our employees. We offer our employees the opportunity to participate in an annual review meeting with their responsible supervisory once a year, which includes a discussion regarding the degree to which tasks were fulfilled as well as an assessment of performance and individual capabilities. Based on this, we derive the potential need for further training, which is taken into account in the annual training plan. In order to obtain an objective view of the potential of the first management level below the Board of Directors, 30 senior managers underwent a management appraisal in cooperation with an external consultant in autumn 2021. The evaluation covered the topics of leadership culture, values and dealing with the demands made on senior management. The format chosen combined the participants' own and external perceptions according to the same standards and formed the basis for the personal exchange with the responsible board member. The management appraisal also marked the beginning of the inclusion of senior management in our Group-wide "Annual Review" process, which was introduced in 2022.

Since 2018, we have also been providing the "Leadership Personality" programme for our managers. In the meantime, several national and international groups have successfully completed the programme. The training programme consists of a total of five modules with ten days of training. It is complemented by individual coaching for each participant. The training modules deal with relevant content on the theory and practice of managing employees combined with GRENKE-specific topics. In 2022, for example, modules on the topics of work and leadership at a distance were added in view of the remote work options and offered in both in-person and online formats. The focus is on providing an open exchange and the practical application and experience of the learning content. The GRENKE team is supported in the implementation by an external partner. We also plan to expand the further development for our managers in the current year. We have devised guidelines to provide orientation for our managers in their leadership role. The introduction is planned for 2023.

As part of our human resources development, we also offer employees the opportunity to apply for individual, unscheduled further training. This training and any specific funding requests can be applied for outside of the annual training offers. After approval of the application, an individual support agreement is concluded between the employee and GRENKE.

3.4.2.1.6 Training and education

Our goal, especially in times of a shortage of skilled workers, is to retain suitable junior staff and managers at an early stage. Our human resources management makes continuous improvements and progress in the areas of training and education. To this end, we rely, among others, on our training management, as well as on our collaborations with schools and universities, such as the "Wirtschaft macht Schule" project, as well as our internship weeks and our diverse initiatives in the area of career orientation. We are pleased to have met interested parties physically at training and education fairs again in 2022. This included, the Karlsruhe career training fair entitled "Einstieg Beruf" and, in digital form, the "Tag der offenen Tür", an open house from the Baden-Württemberg Cooperative State University (DHBW) location in Karlsruhe, as well as the "Studieninfotag", or study information day, held by DHBW in Mannheim.

We give all our employees the opportunity to acquire the necessary skills for their professional career at GRENKE. This begins with their in-house training at the Company. We provide our trainees and dual study students with individual support that equally take their strengths and the needs of their specific fields of activity equally into consideration. The training and dual study programmes begin with an introductory day. In the past couple of years, it was necessary to hold these events entirely digitally. In 2022, the introductory days could again take place live and on site on August 30-31. The trainees and dual study students were able to meet the training team and the responsible contact persons in the departments, as well as the Board of Directors, in person. Lectures, workshops, team building and lots of networking offered a first-class introduction to professional life.

The contact persons who are responsible for the supervision, support and induction of trainees and dual study students in the departments have passed the Chamber of Industry and Commerce (IHK) trainer aptitude test. As a matter of principle, we follow standardised familiarisation plans in planning the half-yearly assignments in order to ensure a uniform and overarching fundamental knowledge base in addition to the individual professional skills. The training programme is complemented by a periodic feedback, which makes it possible to incorporate the preferences of our trainees and dual study students. Through the comprehensive induction, the trainees and dual study students develop the initial skills needed for their occupation or field of study as well as an understanding of the specific challenges in the everyday work life at GRENKE. As their development progresses, the trainees and dual study students actively participate in projects and incorporate their own ideas.

Training and education at GRENKE

// Training and education at GRENKE
// Individual onboarding
// Personal support and further development
// Modern technologies
// Digital capabilities
// Constructive feedback culture
// Preparation for career entry
// Networking
// Trainee and student events

In cooperation with the IHK in Karlsruhe, Kiel and Mannheim, we offer the following apprenticeships:

- Management assistant for office management
- IT specialist for application development
- IT specialist for systems integration

Furthermore, we have been training young employees in a variety of study areas in cooperation with the Baden-Württemberg Cooperative State University (DHBW) since 2004. Our training programme in 2022 included the following courses of study:

- International Business (B.A.)
- Business Administration – Digital Commerce Management (B.A.)
- Business Administration – Digital Business Management (B.A.)
- Accounting and Controlling (B.A.)
- Business Informatics (B.Sc.)

Due to the constantly changing market situation, it is necessary to continuously review the range of trainee positions on offer. In doing so, we identify new trainee occupations and courses of study and continuously revise our portfolio in order to cover the internal demand for junior staff in the best possible way.

The following degree programmes will still be attended by dual study students but will no longer be offered to new students in 2022:

- Business Administration – German-French Management (B. A.)
- Business Administration – Financial Services (B. A.)

A total of 47 people (2021: 62 people) completed dual training or dual study programmes in Germany in the

2022 financial year. We are proud to have taken on the majority of our trainees and dual study students as employees again this year. The rate was 91 percent (2021: 69 percent).

We are also continuing our training programmes at our international subsidiaries. Our French subsidiary GRENKE Location SAS recorded a total of 22 trainees in 2022 (2021: 20). There were no trainees in Italy in the reporting year, but all trainees from the previous year were hired. Likewise, all trainees in Great Britain, Portugal, Switzerland and Denmark who were still in training in 2021 were hired. Internationally, 6 persons (2021: 16) completed their vocational training, of which 5 (2021: 8) were hired. The training ratio of the GRENKE Group's training companies declined slightly to 2.3 percent from 3.2 percent in the previous year.

Our Consolidated Group-wide training management also includes the following:

- We offer trainees the option of receiving training from IHK to become training ambassadors. In this function, they support the IHK at career orientation events and present their job description and our company, among others.

- We offered 5 internships (2021: 4 internships) that enabled the interns to tour specialist departments of their own choice. Through our presence in the pre-vocational education sector, we want to support students in their career orientation and further strengthen the perception of GRENKE as a committed and attractive training company and employer in the long term.

- Next to our cooperation with the IHK and DHBW, the GRENKE Group organises further activities in cooperation with selected universities and initiatives that also contribute to strengthening our employer brand and thereby support us in attracting talent. These include the cooperation with the Karlsruhe Institute of Technology (KIT) for the development of the GRENKE Sustainability Index (GSI) (see Chapter 3.4.1.1 "ESG products and services"). More information on other partnerships can be found in Chapter 3.4.2.5 "Innovation and partnerships".

We were ranked overall in the Best Trainers in Germany category for the fifth consecutive time in 2022 for our commitment to training management in the Best Trainers survey sponsored by the business magazine Capital. Achieving the highest possible score in this award corroborates our efforts and measures to ensure excellent training quality at our Company. We are equally proud of the outstanding performance and strong commitment of our trainees and students. In the 2022 financial year, one apprentice and one dual study student were recognised for their excellent performance by their respective vocational school or university.

3.4.2.2 Labour law issues and safety

We promote the well-being of our employees and ensure that their workplaces are safe. In Germany, for example, we routinely check for possible health and safety risks at each workplace in the course of risk assessments and determine any actions that should be taken. The focus of these assessments is on ergonomic design and general instruction on the potential hazards existing in the individual work environments. In line with the changing reality of work and the increased use of remote work, we have expanded our range of training courses to include content on occupational health and safety when working remotely.

At the beginning of the Covid-19 pandemic, we worked with our architects, the company doctor and the occupational safety specialists of the Klinikum Mittelbaden gGmbH to implement a comprehensive personal distance, protection and hygiene concept in Germany that was in line with the locally applicable regulations. Our hygiene concept in Germany and our measures were recognised by Klinikum Mittelbaden gGmbH as exemplary. In order to protect GRENKE employees from infection during the Covid-19 pandemic, we offered several vaccination options starting in July 2020. Among others, we cooperated with a local doctor at the Baden-Baden site to receive vaccinations (first, second and booster vaccinations). In 2022, the availability of vaccination appointments improved, which prompted GRENKE to discontinue its company-organised vaccination appointments. To do this, the potential demand for vaccination appointments was registered with this same doctor. As a rule, appointments are possible within a maximum lead time of two to three weeks.

With the expiration of the SARS-CoV-2 occupational health and safety regulation, the necessity for a hygiene concept also ended. Nevertheless, due to the importance GRENKE attaches to the protection of employees, it continues to offer free antigen quick tests and FFP2 masks, among others.

A prerequisite for safety-conscious behaviour is to inform employees about hazards in their workplace and encourage them to behave in a safety-conscious manner. The safety training is in accordance with the requirements of statutory occupational health and safety, accident prevention regulations, as well as in line with the internal requirements of GRENKE AG and its subsidiaries. The initial in-person training provides information on rules in occupational safety and is the basis for all further instruction – which is also documented. Training at GRENKE takes place when new employees are hired (onboarding), with changes in jobs or in the scope of duties, and when new work equipment is introduced. At least once a year, GRENKE conducts refresher training in a digital e-learning format.

In the 2022 reporting year, 9 work-related accidents (2021: 5 accidents) were reported by HR to our accident insurance in Germany. The breakdown of cases by individual Consolidated Group company is as follows:

Work-related accidents

As of December 31, based on reported accidents

	2022	2021
GRENKE AG	2	1
GRENKEFACTORING GmbH	1	0
GRENKE BUSINESS SOLUTIONS GmbH & Co. KG	2	2
GRENKE digital GmbH	4	2

There were no fatalities as a result of work-related injuries. Work-related hazards that pose a risk of high-risk injuries can be classified as extremely low at GRENKE and do not pose any significant risks to GRENKE's business model or in the day-to-day activities.

3.4.2.3 Respect for human rights

Respect for human rights is a matter of course for us. Within the framework of compliance management (see Chapter 3.3.2 "Sustainable policies and guidelines"), rules for equal treatment, anti-discrimination and respect for human rights are defined in the corporate policies and code of conduct, as well as in the applied guidelines and policies (cf. www.grenke.de/unternehmen/grenke-gruppe/unternehmenskodex/). These also help us to improve our ability to receive and respond to complaints from employees and external parties. We are further expanding our complaints management system to ensure that we can respond even more efficiently to any complaints in the future regarding human rights violations, discrimination and racism. To this end, we are planning a separate category within our GRENKE Integrity Line whistleblower system that will respond to such reports in a prioritised manner (see Chapter 3.4.3.3. "Compliance and data protection").

We are preparing for the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG), which we will be subject to starting in 2024. As part of our preparation, we are expanding the audits of our suppliers in our value chain. So far, we have screened all of our suppliers for potential risks in the area of child and forced labour as well as human rights violations. We will continue to push forward with these analyses. The due diligence obligations of the LkSG apply to the entire GRENKE Group. We exchange information with all involved departments in order to plan and implement appropriate measures. These instruments include process adjustments to protect human rights in supplier audits. We have implemented the basic measures, particularly in our risk management and compliance management system. These include issuing a policy statement on human rights, appointing a human rights officer, conducting risk analyses, setting up preventive measures and taking remedial action if necessary. In addition, we have implemented a complaints procedure and ensure that we conduct the appropriate ongoing documentation to fulfil our due diligence obligations. We also prepare the reporting required by the LkSG on the fulfilment of due diligence obligations.

3.4.2.4 Customer safety and satisfaction

Our goal is to provide entrepreneurs – especially SMEs – with the best possible support for their investments and financing. Our customers include more than a half million SMEs. Our market approach in the 33 countries where we currently operate uses both indirect and direct sales (cf. Chapter 1.1.1 “Business model and segments” in the combined management report). To ensure that our lessees are satisfied, we focus on simple, fast financing solutions, as well as a personal service that meets the entrepreneurial needs of our lessees and business partners. Since the second quarter of 2022, we have been increasing our contact with customers and partners, which includes more face-to-face contact. In 2022, our sales staff held 56,650 meetings with customers and partners (2021: 45,570 meetings). Our offer of virtual meetings via video conference was also well received in 2022. In the reporting year, 27 percent of all meetings were held virtually (2021: 23 percent) and 73 percent in person (2021: 77 percent).

Indirect market access through sales via specialist resellers continues to account for the majority of our new business, adding up to 82.1 percent in 2022 (2021: 83.7 percent). In the 2022 financial year, we worked with 33,412 specialist resellers (2021: 29,703). We have thus increased our number of active reseller partners by 3,709, which is 12.5 percent higher than at the end of the 2022 financial year. One indicator of the satisfaction of our reseller partners is the duration of our business relationships. In the 2022 financial year, we had been working with 62 percent of our active specialist resellers for more than three years. Measures to further develop our market access are being aligned with the needs of our customer groups. In the 2022 reporting year, we began to reorganise the sales structure in Germany, France, Italy and Spain. We introduced supra-regional hubs and a clearer separation of tasks, enabling our sales staff to place a greater focus on providing needs-based support to our customers and partners. We plan to roll out this approach to further countries in 2023.

Direct market access is becoming increasingly important in our approach to customers. Since 2019, direct sales have accounted for an increasing share of the total volume of new business. In the 2022 financial year, this share amounted to 17.9 percent (2021: 16.3 percent). The loyalty of our lessees gives us an indication of their satisfaction with our product range and service. In contrast to the individual contract-based agreements with lessees in sales through resellers, in direct sales, we generally agree on the financing framework with our entrepreneurs for a term of 12 months. Over this period, the approved funds can be easily and quickly drawn on by our direct customers for any acquisitions that may occur.

In the 2022 financial year, 4,310 customers opted for a new financing framework agreement with GRENKE (2021: 3,423 follow-on framework agreements).

Complementary offers from GRENKE Bank

In addition to our offers for financing lease investments, GRENKE Bank AG complements our product range with customised loan and banking solutions. In the 2022 financial year, the number of business current accounts and loan accounts increased by 2.8 percent to a total of 11,755 (2021: 11,434 accounts).

In 2022, GRENKE Bank AG continued to offer microloans in the market with the German Federal Ministry of Labour and Social Affairs (BMAS). These loans give company founders access to individual loan amounts of up to EUR 25k and also help strengthen SMEs and secure jobs associated with these businesses beyond the Covid pandemic. An example of this is the number of microloans granted during the reporting period, which grew by 38.9 percent in 2022 to a total of 2,751 loans (2021: 1,981).

The growth in these loans also resulted in an increase in the portfolio of state-sponsored microloans under management in the reporting year, bringing it to a total of EUR 94,380 at the end of the 2022 financial year (2021: EUR 76,109). The proportion of microloan borrowers and applicants with a migration background fell from 27.5 percent in 2021 to 24.1 percent in 2022. The proportion of all female applicants at the end of the 2022 financial year was around 28 percent (2021: 29 percent), while the proportion of male applicants was around 72 percent (2021: 71 percent).

GRENKE Bank AG's microloan business

As of December 31

	change	2022	2021
Number of microcredit loans granted in cooperation with the BMAS	38.90%	2'751	1'981
of which share of microcredit loan borrowers who have a migration background	−3.30%	24.10%	27.50%
of which planned increase in jobs through the implementation of the projects	53.90%	1'942	1'262
Managed portfolio of state-subsidized microcredit loans at the end of fiscal year	24.00%	94,380 EUR	76,109 EUR

Since GRENKE Bank has been in charge of the programme, the implementation of the projects supported by the portfolio of microloans managed by the Federal Ministry of Labour and Social Affairs has resulted in a planned increase in the number of jobs by 10,334 (2021: 8,392 jobs). This corresponds to an increase of 1,942 jobs through newly extended microloans in 2022, which equalled an increase in the reporting year of around 23 percent.

GRENKE Bank also cooperates with development banks. This enables us to pass on favourable refinancing conditions to SMEs through our leasing business. The total volume of refinancing funds from development banks for the favourable leasing offers for SMEs amounted to EUR 10 million in 2022.

GRENKEFACTORING supplementary offers

In addition to GRENKE Bank's offers, we also work to support SMEs through the services of GRENKEFACTORING GmbH. The various factoring and other services (see in detail Chapter 1.1.1 "Business model and segments") we offered enable SMEs to improve their liquidity situation while letting us handle the administrative tasks so that they can focus more on their business activities. Our cooperation with factoring clients is also long term in nature. On average, our existing clients have been working with us for almost four years.

So far, the suggestions of our lessees and specialist resellers have been recorded and evaluated under the term "external recipient satisfaction". We would like to further develop this into a holistic concept so that we can better determine the satisfaction our lessees and partners and their willingness to recommend us further, and ultimately optimise this by taking the appropriate actions. In the 2022 financial year, we introduced a survey tool to systematically inquire about the satisfaction of all GRENKE customer groups. For the current year 2023, we are planning to conduct the newly designed survey for the first time.

3.4.2.5 Innovation and partnerships

Corporate responsibility, for us, also means that we give part of the profits we generate back to society and support organisations and projects that are not directly related to our value creation. We do this always taking the individual region into consideration and our brand values – simple, fast, personal and entrepreneurial – as binding criteria for all activities. These criteria are set out in our "GRENKE Corporate Sponsorship and Donation Guidelines".

As part of our corporate responsibility and social commitment, we sponsor sports, culture and education, as well as projects that promote children and young people. In the reporting year, we supported projects, institutions and various associations by donating a total of approximately EUR 1.5 million (2021: EUR 1.1 million). Some examples of GRENKE's regional social commitment in the areas of sports, culture, and the promotion of children and young people are described below:

■ GRENKE Chess Classic and GRENKE Chess Open

It has been a tradition for us to place a special focus on promoting the intellectual sport of chess. Since 1997, we have supported the Baden-Baden Chess Centre as well as the Ooser Schachgesellschaft (OSG) in Baden-Baden, which is one of the largest chess clubs in Germany with over 370 members. The OSG team holds the German record in both women's and men's chess and features outstanding talents such as Vincent Kreymer, the youngest German grandmaster, among its players. It has also achieved a number of successes with beginners and young players.

In 2013, we were the main sponsors of the GRENKE Chess Classic in Baden-Baden for the first time. This event is regularly attended by high-ranking players such as the Norwegian chess world champion Magnus Carlsen. We also sponsor Europe's largest open chess tournament, the GRENKE Chess Open, which celebrated its premiere in Karlsruhe in 2016 and, in 2019, attracted almost 2,000 participants around the world. After a four-year hiatus, the tournament is scheduled to take place again in 2024.

- KSC GRENKE aKAdemie

In football, we also focus on the development of young people and, together with the Karlsruher Sportclub (KSC), support young talents on their way to a professional career or at the start of their successful professional career. The KSC GRENKE aKAdemie stands for holistic training that goes far beyond the pure football training programme and is geared towards the long-term development of KSC's young talents in the areas of sports, academics and personal development. Since July 2022, GRENKE has comprehensively expanded its partnership: as the new main partner of the performance area with logo presence on the jerseys of the U16, U17 and U19 teams.

- KSC eSports team support

The world of sports and the interests of young talent continue to evolve. We support young talents who possess a special digital affinity as a major sponsorship partner for the eSports team "PHIRONIX" of Karlsruher SC. In the reporting year, the team successfully started its first season in the Virtual Bundesliga (VBL). Four eSports players are currently registered with "PHIRONIX". The games can be seen on the Twitch platform and on the VBL website. The GRENKE logo is visible on the jersey sleeves of the Karlsruhe eSportsmen and in the live-streamed events.

- GRENKE Cup indoor football tournament

The fourth GRENKE Cup under the patronage of GRENKE AG and together with the SV Sinzheim booster club, which was originally scheduled to take place in November 2020, was held in November 2022 after being cancelled twice in 2020 and 2021 due to the pandemic. The indoor football tournament aims to foster the stronger connection of sports with schools, training and advanced studies.

- "Columbus – Discover Classical Music!" school project

In the areas of music and education, we have been supporting the school project "Columbus – Discover Classics!" for over 20 years. Through a grant, we provide school children discounted access to events at the Festspielhaus Baden-Baden. In accompanying lessons, students discuss the content of the performance attended and can participate in opera, ballet and orchestra rehearsals.

We firmly believe that education is an integral part of sustainable development. For this reason, we are jointly driving the development of innovations, especially in Germany, through collaborations and partnerships with scientific institutions and trustworthy partners. The following are a few examples:

- SRH Berlin University of Applied Sciences

Since 2016, we have been supporting the SRH Berlin University of Applied Sciences with an endowed professorship for entrepreneurship, including two half-time doctoral positions until 2022. We have also established the GRENKE Centre for Entrepreneurial Studies research institute, which opened in January 2018. The institute focuses on analysing business start-ups and uses scientific methods to determine the success factors to use in practice.

- CyberForum and CyberChampions Award

CyberForum e.V. in Karlsruhe supports start-ups with digital business ideas. For this purpose, in 2022, it organised the CyberLab Festival, where the Start-Up Award for the start-up with the most promising idea to support the digitalisation of SMEs was awarded once again. GRENKE acts as one of the sponsors of this digitalisation award.

In addition to sponsoring the above-mentioned institutions, we also support regional and national non-profit organisations in the following ways:

■ SOS Children's Villages Christmas donation
Helping children in need so that they may have a better future is an important matter to us. For this reason, we support SOS Children's Villages at Christmas time with a donation of EUR 25,000 (2021: EUR 25,000). SOS Children's Villages is an independent, non-governmental and non-denominational aid organisation for children and is active worldwide.

The charity runs programmes to strengthen families, works with community members to provide schooling and healthcare, helps in crisis situations and gives young, disadvantaged people a chance at have a better future through global education programmes.

■ Support SOS Children's Villages in Ukraine
Russia's war of aggression against Ukraine brought hardship to many people – especially defenceless children. In the reporting year, we supported the humanitarian aid of SOS Children's Villages in Ukraine with a donation of EUR 50,000. This contribution ensures direct and uncomplicated help on the ground.

■ GRENKE fundraising campaign UN refugee aid
At the initiative of our employees, a GRENKE fundraising campaign was set up for UN refugee aid. A total of 80 employees donated to this fundraising campaign after its launch and EUR 5,315 was collected.

■ Centre for European Policy
The Centre for European Policy (cep) of the Stiftung Ordnungspolitik provides the general public with information and expertise on current EU policy projects. As a partner, we use this service, which is intended exclusively for information and exchange, for the early identification of planned and upcoming legislative projects. In the 2022 financial year, for example, the independent expert opinions enriched our know-how about legal projects on artificial intelligence (AI) and sustainable mobility.

At our subsidiaries, such as Italy and France, we also support charitable projects and sponsor sports teams.

■ Cesano Women Football Idrostar
We have long been committed to gender equality and the empowerment of women. For this reason, we also support women in a sport in Italy that is traditionally perceived as more male.

■ FAI – Fondo Ambiente Italiano
In Italy, we support a national fund for the preservation and promotion of the environment. The aim of the foundation is to protect and enhance Italy's historical, artistic and landscape heritage.

■ Cercle d'Echecs de Bischwiller
GRENKE also supports the youth activities at the chess centre in Bischwiller, France, and continues its efforts here to promote chess and youth activities internationally.

3.4.3 Responsibility and trust

3.4.3.1 Risk management

3.4.3.1.1 Corporate Risk Management

Financial institutions contribute significantly to the sustainable transformation of the economy and the achievement of the European Union's climate goals. This is due to their central position in the economy through their financing of planned investment projects and in other ways. However, this position also exposes financial institutions to physical and transitory risks that need to be identified, assessed and managed.

In this year's risk inventory, risks were assessed from an economic and normative perspective. For the first time, the risk assessment took into account ESG risk drivers. According to BaFin's "Circular on Dealing with Sustainability Risks" ("Merkblatt zum Umgang mit Nachhaltigkeitsrisiken" [BaFin])[1] of 20 December 2019, amended on 13 January 2020", sustainability risks are considered a partial aspect of the known risk types, so that no separate risk type "sustainability risks" is to be considered in the context of the risk inventory.

This approach is based on the fact that sustainability risks have an impact on numerous known types of risk and it is therefore hardly possible to differentiate between them. Sustainability risks at GRENKE therefore represent risks from the previously defined material ESG topics (see Chapter 3.2.1 "Stakeholder dialogue and materiality analysis 2022") and are seen as drivers that can materialise in the known risk types. According to this logic, the physical and transitory risks were considered along the ESG dimensions per risk type as part of the risk inventory for 2023.

The overall risk profile builds on the outcome of the 2022 risk inventory and applies to the 2023 reporting year. A total of 16 risks (2021: 16) were assessed as material in this year's risk inventory. Ad hoc risk reports were used to increase transparency and inform the Board of Directors. In the reporting year, a total of 13 risk reports were submitted (2021: 3). There was an increase in ad hoc notifications, which was not the result of ESG risk factors, but due instead to an increased, focused awareness within the organisation on risks in general.

In order to strengthen the effectiveness of risk management and to best monitor ESG risk factors, the department will be expanded further, and more staff will be added.

3.4.3.1.2 Internal audits

The Internal Audit department provides independent and objective auditing and consulting services at GRENKE AG and the GRENKE Consolidated Group on behalf of the Board of Directors. In order to ensure the maintenance and further development with effective processes and controls of the governance and compliance structure, we measure as one of our TOP KPIs the proportion of audits completed by Internal Audit compared to the total number of audits planned for the fiscal year across the Consolidated Group.

The completion rate of audits performed in the 2022 reporting year was 58 percent (2021: 55 percent). The completion rate has improved compared to 2021 but is still below expectations. In response to the results of the special audit, the Internal Audit department significantly increased the quantity and quality of its activities, and the processes were fundamentally revised.

The department's conceptual realignment in 2021 has led to a significantly greater scope of relevant audit content. Due to the increase in personnel in 2022, a sustainable expansion in the number of audits carried out is expected in 2023 to fulfil the audit plan. Furthermore, it is important to note that the absolute number of completed audits has increased from 32 in 2021 to 77 in the reporting year.

1 Circular on Dealing with Sustainability Risks" ("Merkblatt zum Umgang mit Nachhaltigkeitsrisiken" [BaFin]) of 20 December 2019, amended on 13 January 2020

3.4.3.2 Reporting and transparency

The dialogue with our stakeholders and the results of our materiality analysis form the basis of our sustainability strategy and our non-financial reporting. Accordingly, communication with our stakeholders is a high priority for us. For an effective exchange with our stakeholders, we have several departments that interact with internal and external stakeholders.

Internal communication is managed by the Corporate Communication department. Its primary purpose is to inform, orient, motivate and exchange with our employees worldwide. It aims to inform about current developments in the Company and give our employees the opportunity to give direct feedback to the Board of Directors, which is also an element of our corporate culture. Internal communication uses various channels and communication tools to convey information bilaterally or multilaterally. These include not only text and sound contributions but also cross-media contributions (text, sound, image) such as clips, video addresses, virtual staff meetings (town hall meetings) and online survey tools. In order to determine the identification of our employees with the strategy, we measure the overall strategy awareness (OSA) score as part of an annual survey of employees, which we have defined as a TOP KPI (see Chapter 1.3.3 “Non-financial performance indicators”). This TOP KPI is determined on the basis of all answers to the question area strategy, products and innovation on a scale from 1 = high awareness to 7 = low awareness. In 2022, our OSA achieved a score of 2.52 (2021: 2.95), which in our view tell us that our employees identify with our corporate and sustainability strategy more than ever before.

The role of external communication is to have an exchange with various stakeholder groups outside the Company. As with internal communication, the overriding objective here is to provide information about current developments at the Company and to classify them as part of a dialogue with the respective stakeholder groups. Parallel to our external stakeholder groups, we have several departments that manage the individual approach taken.

The Corporate Communications department is responsible for the press and public relations work of our company and is in regular contact with journalists and opinion leaders. Corporate Communications uses a wide range of channels and formats. These include press releases, articles and interviews in print and online media, conference calls, webcasts and press conferences, as well as social media contributions on the Company’s own channels. Since 2019, we have been operating a continuous media monitoring system to monitor market and industry trends and have continued to develop this in the reporting year. This includes a daily digital press review for the Board of Directors and managers, the use of a comprehensive media and analysis portal for research, and a quarterly reputation analysis. The communications department conducts the reputation analysis based on a content map with the topics relevant to us. It analyses the success of the media efforts based on quantitative and qualitative KPIs, including the number and type of media reports, whether the initiation came from us or externally, the reach and ad equivalent value. The reputation score based on the content-related qualitative evaluation of all reports is also a factor. Overall, this analysis enables us to permanently evaluate our media activities and to derive measures for the future.

The Investor Relations department conducts the dialogue with the capital market. The department is responsible for regular reporting in the form of reports, such as the annual report, half-year report and quarterly reports, as well through the mandatory communication required in accordance with capital market regulations. Investor Relations is also in charge of organising our annual general meeting, analysts’ conferences and the quarterly analysts’ calls. For further information on investor relations and capital market communications, please refer to the Chapter “Shares and investor relations”.

The Treasury department is responsible for communication with debt investors and analysts. Tasks include publishing information on debt instruments, talking with debt capital providers and cooperating with rating agencies.

The Marketing department targets the group of customers and trading partners. It provides information about our current product developments and offers, initiates market campaigns and operates our company website.

The Human Resources department uses external communication to address potential new employees and ensure the acquisition of new talent. This is done, among others, through posts on our social media channels, the direct exchange on feedback platforms, and positioning at trade fairs and events.

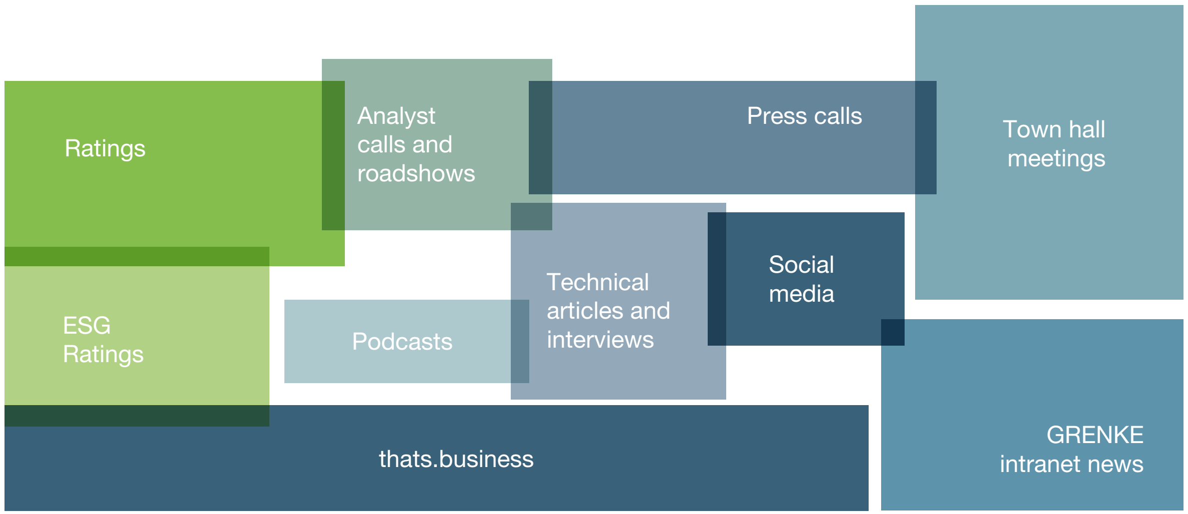
ESG communication:
We provide all our stakeholders with up-to-date information on developments in the area of ESG. Next to our non-financial statement as part of our annual reporting, we created a separate section on our website in the 2022 reporting year (www.grenke.de/company/grenke-group/esg/). The website features information on our strategy and measures, including the initiatives we participate in, as well as our ESG ratings and reporting data.

Examples of own communication channels and instruments

- Social media

Over the past few years, we have been establishing our own corporate channels on the social networks that are relevant for us and regularly post information from various departments. We use social media and business networks to adequately address new target groups, strengthen customer loyalty and extend the reach of our corporate messages, products and services.

Transparency & Communication



In addition, communication via the various channels also serves to publicise the GRENKE employer brand and our corporate culture, as well as to place job advertisements and carry out recruiting initiatives (see Chapter 3.4.2.1 “Employer attractiveness”). We are present on LinkedIn, Xing, kununu, Facebook and YouTube. These channels are primarily aimed at lessees, partners, potential applicants and our employees.

- Podcasts as a digital communication tool

We also use podcasts to provide insights into our corporate culture and working environment at GRENKE to potential applicants in particular. These channels and formats with corresponding content feature employees who represent GRENKE and share their own experiences. One example of this is the OHRBEIT Jobcast, in which GRENKE employees report on their everyday work life and present different career fields.

- thats.business – our digital magazine

We also have an international digital partner and customer magazine thats.business – GRENKE Magazine for Entrepreneurs, which complements our customer journey with heartfelt and informative articles. On thats.business, we present content for relevant target groups and offer readers added value through specialist expertise and entertaining insights. These offers help position us as a strong partner for SMEs in line with our brand values and thereby work to strengthen brand loyalty. Potential new customers can be redirected to the GRENKE website via jumping-off points in the online magazine, where they can find further information on our financing solutions.

3.4.3.3 Compliance and data protection

3.4.3.3.1 Compliance management

We act in accordance with supervisory and internal regulations and treat employees and external stakeholders with respect. We also respect the principles of equal treatment, anti-discrimination and human rights. The rules of mutual respectful and ethical conduct are also anchored in writing in our code of conduct, which is handed out to all employees as part of their employment contracts. Our goal is to meet the diverse international requirements with the Group-wide compliance management system (CMS) and thus to be able to counter operational risks and uncertainties with confidence. Within this framework, the risk potential for non-compliance cases (including corruption and money laundering risks) is analysed annually by the country organisations. Due diligence processes are carried out before companies are acquired.

Local compliance officers in the respective countries ensure that our standards are complied with both nationally and internationally. The subsidiaries are regularly reviewed in the course of compliance and money laundering audits. The local compliance officers report directly to the GRENKE Group’s compliance officer, who forwards all material information to the responsible member of the Board of Directors (CRO). He also supports the full Board of Directors in avoiding violations of the law, corruption, and fraudulent acts, as well as in clarifying doubtful cases. The responsible Board of Directors member receives an annual compliance report.

Furthermore, the Group Compliance Office informs the Board of Directors and Supervisory Board of all material information by means of a Compliance annual report.

All executive bodies and the workforce are informed via the intranet, by e-mail and in training sessions about laws, internal regulations and any new developments or changes thereto. In the 2021 financial year, the existing regulations on the prevention of conflicts of interest and the handling of donations were further developed. The changes that apply to the entire Group, our executive bodies and employees were also published on the intranet. In the reporting year 2022, all employees were informed about current compliance-relevant topics such as sanctions against Russia, cyberfraud, compliance risks and the handling of gifts in the quarterly compliance newsletter. The new developments in the area of compliance are also the subject of the compliance training that all employees had to complete in the course of 2022. In addition to the mandatory training for all employees, employees in the compliance department receive several days of external training per year to enrich their expertise.

We provide our employees with various ways to report possible breaches of regulations. With our GRENKE Integrity Line whistleblower platform, we enable our employees, lessees and business partners, as well as third parties, to draw our attention to possible breaches of regulations, while always maintaining confidentiality (see www.grenke.de/unternehmen/grenke-gruppe/grenke-integrity-line/). We handle the reported information responsibly. GRENKE takes appropriate measures to counter violations of applicable law.

3.4.3.3.2 Money laundering prevention

We prevent potential money laundering and terrorist financing as well as criminal acts through qualified employees, work instructions, guidelines and adequate controls. The potential for further development in the area of money laundering prevention identified in the special audit was further accelerated in the reporting period on the basis of the results of the audit of the annual financial statements and the associated quality assurance. Extensive progress was made in this area in 2022. This relates to the methodical further development of risk analysis and the associated derivation of security measures and control actions under money laundering law, as well as the implementation of an IT-supported monitoring tool for the systematic, automated and continuous monitoring of our business relationships. In addition, we implemented a uniform group standard and strengthened local responsibilities in our subsidiaries. In addition, internal processes were conceptually revised and streamlined to improve money laundering risk management. For example, by putting an IT-supported monitoring tool into operation, we have increased process security and efficiency in formerly manual processes.

The risk in the area of money laundering, financing of terrorism and other criminal acts is determined annually by all subsidiaries at the individual institution level and at the Group level within the framework of risk analyses. In the course of this, the existing security and control measures are evaluated. The local money laundering officers report to both the local management and the GRENKE Group's money laundering officer, who forwards all relevant information to the responsible member of the Board of Directors (CRO). The Board of Directors and Supervisory Board receive a detailed annual report on money laundering prevention each year. All money laundering-relevant business relationships are checked within the legal framework using a know-your-customer (KYC) process. This includes the identification and determination of beneficial owners, their PEP status and their presence on national and international sanctions and embargo lists. The reliable third parties acting on behalf of GRENKE AG in accordance with Section 17 (5) of the German Money Laundering Act (GwG) are also regularly trained and informed about money laundering requirements and developments.

All of our employees are also trained regularly and on an ad hoc basis, with attendance at training sessions being tracked by the HR department and an escalation process initiated in the event of non-attendance. Occasional training measures are managed centrally by the Money Laundering Prevention Department. In the event of suspicion of money laundering, financing of terrorism or criminal acts, our employees have various internal reporting channels at their disposal. This is supplemented by the GRENKE Integrity Line whistleblower platform, which is available on the intranet and on our website. The respective money laundering officers in the Group immediately forward the suspicious cases to the competent authorities in accordance with national requirements.

3.4.3.3.3 Data protection

We are continuously developing our data protection management system in order to ensure that data processing in the Group is carried out in compliance with the legal regulations and to identify potential violations at an early stage so that we can take the appropriate countermeasures. The European General Data Protection Regulation (GDPR) has resulted in a harmonisation of data protection law within the European Union. The implementation of the data protection requirements also takes into account the adaptations of national legislations in our markets. Such adaptations can lead to different data protection regulations continuing to apply in individual member states alongside the provisions of the GDPR. As soon as a member state has supplemented or extended the requirements with national data protection regulations via an opening clause, the affected processes are adjusted accordingly. In order to meet the major challenges in data protection, both the parent company GRENKE AG and its subsidiaries have appointed data protection officers in accordance with the legal requirements. Furthermore, the parent company has created a central office for operational data protection. The data protection officers and operational data protection office are also available to our customers, business partners and employees as expert contact partners. During the past financial year, we did not receive any complaints from clients or supervisory authorities regarding breaches of client data protection. There were also no reports of data leaks, thefts or losses of customer data.

Our employees are informed of the current requirements and developments in the area of data protection through annual training and continually updated information on the intranet. In addition to the topic of data protection, the topics of money laundering prevention, information security and compliance are also part of the mandatory training for our employees. These are also carried out for new employees as part of the induction process. This ensures that all employees have the right tools to deal with the risks of these governance topics. The training ratio for these topics was 83.2 percent in the reporting year (2021: 94.1 percent).

3.4.3.3.4 Information security

We continue to develop our information security management system on a routine and ad hoc basis in order to provide an appropriate level of protection for the information entrusted to us and processed by us. In doing so, we comply with the requirements of the relevant regulations, laws and standards, particularly the Minimum Requirements for Risk Management (MaRisk), as well as the banking supervisory requirements for IT (BAIT) and their updates. We are systematically expanding our measures, processes and controls based on the DIN:ISO 27001 standard and the IT security maturity model according to COBIT (internationally recognised framework for IT governance).

During the reporting period, we carried out an expansion of the protection needs analysis. This made it possible for us to carry out an even more precise risk assessment and, based on this, to take measures to protect our data and systems. The ongoing business impact analysis, which focuses on potential risks to the organisation, concentrated on defining and evaluating all of the business processes relevant to our financial services. The constantly increasing transparency lays the groundwork for further measures such as the expansion of risk-reducing methods, the conversion of IT platforms, the promotion of strategic security concepts as well as their reconstruction in order to constantly expand protection.

Based on the findings of our previous IT emergency management system and our business impact analysis, we created a separate unit for the further development of a holistic business continuity management (BCM) in the 2022 reporting year and are building up an extensive emergency management system within this unit. The expansion is based on our IT emergency management system and the emergency manual with the corresponding response plans. Within the framework of BCM, these basics will be expanded to include the dimensions of personnel, buildings and service providers in order to ensure the rapid continuation and resumption of our business processes in the event of an emergency-triggering moment. The aim is to complete the development of the BCM by the end of 2023 and then to continue with further developments.

Furthermore, we intensified the processing of findings from internal and external audits in order to be able to identify and eliminate potential risks at an early stage. This included a revision and adaptation of various guidelines, especially in the area of authorisation management. Through these measures, we continue to increase the security of our data and systems.

Our Board of Directors and Supervisory Board are regularly informed about the current status of information security management. Close cooperation and coordination is maintained with important interfaces such as Compliance, Data Protection and Risk Management. An important measure in the reporting year was the implementation of a clear separation between the first and second lines of defence in accordance with the 3-Lines of defence model. This separation ensures that tasks are processed more effectively.

In various target group-oriented and modular training courses, employees are made aware of the key topics surrounding information security. The modular structure of the training courses offers the advantage of being able to react promptly and in a targeted manner to changing situations, such as an increase in the number of phishing attempts.

3.5 Information according to Article 8 of the EU taxonomy

With the EU taxonomy (EU Regulation 2020/852), the European legislator has, for the first time, prescribed a Europe-wide uniform disclosure of sustainability-related key performance indicators (taxonomy KPIs) as part of non-financial reporting for the 2021 financial year. The reporting obligations pursuant to Article 8 of the EU taxonomy are unchanged for the 2022 financial year and continue to focus on the topics of climate protection and adaptation to climate protection. The taxonomy KPIs prescribed by the legislator take sectoral specifics into account by distinguishing between non-financial companies (NFC) and financial companies (FC).

As a financial holding company supervised by BaFin in accordance with the German Banking Act (KWG) and within the scope of Capital Requirement Regulation II (CRR II) with a credit institution and other financial services institutions as subsidiaries, we have prepared the climate protection-related disclosures in accordance with the legal requirements of Section 340 et seq. HGB in conjunction with the EU taxonomy and the delegated acts issued on the EU taxonomy in accordance with the requirements for credit institutions. The delegated acts are:

- Delegated Regulation (EU) 2021/2178 (Disclosures Delegated Act, EU DDA) and,
- Delegated Regulation (EU) 2021/2139 (Climate Delegated Act, EU CDA) and,
- Delegated Regulation (EU) 2022/2114 (Complementary Climate Delegated Act, EU CCDA)

In the 2022 financial year, the assessment of the taxonomy eligibility of certain risk positions continued to be determined. In the 2023 financial year, the second step, the full compliance with the characteristics of Article 3 EU taxonomy will be the basis of the assessment of taxonomy alignment. The key taxonomy KPIs for credit institutions to measure taxonomy compliance will be the green asset ratio.

The basis of consolidation used for the calculation is the regulatory basis of consolidation, which for the GRENKE Consolidated Group corresponds to the basis of consolidation in accordance with IFRSs.

The GRENKE Group's total assets amounted to EUR 6.4 billion as of the December 31, 2022 reporting date. Taking into account the risk provisions recognised, total assets (consolidated total assets at gross carrying amounts) amounted to EUR 6.9 billion. The relevant balance sheet items of the "covered assets" (consolidated total assets at gross carrying amounts less risk positions vis-à-vis sovereigns, central banks and supranational issuers and the trading portfolio) amounted to EUR 6.6 billion as of the December 31, 2022 reporting date.

The method of calculating the data to be published by the GRENKE Group in accordance with the statutory requirements can be outlined as follows:

In Article (3) EU DDA, the legislator has not clearly regulated how total assets are to be defined. In accordance with the wording of Art. 10 (3) EU DDA ("total assets"), the GRENKE Group uses the consolidated total assets at gross carrying amounts. Due to the still ambiguous regulation, we have also calculated the taxonomy KPI on the basis of "covered assets".

The mandatory information to be disclosed for the 2022 financial year according to Article 10 (3) EU DDA is as follows for the December 31, 2022 reporting date:

Taxonomy reporting

per December 31, 2022

	% of toal assets	% of covered assets
Risk positions in taxonomy-eligible economic activities	0.00	0.00
Risk positions in non-taxonomy-eligible economic activities	15.42	16.23
Trading portfolio and short-term interbank loans	2.00	2.11
Risk positions vis-à-vis sovereigns, central banks and supranational issuers	4.71	4.96
Derivatives	0.31	0.32
Exposures to entities not required to disclose non-financial information under Article 19a or Article 29a of Directive 2013/34/EU	70.84	74.53

For the delimitation of risk positions, we have used the balance sheet items relevant for the GRENKE Group, which will also be included in the determination of the green asset ratio in accordance with the EU taxonomy (Annex V, 1.1.2 EU DDA) in the future.

In order to determine the “Exposure to entities not required to disclose non-financial information pursuant to Articles 19a and 29a of Directive 2013/34/EU”, we have used the criteria of the country of domicile and number of employees at the individual company level. The criterion of the stock exchange listing of our customers is not yet included in our Group-wide data. For this reason, as in the previous year, we also reported the risk positions in taxonomy-eligible economic activities as zero, in the interests of a conservative presentation.

Accordingly, we report only our gross receivables from households under the risk positions in non-taxonomy-eligible economic activities in line with the definition of the FINREP regulations. In accordance with the EU taxonomy, receivables from households are always classified as non-taxonomy-eligible if they are not receivables from real estate loans, loans for the renovation of real estate or automobile loans. The latter types of receivables are not relevant for the GRENKE Group.

In the item “Trading portfolio and short-term interbank loans”, we have combined the derivatives with positive fair values (EUR 17 million) that are not designated in accounting hedges and the short-term interbank loans (EUR 122 million). Accordingly, the item “Derivatives” contains our asset-side derivative positions in on-balance sheet hedging relationships at the respective fair value.

The current focus of the EU taxonomy is on the environmental goals of climate protection and adaptation to climate change. The reduction of CO_2 emissions is a strategic ambition (see Chapter 3.2.2 “Sustainability strategy and targets”) of the GRENKE Group and is firmly anchored in the sustainability strategy.

Due to the legal provisions of the EU taxonomy and the legal requirements of Article 7 (3) EU DDA, a large share of our risk positions in our total assets is not relevant for the calculation of the taxonomy eligibility KPI. Our main focus with regard to the taxonomy is therefore on capturing the relevant key figures for the future KPIs.

4. Changes in the Company's governing bodies

In November 2022, the Supervisory Board revoked the appointment of the Chair of the Board of Directors, Michael Bücker, at his own request for a limited period until February 28, 2023, due to illness. Upon the revocation of his appointment, he was assured of reappointment at the end of this period. Mr Bücker's duties as Chair of the Board of Directors have been assumed by the Board of Directors' Deputy Chair, Dr Sebastian Hirsch.

5. Risk report

5.1 Risk management

The GRENKE Group has established strategies and processes in accordance with the regulatory requirements to ensure that risk-bearing capacity is permanently guaranteed. The internal processes for ensuring adequate capital and liquidity (ICAAP/ILAAP) are an integral part of the management system, which, in turn, is integrated into the risk management framework and continuously developed. The GRENKE Group's risk management is designed to identify and assess new, potential and existing risks. Both individual risks and possible risk concentrations and interdependencies between different risk areas are considered. GRENKE Group's risk management follows an internally defined process that covers all relevant levels of the Consolidated Group's organisation and is closely aligned with the activities of the individual divisions. The Board of Directors bears overall responsibility for monitoring the risk management system and its compliance throughout the Consolidated Group.

Based on the business strategy, the Consolidated Group's risk strategy defines the long-term risk policy framework for risk management. This framework defines the overarching risk objectives as well as the use of consistent standards, methods, procedures and instruments to achieve these objectives. Corresponding requirements have been defined for operational implementation. Compliance with the regulatory capital and liquidity ratios at all times is also an objective and integrated at the operational and strategic levels. In order to comply with regulatory requirements, a Group-wide risk controlling system has also been implemented that independently assesses, evaluates, monitors, communicates and manages risks. The Internal Audit department annually reviews the proper implementation of the regulatory requirements for risk management. In the reporting year 2022, the audit of risk controlling by the Internal Audit department resulted in one material and no serious findings. The main finding concerned the transparent documentation of the definition of default in the regulatory reporting system.

5.2 Risk management process

The risk management process is derived from the risk strategy and includes a coordinated cycle of risk definition, risk measurement, risk analysis, improving risk management and risk control measures. This process systematically and structurally recognises, discloses, evaluates and documents internal and external risks and opportunities within the Consolidated Group.

The risk inventory is at the centre of the risk definition. Within the scope of the risk inventory, the types of risk relevant to us are identified and assessed in terms of materiality. For this purpose, the main risks are determined annually and, if necessary, on an ad hoc basis, an overall risk profile is created and the methods used in the risk management system are reviewed. The risk inventory includes financial and non-financial risks. The assessment is divided into a quantitative and a qualitative analysis, each based on a scale of 1 (immaterial) to 5 (significantly material). The assessments are aggregated by risk type and then discussed in workshops on an ad hoc basis so that, among other things, the materiality of individual risks can be determined. Finally, the overall risk profile is prepared, resolved by the Board of Directors, and made available to the participants of the central risk committee (AK Risk). Within the scope of the risk inventory, the following risks were classified as material as of December 31, 2022:

- Credit risk: credit default risk, migration risk, credit concentration risk
- Market risk: foreign currency risk, interest rate adjustment risk, yield curve risk
- Operational risk: Operational risk according to CRR, model risk, compliance risk, ICT security risk, ICT data integrity risk, ICT availability and continuity risk
- Liquidity risk: Liquidity risk in the true sense, refinancing risk
- Other risks: Business and strategic risk, reputational risk

In 2022, measures were further intensified within the GRENKE Group to implement the regulatory requirements for sustainability risks as part of risk management. In the course of the gradual integration of sustainability risks into risk management, sustainability risks, among others, were taken into consideration as part of the risk inventory. Sustainability risks, in particular, should not be seen as a separate new type of risk but as driving forces that will materialise in the types of risk already known. We have taken sustainability risks into account qualitatively in the risk inventory by analysing physical risks (e.g. extreme weather events) and transitory risks (e.g. change in customer preference in response to climate change or environmental pollution) to determine the extent to which they influence the existing risk types. While transition risks have a particular impact on business and strategic risk as well as reputational risk, physical risks have a particular impact on country risk and operational risk.

In addition to ad hoc risk notifications, the quarterly risk report is used to increase transparency and provide information to the Board of Directors. In the risk report, the GRENKE Group's new business and receivables portfolio are analysed and segmented according to their degree of sustainability so that any undesirable development of the portfolio in terms of sustainability can be mitigated in a timely manner. In the 2023 reporting year, the GRENKE Group will additionally examine the introduction of a separate stress test scenario on sustainability risks as part of the annual examination of the appropriateness of the stress test parameters.

The Risk Task Force (AK Risk) is the central body for the coordination of Group-wide risk management. Within the framework of AK Risk, the results of the risk inventory, the ad hoc risk notifications and other regulatory and legal challenges, as well as innovations with regard to risk management, are discussed. A total of 13 ad hoc risk notifications (previous year: 3) were submitted during the 2022 reporting year. Of these, 10 could be classified as material and three as immaterial. We see this increase as a positive sign that our internal awareness-raising measures regarding the perception and detection of risks in business operations are having an effect and creating transparency.

In the 2022 financial year, the GRENKE Group has used a period-oriented risk-bearing capacity model based on the going-concern principle for the last time. This forms the basis for determining risks for the regulatory scope of consolidation. As of December 31, 2022, a present-value risk-bearing capacity model in the regulatory sense was used for the first time for merely informative purposes as of the reporting date. In the future, will take a view of our risks more in terms of creditor protection. In both models, risks identified as material are assessed and serve the Group-wide management and monitoring of the overall risk profile and capital. With the exception of liquidity risk in the true sense (insolvency risk), the defined risk areas, or risk types, are to be backed and limited with risk coverage capital or risk coverage potential in the course of the risk-bearing capacity considerations. The consideration of findings from stress test analyses for the main risks are also a part of risk-bearing capacity analyses. The Risk Control unit prepares a quarterly risk report in which the current risk situation is presented and explained.

In accordance with MaRisk, a Compliance function and several officers have been established at the

Consolidated Group level (Money Laundering Officer, Chief Information Security Officer, Outsourcing Officer, GRENKE AG Data Protection Officer). The basic task of the Compliance function is to work towards the implementation of effective procedures for ensuring compliance with the legal regulations and requirements that are essential to the GRENKE Group. To this end, it identifies and analyses potential compliance risks and carries out appropriate controls. To ensure compliance with the GRENKE Code of Conduct, which forms the ethical framework for operations in the GRENKE Group, the compliance function operates the Group-wide whistleblower system, designs and develops training and awareness-raising measures on compliance topics, and prepares regulations on the Group-wide management of compliance risks and on individual core compliance topics such as dealing with potential conflicts of interest. The Money Laundering Officer monitors compliance with the duty of care under the Prevention of Money Laundering Act and takes risk-based measures to combat legal and reputational risks based on a policy according to regulatory requirements, an up-to-date risk analysis of the GRENKE Group, as well as through monitoring and research tools. The Chief Information Security Officer sets standards, monitors IT security and is responsible specifically for protecting the GRENKE Group's internally generated intangible assets. The Outsourcing Officer manages and monitors compliance with legal and regulatory requirements for outsourcing. In accordance with regulatory requirements, the GRENKE Group implemented internal control procedures for managing and monitoring the aforementioned risks, which are based on the structure and sequence of the corresponding processes. These risks, in turn, are assessed and evaluated by the Risk Control unit and independently monitored, managed and communicated.

5.3 Implementation of regulatory requirements

As GRENKE AG is the parent company of a group of institutions as defined by Sections 10a and 25a of the German Banking Act (KWG), the GRENKE Group is also a financial holding company in accordance with Section 1(35) KWG in conjunction with Article 4(1) no. 20 of the CRR. GRENKE AG also has a credit institution, GRENKE BANK AG, as a subsidiary. Both the GRENKE Group and GRENKE BANK AG are subject to the regulatory provisions of the Capital Requirement Regulation (CRR), taking the revised Capital Requirement Regulation (CRR II), the Capital Requirements Directive (CRD V) and the German Banking Act into consideration. The GRENKE Group and GRENKE BANK AG must therefore comply with the Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) issued by the German Federal Financial Supervisory Authority (BaFin). These contain qualitative and quantitative requirements for risk management that must be implemented by financial institutions, taking into account their size as well as the type, scope, complexity and risk content of the business.

Additionally, the financial services institutions GRENKEFACTORING GmbH and Grenke Investitionen Verwaltungs KGaA are also subject to the KWG and supervision of BaFin and the Deutsche Bundesbank at the individual institution level. GRENKE AG made use of the waiver rules according to Section 2a (1 or 2) KWG in combination with Section 2a (5) KWG for these group companies. The subordinate institutions have notified BaFin and the Bundesbank that certain regulatory provisions have been applied and incorporated at a Group level rather than being applied at the individual institution level because the necessary organisational requirements have been fully met by the primary institution. GRENKE AG's application submitted to BaFin requesting that it recognise the regulatory Consolidated Group as identical to the consolidated accounting group was approved in 2009. As a result, all Group companies attributable to the GRENKE Group are included in the regulatory scope of consolidated companies. In the course of the reconciliation with the BaFin regarding the scope of consolidation, it was agreed that changes to the scope of consolidation must be reported to the BaFin without delay.

Pursuant to Section 12 (1) of the Restructuring and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG), banks and securities institutions are obliged to prepare a restructuring plan. Under the conditions of Section 12 (2) SAG, this obligation applies to the superordinate company. The companies obligated to prepare a restructuring plan must submit the restructuring plan after being requested to do so by the supervisory authority. In the case of less significant institutions (LSIs) such as GRENKE AG, BaFin is this supervisory authority in accordance with Section 3 (2) SAG in conjunction with Section 1 (5) KWG. The recovery plan is a preventative preparation of operational implementation plans for strategic planning with the aim of preparing for a possible crisis event. Specifically, measures are to be identified in order to ensure or restore the financial stability of the bank on its own responsibility. Following the submission of a Group restructuring plan in accordance with simplified requirements, BaFin approved the plan in the 2022 reporting year on condition that a further liquidity risk indicator and a further business model risk indicator be included.

The restructuring indicators were selected to reflect the business model and strategy, risk profile, size and complexity of the GRENKE Group. Pursuant to Section 14 (1) sentence 2 of the Recovery Plan Minimum Requirements Ordinance, the GRENKE Group must implement at least one indicator per observation dimension (capital, liquidity, profitability and quality of assets) in the monitoring process and set an early warning and recovery threshold. In the 2022 financial year, two additional indicators were added to the existing restructuring indicators to better reflect the GRENKE Group's business model. The restructuring threshold for stable refinancing was not reached in the fourth quarter of the 2022 reporting year. As a result of the measures taken in response to not meeting the threshold, the indicator value was already above the self-set minimum target again on December 31, 2022.

5.4 Risk-bearing capacity according to the going concern principle

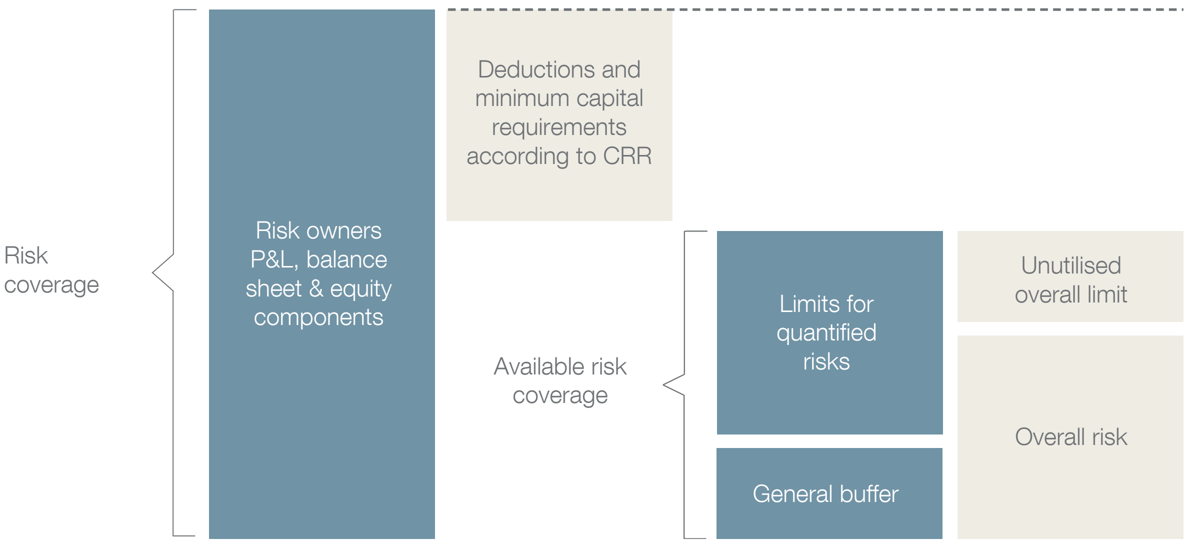
In the 2022 reporting year, risk-bearing capacity was utilised for the last time in accordance with the going concern principle to ensure that the material risks are sufficiently covered with risk coverage capital. A portion of the risk coverage capital is reserved for compliance with minimum capital requirements, regulatory deductions and other regulatory capital surcharges (currently the SREP capital surcharge for counterparty default and other risks) and is not available for risk coverage. The GRENKE Group uses an internal risk-bearing capacity model to monitor its risk-bearing capacity, which includes all risk types identified as material.

The interaction of risk limitation, quantified risk capital requirements (risk) and risk cover capital (capital made available for risk coverage) is referred to as the risk-bearing capacity system. In accordance with its risk strategy, the GRENKE Group aims for overall risk utilisation of permanently less than 95 percent.

Liquidity risk in the true sense (insolvency risk) is an exception here, as it does not necessarily have to be included in the risk-bearing capacity assessment according to item 4 of chapter AT 4.1 of MaRisk. The defined risk areas or risk types are to be backed and limited with risk coverage capital or risk coverage potential in the course of the risk-bearing capacity assessment. The fundamental objective of the respective risk-bearing capacity model is to quantify existing risks in order to identify potential burdens on the Company's equity or assets at an early stage and to take appropriate measures.

See diagram "Risk-bearing capacity concept"

Risk-bearing capacity concept



The maximum financial resources available for risk coverage are referred to as risk coverage capital. They essentially consist of the balance sheet equity (share capital, capital reserves, retained earnings, unappropriated surplus and additional core capital) and the planned annual result based on a rolling twelve-month view. In accordance with the logic of the going concern approach, part of the risk coverage capital is reserved for compliance with the regulatory minimum capital requirements and other deductible items (particularly intangible assets, non-controlling interests in equity and goodwill) and is not available for risk coverage. The remaining available or free risk coverage capital is allocated to the quantified risk areas. As of the December 31, 2022 reporting date, the free risk coverage capital amounted to EUR 610.0 million (previous year: EUR 752.4 million). Refinancing risk, model risk and other risks are taken into account in the risk-bearing capacity calculation by means of risk buffers.

Part of the risk-bearing capacity system is the consideration of stress tests findings from extraordinary but possible events. Risk Controlling develops classic scenarios (historical and hypothetical), which are approved by the Board of Directors. The focus is on analysing the causes of any high risk in the respective stress scenario.

In the course of the quarterly determination of the risk-bearing capacity, the following six stress test scenarios are calculated:

- #1 Severe economic downturn: This scenario assumes a severe economic downturn and stagnation in the years that follow, caused, for example, the financial difficulties of a major banking or financial services institution. It also assumes that growing financial market uncertainty is accompanied by higher risk premiums in the money and capital markets, rating downgrades, an implosion in exports and investment in both Germany and Europe. The ECB responds by increasing liquidity and lowering key interest rates. Unemployment rises sharply due to the severe economic downturn. The poor outlook and increasing uncertainty lead to a sharp decline in new business. Fraud would become more prevalent due to rage and desperation. Ultimately, the very poor outlook and growing strong insecurity would lead to a drop in new business.
- #2 Severe EU currency crises after Italexit: This scenario assumes the imminent bankruptcy of the Italian government leading to Italy's exit from the euro area. It also assumed that receivables against this country would need to be impaired to a large extent and followed by higher risk premiums in the money and capital markets, rating downgrades for Italian companies, banks and the government and a massive decline in the euro following the accompanying loss of confidence. The new Italian currency would depreciate significantly versus the euro. The increasing uncertainty would lead to a decline in new business. The ECB and, if necessary, local central banks respond with increased liquidity injections and a reduction in key interest rates.
- #3 A downturn in the IT sector: Due to industry-specific factors, there is a worldwide structural change in the IT industry. This leads to a global decline in demand for IT products, resulting in a domestic price reduction for IT products and, consequently, an increase in other risks. As a result of the declining market values and the decrease in the volume of new business, lower proceeds are generated from the disposal and subsequent leasing of the lease objects. This leads to a lower CM margin.
- #4 Reputational damage: This scenario was revised and escalated in the reporting year (previously: scenario "loss of investment grade status"). The scenario assumes reputational damage following a short-seller report, which means that refinancing via the capital market (bonds, commercial paper) is only possible with above-average credit spreads. In addition, expiring credit lines (revolving credit facilities) are extended by the refinancing partners at significantly less favourable conditions. It is assumed that new business will remain unchanged. In addition, the effects resulting downstream from the special audits by BaFin will lead to a temporary reclassification within the framework of the SREP. This worsens the quantitative classification, which leads to an increase in the additional capital buffer (SREP) of 3 percentage points. In addition, there are increasing administrative expenses as a result of measures imposed by the supervisory authority as well as costs for special audits.
- #5 Inflation: The scenario assumes a rise in inflation in the euro area as a result of drastic monetary and financial policy measures. The rise in share prices signals that people are increasingly investing in real assets. In addition, there is a significant decline in the savings rate due to the prevailing fear of inflation. This is accompanied by a rise in the consumption ratio due to increased demand

for durable consumer goods and brought-forward investments. GDP growth is the result. To avoid excessive lending, all European central banks abruptly increase the country-specific quotas for setting the institution-specific countercyclical capital buffer by 1 percent. Due to increasing investments in the euro area, the euro appreciates. The ECB reacts by raising key interest rates to absorb the excess liquidity in the market. The higher demand due to inflation is partially offset by the increased interest rate level and the loss of potential new customers who realise a purchase instead of leasing. New business is growing.

- #6 COVID-19 pandemic: In this scenario, government-imposed restrictions on public life lead to a drastic decline in economic activity worldwide. A large number of sectors are affected by direct restrictions or closures, including tourism, catering, passenger transport, culture, entertainment, retail and personal services. Downstream, manufacturing and international value chains (e.g. mechanical engineering, vehicle manufacturing) are affected by a decline on the supply and demand side.

In all of the stress test scenarios described above, the limit utilisation in the reporting year was below 100 percent of the amount of free risk coverage capital. In the most unfavourable scenario for the GRENKE Group (#2 Severe EU currency crisis after Italexit), the limit utilisation increases to 92 percent.

Due to the sharp rise in inflation in the 2022 financial year, we performed internal impact analyses on the object values and sensitivity analyses on GRENKE AG's customer portfolio, neither of which resulted in a material impairment of the business model.

In the course of the decline during the 2022 financial year and the temporary not reaching the early warning and recovery threshold for the net stable funding ratio (NSFR) liquidity risk indicator, we carried out further scenario analyses and forecast calculations. Based on the outcome of these, we took appropriate measures that stabilised the indicator after only a short time.

The sensitivity analyses of the stress test assessments represent example calculations with which the effects of individual risk factors are to be estimated. Sensitivity analyses were carried out on the basis of two risk factors as of December 31, 2022:

- Historical risk factors: Analysis of the impact of the increase in default probabilities and new business assumptions according to historical shifts from the severe economic downturn scenario.
- Hypothetical risk factors: Analysis of the impact of the increase in default probabilities and new business assumptions according to hypothetical shifts from the COVID-19 pandemic scenario (hypothetical industry-specific stress).

In the first scenario, the limit utilisation decreases by 3.7 percentage points, while in the second scenario, the limit utilisation according to the going concern principle increases by 4.2 percentage points. Risk-bearing capacity also existed under consideration of historical and hypothetical stress scenarios of individual relevant risk factors according to the going concern principle.

In addition, an inverse stress test is performed annually. This is based on the assumption that business activities cannot be continued. Based on this assumption, it is determined at which stress scenario level the threshold for the Company's discontinuance would be reached. This would especially be the case if the earnings strength decreases significantly, primarily in the context of new business development. There is currently uncertainty due to the overall European economic situation regarding the ongoing disruption of supply chains, the direct effects of the war in Ukraine and indirect effects of Russia's reactions to the sanctions taken by Western countries. There is no direct exposure to Ukraine or Russia. The increased energy prices as a result of Russia's gas supply freeze pose challenges for European industries and consumers and place a lasting burden on economic activity.

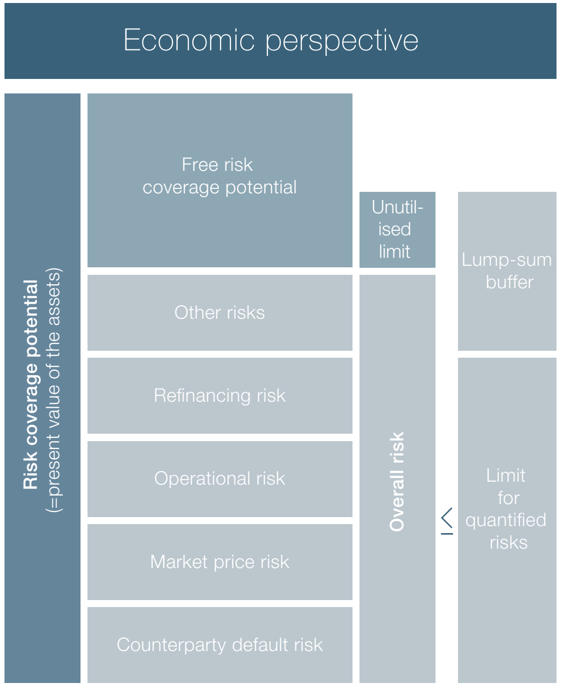
5.5 Risk-bearing capacity from an economic and normative perspective

As of the December 31, 2022 reporting date, our risk-bearing capacity concept changed to an enhanced risk-bearing capacity concept, consisting of a normative and an economic perspective. This concept is based on the guidelines for the supervisory assessment of internal bank risk-bearing capacity concepts published by BaFin on May 24, 2018.

While the assessment of the previous risk coverage potential (old term: risk coverage capital) was regulatory and accounting-oriented, the risk coverage potential from an economic perspective aims to determine the present value of all assets, liabilities and off-balance sheet items. In addition, there are differences in the quantification of risks in the reporting of the amount of quantified risks, especially credit risks, since a confidence level of 99.9 percent is assumed instead of the previous 99.0 percent. Another significant difference arises primarily in the method of calculating interest rate risks. The previous calculation of the interest rate risk was carried out via an interest rate shift in the periodic calculation of the net interest income. We are replacing this model with a historical simulation of the interest rate risks.

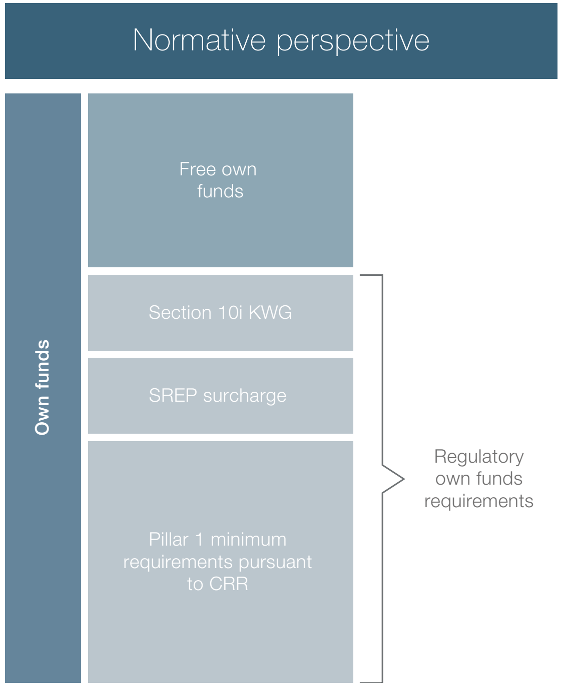
5.5.1 Economic perspective

The economic perspective of the risk-bearing capacity model introduced to the Consolidated Group as of the reporting date is characterised by a risk analysis in a liquidation approach and seeks to protect the creditors of the institution as required by MaRisk. The risk analysis includes risk components that are not or not fully reflected in regulatory or accounting terms. We determine both the risk coverage potential and the corresponding risks from an economic perspective and therefore separately from accounting. We measure the risks classified as material in the risk inventory at a confidence level of 99.9 percent with a holding period of one year or 250 days in a value-at-risk (VaR) approach. We take non-quantifiable risks into account in the form of a risk buffer. In addition, we supplement the measurement of the risks assumed with suitable stress tests. The coherent design of a conservative limit system enables us to manage the risks assumed in accordance with the available risk coverage potential and the risk strategy. The economic risk-bearing capacity exists as long as the entire risk can be covered by risk coverage potential. The risk coverage potential consists of relevant present value assets (including present value of the interest book, residual value proceeds and commissions) less the present value of liabilities (including present value of administrative cost and of risk premium).



5.5.2 Normative perspective

In the normative perspective of the risk-bearing capacity model introduced as of the reporting date, we assess the ability of the Consolidated Group to continue as a going concern while complying with capital-related, legal obligations and regulatory requirements. This assessment takes place in an internal process similar to capital planning, in which we consider a base scenario and two adverse scenarios ("sustained reputational damage" and "severe economic loss") with a time horizon of three years. Relevant control parameters of the normative perspective are, above all, the capital parameters Tier 1 capital requirement, total capital requirement, and the combined buffer requirement, as well as all structural requirements related to capital, such as the maximum leverage ratio and large exposure limits. The normative perspective is generally regulatory or accounting-oriented.



5.6 Risk situation of the GRENKE Group in the 2022 reporting year

In the risk-bearing capacity calculation according to the going concern principle, the GRENKE Group's total risk on a gross basis increased slightly to around EUR 387 million as of the December 31, 2022 reporting date (previous year: EUR 366 million). The slightly higher overall risk is primarily due to the increase in new business in the reporting year, as a result of which the Consolidated Group's receivables volume as of December 31, 2022 rose by 1.8 percent compared to the previous year. The credit risks also increased slightly by 2 percent. Credit risks accounted for 89 percent of total risks (previous year: 87 percent), which means that they continued to be by far the most important risk type for the Consolidated Group. With a share of around 11 percent (previous year: 17 percent), operational risks continued to be the second most important risk type for the Consolidated Group. The share of market risks (interest rate and currency risks) was less than 1 percent (previous year: 1 percent).

Buffers exist for significant other and operational risks, as well as for refinancing risks. In the context of operational risks, buffers for model risks of EUR 10 million were estimated. With regard to other risks, risk buffers for reputational risks of EUR 30 million and for business and strategic risks of EUR 22 million were applied. As in the previous year, the buffer for refinancing risks is EUR 11 million.

The total limit utilisation in the risk-bearing capacity calculation in the regulatory normal scenario based on the going concern principle was 75 percent at the end of 2022 (previous year: 72 percent). The slight increase in risk utilisation compared to the previous year resulted primarily from the slightly higher overall risk due to the higher new business in the reporting year. The overall risk utilisation of permanently less than 95 percent specified in the Consolidated Group's risk strategy valid as of the reporting date was thus adhered to.

As in the previous year, no risks were present as of the December 31, 2022 reporting date, that would endanger the existence of the Consolidated Group or a significant group company.

5.6.1 Economic perspective

The GRENKE Group's risk coverage potential from an economic perspective amounted to EUR 1,644 million. After deducting the economic capital requirements (risk limits), a free risk coverage potential of EUR 523 million (32 percent of the total risk coverage potential) remains, which can be used to cover further risks.

The limit utilisation for credit risks of approximately EUR 611 million was 66 percent as of the reporting date. The limit utilisation for market risks of approximately EUR 47 million was 70 percent as of the reporting date. The total risk as of December 31, 2022 amounted to EUR 699 million and the total limit utilisation was 67 percent. As of the reporting date, the risk-bearing capacity exists.

5.6.2 Normative perspective

The GRENKE Group's risk-bearing capacity exists according to the normative perspective for both the base scenario and the two adverse scenarios as of December 31, 2022.

The risk coverage potential from the normative perspective consists of the regulatory capital, i.e. the previous Pillar 1 requirement (Tier 2 and Tier 1 capital) and the Pillar 2 requirement (P2R) resulting from the Pillar 1 plus approach according to SREP. The increased capital requirements according to Section 10 (3) and (4) KWG, the SREP total capital requirements as well as the combined capital buffer requirements according to Section 10 I (1) KWG can be met with the existing or planned capital structure for the scenarios considered in all planning years (2023 to 2025). In addition, the regulatory structural requirements are also met at all times in all scenarios considered.

The GRENKE Group's minimum capital requirement and the resulting capital of the plan scenario and the adverse scenario "sustained reputational damage" increase continuously throughout the planning years 2023 to 2025. Since the two adverse scenarios are characterised by new leasing business growth, the risks also increase over time as a result of the growth in total risk positions for which the minimum capital must be maintained. The capital ratios of the underlying scenarios are declining over the planning years. The reason for this is that the increase in required minimum capital is higher than the resulting capital in the scenario.

In contrast, the minimum capital requirements and the available capital decrease in the "severe economic loss" scenario. This is due to the fact that the minimum capital to be held relates to the amount of the total risk position. Since this adverse scenario is characterised, among others, by a lower or no growth in new leasing business and thus the total risk positions decline over time, the minimum capital to be held decreases. The capital ratios of the underlying scenario remain stable throughout the planning years. This is due to the fact that the required minimum capital resulting from the decreasing risks as a consequence of the declining total risk positions declines to approximately the same extent as the available capital of the scenario.

Overview of the GRENKE Group's Risks

Credit risks	Potential losses that may arise primarily from the default or deterioration in creditworthiness of borrowers, lessees or debtors.
Market risks	Potential losses that may result from uncertainty about the future development (level and volatility) of market prices (mainly interest rates and foreign exchange rates).
Liquidity risks	Potential losses that may arise due to liquid funds being missing or more expensive to obtain than expected, to meet payment obligations as they fall due.
Operational risks	Potential losses that may arise from the inadequacy or failure of internal processes, people and systems or as a result of externally driven events.
Other material risks	
Business and strategic risks	Potential losses due to unexpected development of results that are not covered by other types of risk. In particular, this includes the risk that losses cannot be countered due to changes in key framework conditions (e.g. economic and product environment, customer behaviour, competitive situation) and/or due to inappropriate strategic positioning.
Reputational risks	Potential losses to an institution's earnings, own funds and liquidity as a result of damage to the institution's reputation.

5.7 Credit risks

5.7.1 Risk definition

Credit risk in a broader sense can be defined as the potential loss that can primarily occur as a result of the default or deterioration in the solvency of borrowers or debtors. The GRENKE Group is especially subject to this risk with on-balance sheet and off-balance sheet customers and proprietary businesses, whereby the on-balance sheet leasing business is dominant. In addition to credit risk, the GRENKE Group also considers migration risk as a material risk. In addition, despite the broad diversification of the customer portfolio, we have also classified credit concentration risk as material in the risk inventory carried out in the 2022 reporting year. We identify concentrations at the level of the customer/partner, the sector, and the country of the respective receivable.

5.7.2 Risk management

To manage the risks of its business, the GRENKE Group places a high value on the measurement and expectation of losses due to default or credit deterioration of its customers. The Consolidated Group defines credit risk in a narrower sense as the potential negative difference between losses expected and those that actually occur. Therefore, the strategic goal is to keep the gap between expected and actual losses from credit risk as low as possible. This is a prerequisite for the Consolidated Group to be able to generate a risk premium that is adequate for the risk.

In addition, the Consolidated Group counters possible credit concentration risk by diversifying its business across countries, industries, products and customers and by focusing on individual small-ticket exposure.

Credit concentration risk occurs particularly in connection with the proprietary business portfolio and is methodically taken into account within the framework of the credit portfolio.

Migration risk, which is classified as material according to the going concern principle, is assessed alongside the mapping of credit rating deteriorations via the IFRS 9 levels within the framework of risk provisioning as well as within the framework of the stress scenarios in terms of a historical increase in the risk parameters. In the 2022 reporting year, migration risk was taken into account for the first time in the risk-bearing capacity model via the economic perspective of the ICAAP.

We manage the credit concentration risks for our focus countries Germany, France, Italy, Spain, Switzerland and the United Kingdom in aggregate by means of a limit defined as a maximum proportion of the total receivables portfolio. In the 2022 reporting year, this limit was 75 percent and was complied with throughout the reporting year.

Credit risks are assessed as part of the risk-bearing capacity assessment using an internal rating-based approach (Vasicek/Gordy formula) in accordance with Articles 153 and 154 of EU Regulation 575 / 2013 (CRR). Key risk parameters of the approach are the probability of default (PD) and the loss given default (LGD). These parameters are estimated using statistical models, whereby a conservative approach is taken by applying a premium to sufficiently take into account the regulatory topic of economic downturn phases. The approach we use in the economic perspective, however, is a hybrid model consisting of the credit metrics model with Monte Carlo simulation to determine the credit default risks of the 100 largest individual exposures and an internal rating-based model using the Vasicek/Gordy formula to determine the credit default risks of small exposures, which is applied to the remaining portfolio and thus essentially to the retail business. The main risk parameters in the economic perspective are identical to those based on the going concern principle.

The estimated credit default risk including the growth assumption under the going concern principle amounted to EUR 344.2 million as of December 31, 2022 (previous year: EUR 319.7 million) and EUR

611.1 million from the economic perspective of the ICAAP (without growth assumption). The increase in credit default risks according to the going concern principle, as described in chapter 6.1.4, was primarily due to the higher volume of new business in the reporting year compared to the previous year.

5.7.3 Receivables volume – GRENKE consolidated statement of financial position

The GRENKE Group's receivables volume totalled EUR 5.9 billion as of December 31, 2022 (previous year: EUR 6.3 billion). Equalling approximately EUR 5.2 billion (previous year: EUR 5.1 billion), the majority of the receivables volume was attributable to current and non-current lease receivables.

Receivables volume – GRENKE consolidated statement of financial position

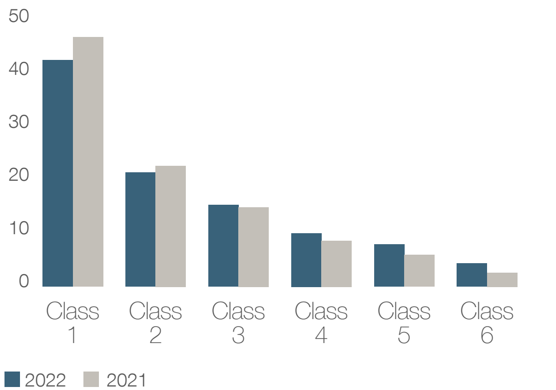
EURk	Dec. 31, 2022	Dec. 31, 2021
CURRENT RECEIVABLES		
Cash and cash equivalents	448'844	853'071
Lease receivables	1'985'059	1'963'532
Financial instruments with positive fair value	10'727	5'331
Other current financial assets	124'832	169'119
Trade receivables	6'531	6'050
TOTAL CURRENT RECEIVABLES	**2'575'993**	**2'997'103**
NON-CURRENT RECEIVABLES		
Lease receivables	3'258'885	3'155'440
Other non-current financial assets	84'865	97'059
Financial instruments with positive fair value	27'232	4'878
Investments accounted for using the equity method	0	162
TOTAL NON-CURRENT RECEIVABLES	**3'370'982**	**3'257'539**
TOTAL RECEIVABLES VOLUME	**5'946'975**	**6'254'642**

As of the December 31, 2022 reporting date, cash and cash equivalents included a Bundesbank deposit of EUR 326.6 million (previous year: EUR 639.3 million), the amount of which results from the liquidity coverage requirements in accordance with Delegated Regulation (EU) 2016/322 and other items. Other cash and cash equivalents, with the exception of EUR 37.6k cash on hand (previous year: EUR 14k), consisted of credit balances at domestic and foreign banks. Financial instruments with positive fair values represented the Consolidated Group's derivatives carried at their fair value as of the reporting date.

The GRENKE Group assesses the creditworthiness of its customers by calculating forecast values for payment defaults. Lessees and customers in the lending business are assigned score classes from 1 to 6 with regard to their creditworthiness. Score class 1 corresponds to the best possible rating and score class 6 to the worst rating. The score classes are adapted to the specific circumstances of each country. A comparison across national borders is therefore not possible without further details. As of the December 31, 2022 reporting date, the average decision value for new business, based on the number of concluded lease contracts, was 2.34 (previous year: 2.14). The slight increase in the value compared to the previous year is due to the fact that in the reporting year, the Consolidated Group gradually increased its sales activities again and also acquired more higher-risk new business.

New leasing business according to risk classes

per 31 December 2022



The distribution of GRENKE Group's new business according to volume class is shown in the table below.

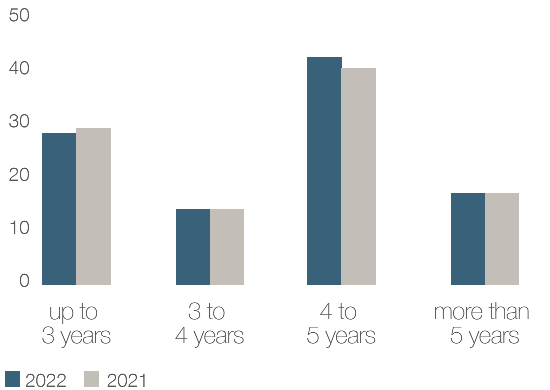
New business by volume class (based on net acquisition values)

Percent	Dec. 31, 2022	Dec. 31, 2021
EURk <2.5	5.24	6.60
EURk 2.5–5	13.39	13.97
EURk 5–12.5	22.08	23.34
EURk 12.5–25	19.50	19.96
EURk 25–50	16.16	15.22
EURk 50–100	11.88	10.80
EURk 100–250	8.90	7.09
EURk >250	2.85	3.02

As the receivables from the factoring business are of a short-term nature, the breakdown of the receivables from new business according to maturity is based exclusively on the Leasing and Banking segments. The average term of the new business contracted in the reporting year was 48 months (previous year: 48 months).

New leasing business by maturity class (based on net acquisition values)

at 31 December 2022



5.7.4 Leasing business

A share of 88 percent of the GRENKE Group's total receivables volume as of December 31, 2022 was attributable to lease receivables (previous year: 82 percent). Accordingly, the Consolidated Group considers the credit default risk of its lessees to be the most significant business risk. This risk is assessed and managed on the basis of statistical models. Country-specific logistic regression models based on both internal and external data are predominantly used. Country-specific models can be used if there is a contract portfolio with a sufficiently large number of contracts that is also sufficiently mature for statistical evaluation. In the overall result, the models used by the Consolidated Group lead to a forecast value of future default losses, which are taken into account as risk costs in the contribution margin calculation. Decision-making powers for the conclusion of contracts gradually increase with the rise from the sales staff to the Board of Directors in the form of powers of attorney and serve as a further instrument to limit risk.

A review of credit risk is performed regularly and at least once per quarter based on actual losses. This system is continually enhanced by GRENKE.

Target/actual comparisons are carried out continually for all portfolios, in which the initially expected credit losses are compared with the updated loss expectancy. Findings from this comparison flow into statistical models and continuously improve them. The plan ensures that the ongoing costs of operations can still be generated even when the actual losses significantly exceed the expected losses.

Throughout the Group, the aim is to achieve the broadest possible portfolio diversification when contracting leasing agreements based on the following:

- Lessees: Diversified portfolio of lessees consisting of business and corporate clients (B2B)
- Resellers/manufacturers: No individual dependencies
- Leased assets: No significant outstanding residual values (full cost recovery); maintenance and warranty risks are always borne by suppliers/manufacturers; leased assets are seen as part of the lessees' value chain
- Categories of lease items: IT products, small machinery and systems and medical devices
- Lease agreements: A large number of current contracts with an average contract term of roughly four years and a focus on small tickets below EUR 25k each
- Sales channels: A variety of sales channels with an extensive network of resellers, direct business and brokers
- Geographic presence: The GRENKE Group is represented in all major European economies with locations in 33 countries worldwide

The business model's focus on small-ticket leasing naturally minimises the possibility of risk concentration. This is reflected in the low mean acquisition value per lease contract concluded by the GRENKE Group. At EUR 8,557, this was higher in the 2022 financial year compared to the previous year's level of EUR 7,744. The increase in the average ticket size represents a normalisation of ticket sizes towards a pre-2019 level. The GRENKE Group had no individual lessee whose total exposure accounted for more than one percent of the Consolidated Group's equity. At the end of the 2022 financial year, there were 42 borrowers in the Leasing segment whose exposure exceeded EUR 1.5 million. In total, they accounted for less than 2.5 percent of the total exposure to leases. In the case of sales partners, the Consolidated Group also monitors its dependence on individual resellers and agents with regard to possible risk concentrations. The largest reseller for the GRENKE Group accounted for a share of only 0.64 percent of the total new business volume at the end of the 2022 financial year. The 20 largest resellers accounted for a total share of 5.45 percent of new leasing business in 2022 (previous year: 5.78 percent).

The majority of finance leases concluded provide for full economic cost recovery. This means that payments made by the lessee during the basic lease period, including the guaranteed residual values, exceed the acquisition and contract costs. Accordingly, there are no material residual value risks in the GRENKE Group's leasing business model. In accordance with IFRS 16, residual values are calculated for the recognition of lease receivables on a portfolio basis. Therefore, over the total period, gains/losses from disposals do not contribute a material amount to earnings.

The expected losses for the GRENKE Group's 2022 new business portfolio averaged 5.0 percent (previous year: 4.5 percent) in relation to the acquisition costs of the leased assets and for the entire contract term of 48 months on average (previous year: 48 months). The level of the average expected default losses in the reporting year 2022 is consistent with the value of 5.1 percent determined for the fourth quarter of the previous reporting year.

To determine the risk provision for lease receivables in accordance with IFRS 9, these are divided into three levels depending on their respective credit risk. Impairment losses for leases in Level 1 correspond to the expected loss for a twelve-month period. For lease receivables in Level 2, a risk provision is recognised in the amount of the expected loss for the entire remaining contract term. For Level 3 lease receivables, the expected losses are recognised as risk provisions. As of the reporting date December 31, 2022, 90.3 percent of the net receivables volume of the Leasing segment was allocated to Level 1 (previous year: 90.1 percent). Levels 2 and 3 accounted for 6.3 percent (previous year: 6.4 percent) and 3.4 percent (previous year: 3.5 percent), respectively. In the reporting year, income from the reversal of risk provisions for the leasing business amounted to EUR 53.3 million. In the previous year, expenses of EUR 35.0 million were recorded from the recognition of risk provisions. The risk provision recognised in the pandemic was gradually released due to the macroeconomic uncertainties. At the end of the 2022 financial year, impairments amounted to EUR 484.6 million (previous year: EUR 538.7 million).

With regard to country risks, at the end of the 2022 financial year these risks were concentrated in the countries of Germany, France, Italy, Spain, Switzerland and the United Kingdom, which together accounted for 74 percent of the total volume of receivables in the leasing business.

5.7.5 Lending business

GRENKE BANK AG represents an important strategic pillar of the GRENKE Group's refinancing strategy through the purchase of intragroup lease receivables. In addition, the receivables resulting from GRENKE BANK AG's lending business mainly consist of microloan and business start-up financing as well as SME loans. Accordingly, credit default risks represent the material financial risk of GRENKE BANK AG.

In cooperation with Mikrokreditfonds Deutschland and selected microfinance institutions, GRENKE BANK AG has been granting microloans of up to EUR 25k to SMEs since 2015. Processing and refinancing are carried out on behalf of the Federal Republic of Germany. The credit default risk is borne entirely by the Microloan Fund Germany. GRENKE BANK AG's receivables volume from the microloan business amounted to EUR 94.4 million at the end of 2022 (previous year: EUR 76.1 million). As a financing partner for SMEs, GRENKE BANK AG also offered loans on its own account to SMEs until 2020. At the end of 2020, GRENKE BANK AG made the strategic decision to largely discontinue the SME lending business and to focus its lending activities primarily on the microloan business. GRENKE BANK AG's remaining receivables volume from the SME lending business amounted to EUR 19.0 million at the end of 2022 (previous year: EUR 32.9 million). GRENKE BANK AG's lending business also has a focus on the small-ticket segment, with the average receivables volume at customer level at EUR 7k as of December 31, 2022 (previous year: EUR 7k).

The expected credit loss model is applied to determine loan loss provisions for receivables from GRENKE BANK AG's lending business. GRENKE BANK AG's loan loss provisions for the traditional lending business amounted to EUR 14.2 million in the 2022 reporting year (previous year: EUR 2.1 million). The year-on-year increase was mainly due to additional risk provisions due to uncertainties pertaining to company loans. Total impairments as of the reporting date amounted to EUR 28.2 million (previous year: EUR 14.0 million).

5.7.6 Factoring business

The GRENKE Group's factoring business also focuses on the small-ticket segment. In addition to its own subsidiaries in Germany, Switzerland, the United Kingdom, Ireland, Poland and Hungary, GRENKE Bank branches in Italy and Portugal provide factoring services. For the most part, the Consolidated Group's factoring companies process factoring contracts with domestic customers. They mainly offer "notification factoring", in which the invoice recipients (debtors) are notified of the assignment of existing receivables. Under certain conditions, contracts are also offered in the form of non-notification factoring, in which the debtor is not notified of the assignment of the existing receivable to the factoring company. The range of services also includes recourse factoring, where the del credere risk remains with the factoring customer. As of December 31, 2022, the portfolio of factoring receivables for all companies amounted to EUR 95.1 million (previous year: EUR 78.6 million).

The main criteria for selecting customers in the factoring business include creditworthiness, average annual turnover, industry affiliation and the debtor base of the potential factoring customer. The ongoing monitoring of the customer allows for risk-adjusted terms and conditions. As part of the credit decision, the creditworthiness of the factoring client's debtors is checked on the basis of data from external credit agencies and freely accessible information, which is evaluated with the support of the Consolidated Group's credit centre above certain amount limits. During the term of the contract, the creditworthiness of the debtors and customers is continuously checked and evaluated on the basis of their payment history and other indicators.

As of December 31, 2021, there were eight customers in the Consolidated Group's factoring business with receivables of more than EUR 1.0 million, accounting for 7.7 percent of total factoring receivables.

For the expected losses from factoring receivables, impairment losses are recognised on the basis of the 12-month expected credit loss. As factoring receivables are short-term receivables, the 12-month expected credit loss corresponds to the lifetime expected credit loss. Impairments in the factoring business amounted to EUR 3.5 million as of the December 31, 2022 reporting date (previous year: EUR 4.0 million), and the income from reversing risk provisioning in the reporting year was EUR 0.5 million (previous year: EUR 0.3 million).

5.7.7 Investments

As of the reporting date, the GRENKE Group held a 13.7 percent interest in Munich-based Finanzchef24 GmbH via GRENKE BANK AG, which was included in the consolidated financial statements. In the reporting year, the GRENKE Group sold its minority interest of 30.04 percent in finux GmbH to a co-shareholder.

5.8 Market risks

5.8.1 Risk definition

Market risk is defined as potential losses that may result from uncertainty about the future development (amount and volatility) of market prices. Financial market price fluctuations can have a significant effect on cash flow and the Group's earnings. Of particular importance are changes in interest rates and certain currencies. The Consolidated Group is not subject to risks from changes in share prices or in the cost of raw materials.

5.8.2 Risk management

The GRENKE Group's strategic approach is to enter into market risk exclusively in conjunction with the operating business and reduce these risks to minimum. As part of the risk management and ongoing monitoring of interest and currency positions, the Consolidated Group actively manages its positions and risk (for example, by hedging open currency positions) in the course of its ordinary business.

The GRENKE Group's goal is for the Group's earnings to have the lowest level of sensitivity to the volatility of market prices possible. This means that while maintaining an appropriate relationship between the costs and benefits of hedging relationships, Group earnings should be as unaffected as possible by developments in the interest rate and currency markets.

The predominant market risks and the outstanding interest rate and currency risk positions are discussed at least once monthly with the responsible member of the Board of Directors and the Treasury and Corporate Risk Management departments.

5.8.3 Derivatives for hedging purposes

The Consolidated Group uses derivative financial instruments specifically when ordinary business activities involve risks that can be reduced or eliminated through the appropriate derivatives. The sole instruments used are interest rate and currency swaps and forward exchange contracts. Each derivative contract relates to an underlying economic transaction with a corresponding opposing risk position. The contract partners are banks with predominantly good or very good credit ratings with an S&P rating starting at BBB+. Further details on market risks and specifically interest rate and currency risk management are presented in Note 7.3 "Derivative financial instruments" in the notes to the consolidated financial statements".

5.8.4 Interest rate risk

The GRENKE Group's interest rate risk results from the effects of changes in market interest rates on the positions in the interest book (interest-bearing asset and liability items on the statement of financial position) and the corresponding effects on net interest income. The GRENKE Group does not engage in maturity transformation to generate net interest income but instead strives for financing with matching maturities. For this reason, the effects of future interest rate developments affect only the portfolio to be contracted in the future.

A sensitivity analysis is prepared to conduct risk assessments using a 100 basis point (1 percentage point) parallel shift in the interest rate curve. The analysis is based on ceteris paribus assumptions, in which the shift in the interest rate curve is considered independently of any compound effects on other interest rate-induced market developments. The analysis also assumes that all other influencing factors, especially exchange rates, remain constant. The actual effects on the consolidated income statement can deviate significantly from this due to the actual development. A 100 basis points (bps) change in interest rates in the 2022 reporting year would have increased or decreased the equity and annual earnings before income taxes for the year by EUR 2.7 million and EUR 3.6 million. As of the December 31, 2021 reporting date, this effect amounted to approximately EUR 3 million.

See table "Interest rate risks and their impact on the annual earnings and equity before income taxes".

Interest rate risks and their impact on the annual earnings and equity before income taxes

	Annual earnings before income taxes		Equity before income taxes	
EURK	+100 BP	–100 BP	+100 BP	–100 BP
DECEMBER 31, 2022				
Variable-rate instruments	–2’747	2’747		
Fair value measurement of interest rate swaps			3’567	–3’593
DECEMBER 31, 2021				
Variable-rate instruments	–2’933	2’933		
Fair value measurement of interest rate swaps			0	0

The issue of bonds and the contracting of interest rate swaps are part of implementing the Consolidated Group’s risk strategy, in which liquidity procurement and interest rate hedging are carried out separately. This gives the GRENKE Group a high degree of flexibility to optimise its refinancing. Any resulting risks (variable interest-related cash flows) are hedged using suitable interest rate derivatives. Because designated hedging transactions have proven to be almost 100 percent effective, any changes in the fair value of interest rate derivatives as hedging transactions were recognised directly in equity based on their clean value (excluding accrued interest).

Under the ABCP programmes with Helaba (Opusalpha Purchaser II), HypoVereinsbank/UniCredit Bank AG (Elektra) and one of the two ABCP programmes with DZ Bank (CORAL Purchasing (Ireland) 2 DAC and HSBC France (Regency), the GRENKE Group is responsible for interest rate hedging and, therefore, interest rate risk management. The ABCP transaction serves as the underlying floating-rate transaction, whereas cash flows are hedged using interest rate swaps. Under both ABCP programmes with SEB AG (KEBNEKAISE FUNDING LIMITED) and in one of the two ABCP programmes with DZ Bank (CORAL Purchasing [Ireland] 2 DAC), interest rate swaps are used to limit the risk of changes in interest rates. GRENKE AG is not the counterparty to these swaps.

When contracting the interest rate swaps, the focus is always on the parameters of the underlying transaction dictated by the financing (liabilities). Therefore, interest rate terms of the swaps on the variable side are largely identical to those of the underlying transaction. Furthermore, the swap volume contracted is never greater than the volume of the hedged financing. Existing and planned refinancing transactions are actively incorporated into risk management, and the related hedge relationships are subject to ongoing analysis in the form of quarterly effectiveness tests using a method permitted under IFRS.

The open interest positions according to the internal definition are evaluated monthly and any need for action is derived on this basis. Hedging transactions decided by the Board of Directors are then carried out by the Treasury team.

Interest rate risk is quantified quarterly within the framework of the risk-bearing capacity calculation on the basis of the value-at-risk approach. Here, in accordance with the going concern principle, the change in the respective risk parameter (respective reference interest rate) is determined by means of a historical simulation at a confidence level of 99.0 percent with a specified holding period of 250 days and presented as an absolute shift in basis points. Since the historically derived risk shifts are considered too low, the procedure was adjusted so that falling interest rates are mirrored and assumed as rising interest rates. From the economic perspective, the hedging transaction with its cash flows is determined in the historical simulation at the confidence level of 99.9 percent with a holding period of 250 days. In addition, all standard interest rate shock scenarios of the EBA Guideline 2018/02 and the BaFin circular 06/2019 are calculated. In addition to the parallel interest rate shift of 200 basis points, these also include various rotations of the yield curve. The result of the standard regulatory interest rate shock of +200 basis points is -4.10 percent, and the result of the standard regulatory interest rate shock of -200 basis points is +4.32 percent. With a risk horizon of one year, the estimated maximum loss for the Consolidated Group at the end of 2022 based on the going concern principle and at a confidence level of 99.0 percent was EUR 1.5 million (previous year: EUR 2.9 million) and EUR 46.1 million from the economic perspective at a confidence level of 99.9 percent. The higher value of the interest rate risks applying the economic perspective versus the going concern principle as of December 31, 2022, resulted mainly from the above-mentioned change in methodology for determining interest rate risks (cf. Chapter 5.5.1). In addition, there was an increase in the general interest rate level in the 2022 reporting year, which led to higher refinancing costs for the Consolidated Group. Passing this increased interest costs on to customers through the contract conditions for new business, can only occur with a time lag and taking the competitive situation into account. Due to the GRENKE Group's refinancing mix, which includes a large proportion of long-term interest rate hedged refinancing instruments, the increased interest rate level had only a limited effect on interest rate risk. We will continue to enter into interest rate swaps in the future to stabilise interest rate risk. Furthermore, GRENKE AG plans to increase its presence on the capital market again in the 2023 with the placement of long-term bonds.

5.8.5 Currency risks

Due to the international orientation of its business, the GRENKE Group has open foreign currency positions and is exposed to currency risks accordingly. Internally defined hedging strategies are used to limit or eliminate these risks. The derivatives used are recognised on the balance sheet as of the reporting date at their fair values under the line items financial assets or financial liabilities. In the larger markets, such as Great Britain, the Consolidated Group refinances the new business acquired in local currencies. The subsidiaries generally conduct their business in the respective local markets rather than internationally (cross border), which excludes currency risks almost entirely.

Currency risks exist mainly in the area of financing for Group companies that operate outside the eurozone. The hedging of open foreign currency cash flows is carried out on the basis of internally defined hedging limits, which take effect from a balance at the daily rate of the equivalent of EUR 500k per currency. The exchange rate for the majority of internal financing in Australia, Canada, Chile, Switzerland, Denmark, Great Britain, Sweden, Singapore, Poland, the USA, the United Arab Emirates, Czechia and Hungary is fixed. In addition, external agreements exist in Brazil, Chile, Poland, Croatia, Switzerland and the United Kingdom for lease refinancing in local currency, which do not lead to any direct currency risk from the Consolidated Group's perspective. Here there are only risks for the respective open tranches, and the hedging limit of EUR 500k applies. Brazil, Chile, Poland and Croatia are only affected by currency risks in direct lease refinancing to a very limited extent, as there are agreements for lease refinancing in local currency. GRENKE BANK AG grants loans in local currency to the Consolidated Group companies in Turkey and Croatia. Here, all cash flows are hedged at fixed exchange rates via forward exchange contracts. The lease contracts concluded in Norwegian kroner are also hedged on the basis of internally defined hedging limits.

Currency risk resulting from the cash flows of the issued foreign currency bonds is fully hedged by the simultaneous conclusion of cross-currency swaps with matching maturities.

In general, risks arise from currency fluctuations related to financial assets and receivables, onerous contracts denominated in foreign currency and from the translation of the Consolidated Group companies' financial statements. The use of derivatives (forward exchange contracts and currency swaps are used for currency risk) lessens the market sensitivity of the underlying transaction, i.e. cash flows from financial assets and receivables. Ideally, the instruments are offset almost entirely.

Currency risk is quantified quarterly within the framework of the risk-bearing capacity calculation on the basis of a value-at-risk approach. To identify open positions that are subject to foreign currency risk, cash flows in foreign currency are compared with the forward exchange transactions concluded. For each currency position, the corresponding confidence level is calculated using historical exchange rate fluctuations. In addition, various stress scenarios such as an ad hoc exchange rate shift of 25 percent are simulated. As of the reporting date of December 31, 2022, the VaR calculation based on the going concern principle, a confidence level of 99.0 percent and a risk horizon of one year resulted in an estimated currency risk across the various foreign currencies relevant to the Consolidated Group of EUR 0.8 million (previous year EUR 1.0 million). The estimated currency risk across the various currencies relevant to the swaps Group at a confidence level of 99.9 percent and a holding period of one year from the economic perspective is also EUR 1.1 million. Due to the aforementioned strict volume limits for foreign currency holdings and a historical focus on euro countries, foreign currency risk remained low in the reporting year, despite strong exchange rate fluctuations.

Foreign currency sensitivities and their impact on the annual earnings before income taxes

	2022		2021	
EURk	Appreciation	Depreciation	Appreciation	Depreciation
GBP	–994	995	–1'128	1'128
HUF	–1'128	1'139	–595	603
CHF	108	–108	–94	94
SEK	103	–70	–97	150
TRY	–751	605	–1'074	942
DKK	294	–247	374	–313

5.8.6 Foreign currency sensitivity analysis

Management has concluded that the Consolidated Group's primary material exposure to foreign exchange rate risk is related to the British pound (GBP), Hungarian forint (HUF), Swiss franc (CHF), Swedish krona (SEK), Turkish lira (TRY) and Danish krone (DKK). The selection of currencies was based on the potential impact on the analysis and on the size of the volume of lease receivables in the respective country.

The table shows the sensitivity of a ten percent appreciation or depreciation of the euro against the respective other currencies as of December 31, 2022 and during the reporting period from a Consolidated Group perspective and its impact on the annual earnings before income taxes.

See table "Foreign currency sensitivities and their impact on the annual earnings before income taxes"

The impact on annual earnings before income taxes shown results from the changes in the fair value of monetary assets and liabilities, including those that are foreign currency derivatives not designated as hedging transactions or from actual cash flows that were recognised in whole or in part in profit or loss in the reporting period and converted during consolidation into euros. At the same time, all other influencing factors were kept unchanged, particularly interest rates. The influence of projected sales and purchase transactions is not considered. Changes in the values of cross-currency swaps have no material effect on earnings before taxes, as these swaps are accounted for as hedges. Changes in the values of swaps have a direct impact on the Consolidated Group's equity.

5.9 Liquidity risks

5.9.1 Risk definition

Liquidity risk is defined as the potential loss that may result from a lack of liquidity or liquidity that can only be generated at higher-than-anticipated costs in order to meet payment obligations when due. Consequently, the GRENKE Group defines liquidity risk as insolvency risk (liquidity risk in the strict sense) and refinancing risk.

5.9.2 Liquidity management

The Consolidated Group's liquidity management is based on the three pillars of money and capital market programmes, the sale of receivables, and financing via GRENKE BANK AG. Thanks to this diversified refinancing structure, the Consolidated Group was able to raise sufficient liquidity for its global business and meet its payment obligations at all times in the 2021 reporting year.

In the case of the bonds and promissory note loans issued by the GRENKE Group and its subsidiaries, GRENKE was not obliged to comply with certain financial and regulatory ratios (such as equity, debt, or profitability ratios, known as "financial covenants"). In this respect, there is currently no risk of potentially not complying with such obligations. As with market risks, liquidity risks are mitigated by the principle of not engaging in any significant maturity transformation. Liquidity risks are managed operationally by the Treasury department and strategically by the Board of Directors. The Corporate Risk Management & Regulatory team monitors liquidity risks as part of monthly liquidity risk reporting.

5.9.3 Short-term liquidity

Liquidity risk management consists of the day-to-day management of incoming and outgoing payments. A liquidity overview is prepared for short-term reporting on the first working day of the calendar week and is discussed by the Board of Directors. The overview includes all of the relevant information on the short-term cash developments expected in the following weeks. The weekly liquidity overview gives the Consolidated Group's current liquidity status and focuses on cash flows from the leasing business. Wages and tax payments are also taken into account.

Reporting distinguishes between three liquidity levels:

- Liquidity 1 (cash liquidity): Money in all accounts plus overdraft facilities at banks and all "immediately" (time horizon of approx. one week) flowing funds.
- Liquidity 2: Liquidity 1 plus cash flows due or to be received up to the one-month horizon and those tied assets that can be monetised without significant losses in value at the one-month horizon.
- Liquidity 3: Liquidity 2 plus cash flows that are not due or received by one month's notice and plus those tied assets that require more than one month to monetise without significant loss of value.

Liquidity levels

Eurk	Dec. 31, 2022	Dec. 31, 2021
Liquidity 1 (cash liquidity)	294'416	443'421
Liquidity 2 (up to 4 weeks)	349'176	655'920
Liquidity 3 (more than 4 weeks)	894'041	827'542

The decrease in liquidity in liquidity levels 1 and 2 was due to the strategic decision to use the very high level at December 31, 2021 to refinance new leasing business and thus to reduce the level of cash liquidity again in the course of the year.

In addition, short-term liquidity is managed within the framework of the Liquidity Coverage Ratio (LCR). The LCR aims to ensure short-term solvency at all times in a stress scenario of 30 calendar days. The LCR is calculated by dividing the liquidity buffer by the net outgoing payments (liquidity gaps). The LCR minimum ratio is 100 percent, i.e. the liquidity buffers from unencumbered, first-class and highly liquid assets (Bundesbank funds) must fully cover the net payment outflows (liquidity gaps). In this respect, the LCR serves as a limit for the cumulative liquidity shortfall. The GRENKE Group's liquidity buffer amounted to EUR 320.7 million as of the reporting date of December 31, 2022 (previous year: EUR 628.9 million) and consisted exclusively of Level 1 assets, i.e. Bundesbank balances and cash on hand. As of the December 31, 2022 reporting date, the LCR was 220.57 percent (previous year: EUR 521.73 percent). The LCR minimum ratio of 100 percent was complied with at all times in 2022.

The main sources of refinancing to secure short-term solvency are cash holdings, the syndicated revolving credit facility in EUR, CHF and GBP, revolving credit facilities in BRL, CHF, CLP, DKK, GBP, HUF, PLN, and SEK, and overdraft facilities in BRL, EUR, GBP, HUF and HRK. Some of these short-term refinancing lines are firmly committed and are only subject to minor market fluctuations with regard to the benchmark interest rates €STR, SONIA, SARON, BUBOR, EURIBOR or CDI. In addition, the refinancing agreements used do not provide for ordinary early termination rights. The term for overdraft facilities is indefinite, while the term for the syndicated revolving credit facility is two years and includes options to extend for up to two additional years. Contractually committed revolving credit facility agreements with various banks amounting to BRL 100 million, CLP 20,250 million, EUR 280 million, HRK 125 million, HUF 540 million and PLN 150 million are available to bridge short-term liquidity shortages as of December 31, 2022.

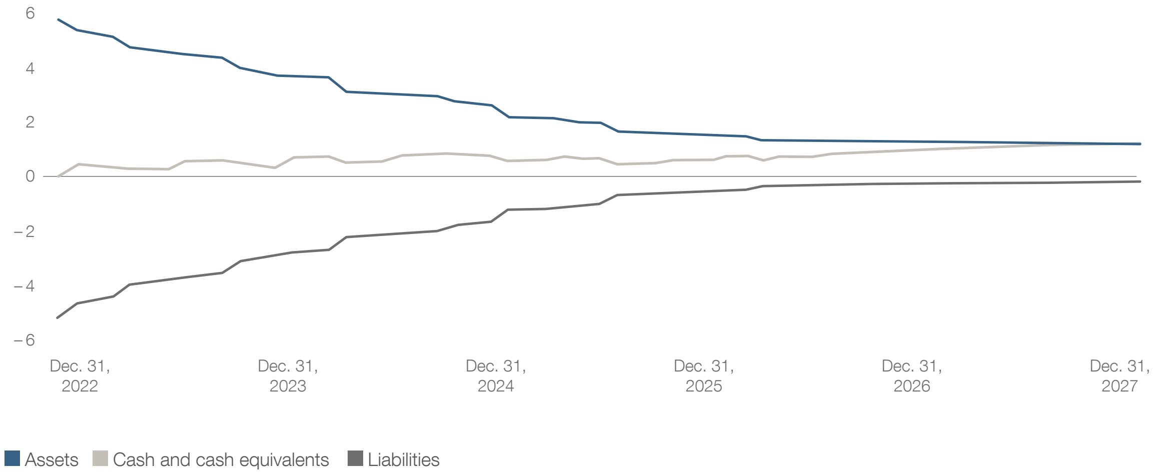
5.9.4 Medium- and long-term liquidity

Monthly static liquidity planning is carried out in addition to short-term liquidity management and weekly reporting. The basic assumption of this planning is the liquidation of the existing leasing, lending and factoring portfolio in accordance with the contractual agreements so that the proceeds from the assets flow in due time. The liabilities are also repaid on time on the basis of contractual agreements. As the duration of the liabilities side (liabilities) approximates that of the portfolio, financing largely matching maturities is ensured. For more information, please also refer to the overview of the expected outflows from contractual obligations in Chapter 2.6.4 “Liquidity”.

See chart “Liquidity development”

Liquidity development

as per December 31, 2022, in EUR millions



In addition, dynamic liquidity planning is carried out monthly with the aim of replicating the liquidity status under stress conditions and thus the liquidity risk in the true sense for the next periods. This serves to control the entire Consolidated Group with regard to its liquidity. Refinancing risk is observed on a quarterly basis as part of the risk-bearing capacity assessment to determine what the impact of an increase in credit spreads would be on the refinancing costs and, in turn, on the refinancing risk.

In the 2023 financial year, bonds and promissory notes in the amount of EUR 604.0 million and CHF 30.0 million are scheduled to mature. The refinancing of these promissory notes may be subject to refinancing risk at maturity. As a relevant measure for managing the maturities of new refinancing and the liquidity structure, the duration is calculated on a monthly basis for the assets and liabilities side. As of December 31, 2022, the duration for the assets side was 19 months (previous year: 19 months) and for the liabilities side 26 months (previous year: 26 months). Based on this data, the maturity transformation risk can be reduced through appropriate measures.

In principle, the GRENKE Group refinances itself independently of individual banks and also has direct access to various refinancing alternatives on the debt capital markets. The wide range of refinancing instruments available includes traditional bank financing, revolving loan facilities and ABCP programmes. GRENKE has firm commitments for financing options at fixed conditions and terms for a defined time period so that there is no risk as to their availability.

ABCP programmes are funding arrangements based on defined underlying assets, i.e. lease receivables and are currently being used to refinance the Consolidated Group's business in Germany, France and Great Britain. The Consolidated Group also has access to forfaiting facilities for Brazil, Germany, Great Britain and Poland.

GRENKE Group also makes use of other refinancing instruments that are not asset-based and can be used at its discretion depending on the business development. One example of this is GRENKE's direct access to the capital markets via its debt issuance programme (DIP). A platform for issuing commercial paper (CP) has also been available since 2011 and can be utilised up to a maximum volume of EUR 750 million and durations ranging from 1 to 364 days. This CP platform provides interim refinancing alternatives with durations starting under one year, while DIP bonds offer durations in excess of one year. GRENKE Group also takes advantage of the financing opportunities available to it via GRENKE BANK AG's deposit business. This broadly diversified range of instruments allows the Consolidated Group to choose financing channels available from a variety of alternatives.

The net stable funding ratio (NSFR) became a regulatory requirement for the GRENKE Group in June 2021 and also applies to other subsidiaries within the Consolidated Group, subject to national regulatory requirements. With the introduction of this ratio as a mandatory minimum requirement, the GRENKE Group's NSFR ratio was 105.3 percent as of the December 31, 2022 reporting date and exceeded the regulatory minimum ratio of 100 percent. During the year, the ratio temporarily fell below the restructuring threshold of 105 percent. The ratio is being strengthened currently from the granting of fixed-term deposits by GRENKE BANK AG and bond placements and increases. In addition, monitoring has been implemented with the aim of managing the structural liquidity coverage ratio above the internal threshold of 110 percent on a sustainable basis. In the 2023 financial year, increased attention will be paid to the CM2 margin. This will also ensure strong cash flows from the repayments from the leasing business in the medium term. At the same time, liquidity for new business is to be secured via the capital market.

In the 2022 financial year, two new bonds with a total volume of EUR 170 million were issued via the subsidiary GRENKE FINANCE PLC as part of the debt issuance programme (DIP), and an existing bond was increased by EUR 50 million. In addition, a promissory note was issued in the amount of EUR 10 million via GRENKE FINANCE PLC and a promissory note of CHF 20 million via GRENKELEASING AG, Switzerland. As of December 31, 2022, EUR 25 million of the existing commercial paper (CP) platform was utilised. As of December 31, 2022, EUR 130 million and CHF 21 million of the EUR 250 million syndicated revolving credit facility were utilised. After an initial steady decline in deposits in the first three quarters of the reporting year, an adjustment in the terms and conditions for time deposits in the fourth quarter of the 2022 financial year led to a renewed and significant increase in customer deposits at GRENKE Bank AG. In August 2022, S&P Global Ratings confirmed GRENKE AG's "BBB+/A-2" long-term and short-term issuer rating. S&P left the outlook for the long-term rating at "negative". The issuer rating for the hybrid bonds was raised from "BB-" to "BB". Since October 2022, GRENKE AG has also been rated by Fitch, receiving a "BBB/F2" rating with a "stable" outlook for the long-term rating.

5.10 Operational risks

5.10.1 Risk definition

Operational risks are potential losses that may result from the inappropriateness or failure of internal procedures, systems and people, or as a result of externally driven events (e.g. elementary hazards, forces majeure, intentional acts). According to the internal definition, reputational risks do not fall under operational risks but instead under other risks.

5.10.2 Risk management

As part of the risk inventory 2022, the risk subtypes operational risk (in accordance with the CRR), model risk, and compliance risk as well as individual manifestations of ICT risk (information and technology) were classified as material. For the Group-wide monitoring of operational risk, GRENKE Group has implemented indicators (e.g. cost and organisational indicators) that are reported to the management bodies (Board of Directors and Supervisory Board) on a quarterly basis – also within the scope of the early warning indicator set.

Furthermore, all cases of fraud and other operational losses are collected in a loss database. This serves both reporting and prevention purposes. The Board of Directors receives an annual report on significant loss events within the Consolidated Group, their extent and causes as well as existing countermeasures. Regular awareness-raising measures (e.g. newsletters) take place. If individual loss amounts cannot be determined exactly, the values are based on estimates.

The estimated risk, including the growth assumption, amounted to EUR 40.6 million as of December 31, 2022 (previous year: EUR 42.9 million). Operational risks are also considered as part of the stress test scenarios across all risk types.

Since June 30, 2021, operational risks have been quantified on the basis of the CRR standard approach as part of the risk-bearing capacity assessment and monitored and controlled via individual recording in the risk inventory. Previously, quantification was based on the basic indicator approach in accordance with CRR. The changeover from the basic indicator approach to the standard approach resulted in a reduction of the risk and thus a reduction of the capital requirement. The estimated risk, including the growth assumption, therefore amounted to EUR 42.9 million as of December 31, 2022 (previous year: EUR 87.1 million). Operational risks are also considered as part of the stress test scenarios across all risk types.

5.10.3 Business process and IT risk management

All core business, management and support processes of the GRENKE Group are aligned with the business strategy, standardised and digitised and are continually developed to make them simpler and faster. In the course of renewing legacy systems, these are being further developed in a customer-oriented manner with the aim of simplifying and accelerating them. The prerequisite for this is a technologically modern and highly flexible system architecture whose changes (change management) are systematically documented in terms of content and methodology and regularly reviewed. High operating reliability is achieved through the continued modernisation of the infrastructure based on completely duplicated data centre architecture and the virtualisation of servers, storage and networks. IT risk management involves full risk transparency across all functional areas of IT, including the administration; processes; applications; and infrastructure operations, including IT security, projects and compliance.

The measurement and control of risks arising from information and communication technology (ICT) are carried out on the basis of information networks based on GRENKE-specific business process clusters. These are enhanced with additional IT-specific information, such as the applications and hardware components used. The measured ICT risk therefore relates to the essential business processes and provides a reliable assessment of the quality of the performance support provided by the Consolidated Group's ICT systems. The following risk subtypes included in the risk inventory for ICT risk were assessed in the reporting year: further development, security, data/information quality, adaptability, compliance, maintainability and outsourcing, availability and continuity, performance, organisation and costs. The 2022 risk inventory concluded that despite some existing latent risks, the overall performance of the Consolidated Group's ICT systems is at an adequate level. The main findings are being addressed in ongoing projects.

5.10.4 Business continuity management

In the 2022 reporting period, we expanded the protection needs analysis. This makes it possible for us to carry out an even more precise assessment of risks and, based on this, take measures to protect our data and systems. The ongoing business impact analysis, which considers potential risks to the organisation, focuses on defining and evaluating all business processes relevant to our financial services and other services. Continuously increasing transparency is the topic underlying the measures still planned, which include expanding risk-reducing measures, transitioning the IT platforms, promoting strategic security concepts and transitioning these to zero-trust security concepts to continuously expand protection. Based on the findings of our previous business impact analysis, we created a separate unit for business continuity management in the 2022 reporting year and are building an extensive emergency management system within this unit. The GRENKE emergency management system and the emergency manual with the corresponding response plans form the basis for this expansion. This will ensure that IT operations can be continued or restarted quickly in the event of an emergency. The goal is to have these efforts evolve to form a business continuity management (BCM) system by the end of 2023.

5.11 Other risks

In addition to risks arising from changes in the legal, political or social environment, other risks include or consider pension, insurance, real estate, investment, tax and sovereign risks. Among the other risks, business and strategic risks and reputational risks are considered material. Other risks are taken into account in the risk inventory. Within the framework of the risk-bearing capacity calculation, the other risks are taken into account by means of a lump-sum buffer using risk coverage and risk coverage potential. For the monitoring of other risks, indicators are reported to the management body on a quarterly basis within the framework of the early warning indicator set. In addition, the group has implemented a PR and social monitoring tool.

5.12 Internal control system related to the Consolidated Group accounting process

At GRENKE, the internal control system and the risk management system are both interlinked with regard to group accounting. In the following, the term "ICS" is used when referring to the internal control system. ICS represents the entirety of the principles, procedures and measures introduced by the Company's management that are aimed at the organisational implementation of the management's decisions in the organisation and ensures

- the effectiveness and efficiency of business activities, including the protection of assets and the prevention and detection of losses to assets;
- the correctness and reliability of internal and external accounting; and
- compliance with the legal provisions relevant to the Company.

The Board of Directors bears overall responsibility for the accounting process at the Company and the Consolidated Group. All of the companies included in the annual financial statements and the consolidated financial statements are also a part of a defined management and reporting organisation process. The Consolidated Group's accounting and consolidation are organised centrally. The posting of each country's local entity transactions is centrally recorded and processed by the responsible administrators in accordance with mandatory schedules for generating qualitative and quantitative information. The cross-check principle generally applies.

The principles, structures, process organisation and accounting methods used by the ICS are documented in writing and updated at regular intervals.

The systems used for the group accounting process and the required IT infrastructure are regularly reviewed by the Internal Audit department with regard to the necessary security requirements. The same applies to the continuing development of the Consolidated Group's accounting process, particularly with respect to new products, facts and revised legal regulations. External consultants are called in, if necessary. To ensure the quality of the Consolidated Group's accounting, the employees involved are regularly trained on a demand-driven basis. The Supervisory Board is also involved in the control system and supervises the Consolidated Group-wide risk management system, including the internal control systems in the areas of audit, accounting and compliance. The Supervisory Board also reviews the contents of the non-financial statement. The Supervisory Board is supported by the Audit Committee, whose focus is to oversee internal and external accounting and the accounting process.

In view of the accounting process for the Company and the Consolidated Group, features of the ICS are considered to be significant when they are capable of materially influencing the accounting and general statement presented in the financial statements, including the combined management report. These features include the following elements in particular:

- Identification of significant risk and control areas relevant to the accounting process
- Controls to monitor the accounting process and its results at the levels of the Board of Directors and the companies included in the financial statements
- Preventative control measures in the finance and accounting systems as well as in the operative, performance-oriented company processes that generate material information for the preparation of the financial statements and the combined management report, and a separation of functions and pre-defined approval processes in relevant areas
- Measures that safeguard the orderly IT-based processing of accounting issues and data
- The establishment of an internal audit system to monitor accounting-related ICS

To reduce the identified risks, controls are implemented as part of the Group's accounting process. For the effectiveness of the ICS, the design of the controls and their integration into the process, and the operational implementation of the controls are the important determinants of risk minimisation. Internal Audit regularly examines the ICS for the Consolidated Group's accounting process in sub-areas on a rotating basis which reinforces the ICS.

Composition of the Tier 1 capital

EURk	Dec. 31, 2022	Dec. 31, 2021
Paid-in capital instruments	46'496	46'496
Premium on capital stock	298'019	298'019
Retained earnings	709'100	653'707
Other comprehensive income	17'312	1'735
Deductions from core capital	–72'637	–78'190
Transitional provisions pursuant to Section 478 CRR	-	-
Total Tier 1 capital pursuant to Section 26 CRR	988'185	921'768
Total additional core capital pursuant to Section 51 CRR	200'000	200'000
Total supplementary capital pursuant to Section 62 CRR	-	-
TOTAL EQITY PURSUANT TO SECTION 25 FF CRR	**1'188'185**	**1'121'768**

Relevant risk positions

Eurk	Dec. 31, 2022	Dec. 31, 2021
Equity requirements for credit risk with central governments and central banks	-	-
Equity requirements for credit risk with regional/local authorities	8'083	5'015
Equity requirements for credit risk with institutions/corporations with short-term rating	7'797	13'021
Equity requirements for credit risk with corporations	205'132	213'312
Equity requirements for credit risk from retail business	114'181	106'926
Equity requirements for credit risk from other positions	14'540	11'381
Equity requirements for credit risk from investments	-	13
Equity requirements for credit risk from positions associated with particularly high risks	-	-
Equity requirements for credit risk from non-performing positions	17'160	17'188
TOTAL EQUITY REQUIREMENTS FOR CREDIT RISK	**366'893**	**366'855**
TOTAL EQUITY REQUIREMENTS FOR MARTKET RISK	**-**	**-**
TOTAL EQUITY REQUIREMENTS FOR OPERATIONAL RISK	**86'057**	**84'557**
TOTAL EQUITY REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENTS	**1'986**	**1'560**
TOTAL EQUITY REQUIREMENTS	**454'936**	**452'972**

5.13 Consolidated Group-wide internal control system

In addition to the accounting-related control system, GRENKE has instruments, procedures, and controls for all material processes to ensure their robustness, effectiveness, and efficiency. The materiality of a process is determined based on business continuity management, whereby the nature, scope, and complexity of each process determines the type and scope of the associated controls.

The internal control system (ICS) at GRENKE pursues primarily the following objectives:

- Robustness, effectiveness and efficiency of business processes
- Compliance with the legal regulations relevant to GRENKE
- Identification of risk areas and weaknesses

Controls are implemented in the individual processes to reduce the identified risks. The design of the controls and their integration into the processes as well as the operational implementation of the controls are important determinants of risk minimisation for the effectiveness of the ICS.

The organisational control and monitoring elements to ensure an effective and efficient ICS are implemented at GRENKE under the framework of the "Three Lines of Defence" model:

- First line of defense: the process owners are responsible for the design of the controls and their integration into the processes as well as for the operational implementation of the controls
- Second line of defense: risk controlling as a central function ensures Group-wide transparency of the entire ICS and ensures its consistency.
- Third line of defense: internal audit

The ICS implemented at GRENKE complies with the regulatory and statutory requirements for financial services institutions regarding an appropriate and effective internal control system, in particular the Minimum Requirements for Risk Management (MaRisk) issued by the German Federal Financial Supervisory Authority (BaFin), the Banking Supervisory Requirements for IT (BAIT), and other relevant pronouncements by international regulatory authorities.

The effectiveness and appropriateness of risk management in general and the ICS in particular are reviewed and assessed by GRENKE's internal audit department on a risk-oriented and process-independent basis in accordance with the requirements of MaRisk AT 4.4.3.

The principles for the structural and procedural organisation and the processes of the Consolidated Group-wide ICS are continuously developed.

Responsibility for the ICS lies with the Board of Directors in accordance with Section 91 AktG.

5.14 Own funds

As GRENKE AG is the parent company as defined by Section 10a KWG, the GRENKE Group must regularly comply with the requirements of the Capital Requirements Regulation (CRR). In accordance with the requirements of Article 92 (1) of the CRR in conjunction with Section 10a KWG, GRENKE AG calculates the Consolidated Group's total capital ratio on the basis of the IFRS financial statements.

In accordance with the requirements of EU Regulation 575/2013 (CRR), the GRENKE Group had eligible own funds of EUR 1,188.2 million as of the December 31, 2022 reporting date (previous year: EUR 1,121.8 million). The Consolidated Group's own funds (regulatory capital) consists of paid-in capital, the premium on capital stock, retained earnings from previous financial years, other accumulated income and eligible items of additional Tier 1 capital. In addition, deductible items consisting primarily of intangible assets and goodwill are taken into account. As in the previous year, there was no Tier 2 capital.

The risk amount requiring underlying results from credit risk, operational risk and market risk. In the case of credit risk, which is determined on the basis of the Credit Risk Standard Approach (CRSA), the risk amount is calculated based on the risk weightings for the individual categories of receivables. The risk amount for operational risks is calculated according to the basic indicator approach on the basis of the gross income of the past three financial years. The market risk results from the open foreign currency positions.

As of the December 31, 2022 reporting date, the total capital ratio in accordance with Article 92 (2b) CRR was 20.89 percent (previous year: 19.81 percent). The requirements for the total capital ratio of 13.5 percent (previous year: 11.5 percent), which in addition to the 8 percent according to Article 92 CRR also includes the capital conservation buffer of 2.5 percent, the countercyclical capital buffer of 0.5 percent (previous year: 0.0 percent) and the SREP capital surcharge of 2.5 percent (previous year: 1.0 percent), were consistently met in the 2022 reporting year.

In addition to the risk-adjusted equity requirement, the CRR also requires the observation of a capital ratio that is largely based on balance sheet ratios and is therefore not risk-sensitive. As of the reporting date, the ratio pursuant to Article 429 CRR was 18.78 percent (previous year: 17.16 percent). The minimum ratio of 3.0 percent required by the supervisory authorities was thus met as of the reporting date.

5.15 Summary

For the GRENKE Group, the controlled assumption of risks is a significant part of its business model. A comprehensive system for risk identification, quantification, control and management has been implemented and is being continuously refined.

For identified credit, market, liquidity, operational and other risks from the leasing, banking, factoring and investment business, write-offs, impairments and provisions were made using objective evidence. In the opinion of the Board of Directors, adequate precaution has been recognised for all identifiable risks. Based on the overall assessment of the risk situation, the Board of Directors concludes that the Consolidated Group's risk-bearing capacity consistently existed in the reporting year. The overall limit utilisation in the risk-bearing capacity calculation in the regulatory normal scenario at the end of 2022 was 75 percent in accordance with the going concern principle (previous year: 72 percent) and 67 percent from an economic perspective. Within the GRENKE Group, the total exposure does not exceed the 1 percent mark of the Consolidated Group's equity for any individual lessee. In view of the volume of business and the Consolidated Group's economic situation, the Board of Directors considers the overall risk situation to be manageable.

The total capital ratio in accordance with Article 92 (2b) CRR was 2021 20.89 percent as of the December 31, 2022 reporting date (previous year: 19.81 percent). The maximum possible requirements for the total capital ratio of 13.5 percent (previous year: 11.5 percent), which in addition to the 8 percent according to Article 92 CRR also includes the capital conservation buffer and the countercyclical capital buffer as well as the SREP capital surcharge, were consequently met in the 2022 reporting year. The Consolidated Group's own funds (regulatory equity) amounted to EUR 1,188.2 million at the end of the 2022 financial year and consisted exclusively of core capital.

With regard to the future development of the Consolidated Group and the Company, as well as its subsidiaries, no special risks associated with the business that go beyond the normal level can be identified. The risk coverage capital is sufficient to cover future planned business activities for at least one year. Creditor protection is also provided for with the existing risk coverage potential for the planned business activities in the coming year and, at a minimum, for a planning horizon of three years.

6. Opportunities, forecasts and outlook report

6.1 Opportunities report

GRENKE's business performance in the past year was in line with expectations and the financial targets were achieved in the upper forecast range. This is primarily due to the resilience of the business model and the good adaptability to contract profitable new business even in difficult macroeconomic conditions. Whereas the 2020 and 2021 financial years were the years in which the greatest impact from the corona pandemic and the restrictions on new business were reflected in business development, new business in 2022 increased by 31%. The overall economic environment in the 2022 reporting year was impacted by the direct and indirect effects of the war in Ukraine, ongoing supply chain disruptions, increased inflation, especially higher energy costs, and interest rate hikes from the European Central Bank in response to the increased inflation. These effects, however, had no influence on the new business development of the GRENKE Group. Only the rapid interest rate increases had a temporary effect on the CM2 margin in 2022. However, the Board of Directors of GRENKE AG assumes that the effects of the increased interest rate level and the time lag in passing on these increases in the terms and conditions will be felt in the income statement in 2023 and 2024. It also expects that the measures taken will quickly lead to a recovery in the CM2 margin, tending towards the target level of 17 percent.

Above all, the solid growth in new business is confirmation of the Board of Directors' pursued growth strategy. This performance paved the way to surpassing the previous new business record of 2019, while at the same time ensuring a sustained growth course. The strategies below will be the primary approaches followed to tap this potential:

- Markets: Densification of the network and consolidation of the presence in existing markets
- Group structure: Final integration of the former franchise companies into the Consolidated Group to accelerate international expansion
- Channels: Diverse approaches to customer acquisition via existing and new distribution channels
- Customers/partners: Deepening of existing relationships
- Products/objects: Expansion of the product and service range and further diversification of the object portfolio
- Niche focus: Consistent focus on providing small-ticket financing solutions for SMEs

As what it considers to be a leading provider in the small-ticket leasing segment in Europe, GRENKE is growing in its core market primarily by gaining market share. Opportunities are opening up, particularly in those areas where smaller competitors are withdrawing from markets in whole or in part due to factors such as the increased regulatory burden. Location site management is becoming increasingly efficient because we can offer broader density for our sales partners based on our digital presence and through our sales colleagues in home offices, even without direct branch offices. For this reason, we did not open any new locations in the 2022 financial year, as planned, or in the prior year.

At the end of 2022, the GRENKE Group was represented in a total of 33 countries. Since 2011, GRENKE has gradually entered additional markets outside the European core market and is currently present in the Americas (Brazil, Chile, Canada and the United States), Asia (Singapore, Turkey and the United Arab Emirates) and Australia. In the reporting year, these countries accounted for a share of approximately 5.6 percent (previous year: 5.5 percent) of the GRENKE Group's new leasing business volume.

Since financial year 2021, the previously established franchise model has been gradually integrated into the Consolidated Group. From 2003 to 2020, the Consolidated Group's expansion into new markets was carried out, among others, through franchise companies where the managing partners of these companies held a substantial minority interest. In the past, GRENKE has typically been able to acquire the franchise companies after a period of four to six years. The Consolidated Group expects the integration of the franchise companies and the future entry into new markets with its own subsidiaries to accelerate its international growth and increase its flexibility to take advantage of market opportunities as they arise. As of December 31, 2022, 14 of the former 16 franchise companies and sales agencies still exist outside the Consolidated Group. In December 2022, purchase agreements were also signed for the majority acquisition of the four factoring franchise companies. The plan is to complete the acquisition of the remaining franchise companies in the 2023 financial year. Above all, the franchise companies in Australia, Canada and the USA demonstrate the long-term potential we are seeking for our business expansion. In addition to the important acquisitions, the key goal here is to lay the foundations for scalability at an early stage by investing in process lines that are as fully digital as possible.

Additional growth potential results primarily from the expansion of the direct and online sales channel, especially in our core markets. Already in 2015, GRENKE had introduced eSignature, a process for the fully digital processing of lease contracts. In the 2022 financial year, even more contracts were concluded using eSignature than in the previous year, rising to a share of 40.5 percent (previous year: 38.8 percent). GRENKE also aims to drive forward the digitalisation of all the Consolidated Group's processes and products and create cost and efficiency advantages.

Long-term relationships exist with numerous SMEs and resellers that go beyond the conclusion of a single contract. Many SMEs are repeat contract partners, often servicing one branch or one country but increasingly in several countries at the same time. In other cases, customer loyalty can be strengthened, for example, in addition to a leasing line of credit, which is used to draw down financing for various objects as needed, through a parallel business current account at GRENKE BANK AG or single invoice factoring via GRENKEFACTORING GmbH. This is an example of the Consolidated Group's options for generating business with existing customers within the segments as well as across segments.

In recent years, GRENKE has increasingly expanded the Leasing segment's range of products and services beyond the IT area. The goal is to successively expand the expertise acquired in the IT area to other asset categories and to further develop GRENKE into a general small-ticket leasing provider for SMEs. The Factoring and Banking business units round off the range of solutions for customers.

Beyond the growth in new business and portfolio volumes, there is potential to increase efficiency through digital approaches. This applies equally to the sales approach. With our small-scale and data-oriented business model, we will further expand the opportunities for digitalizing our business. With the combination of volume growth and increasing efficiency, we expect to achieve above-average earnings growth in the Consolidated Group. This should be reflected in an improved CIR in the long term. Although, in the short term, investments are reflected in the income statement as expenses over the next two years, we will quickly feel the better efficiency and expect to have amortised our additional digitalization investments as early as 2025.

With these measures, we are pursuing the strategic goal of establishing the GRENKE brand and our business model globally. Taking advantage of the opportunities that arise, the GRENKE Group plans to further expand its market position new business in the coming years.

6.2 Report on forecasts and outlook

6.2.1 Expected development of the macroeconomic and sector environments

The macroeconomic environment was still challenging at the beginning of 2023. The economic situation offers little in encouragement, and high inflation rates are placing central banks under pressure. The ongoing war in Ukraine, with its consequences for international trade, is also a source of uncertainty for the global economy.

The Deutsche Bundesbank believes that the German economy went through a slight recession in the past two winter quarters, but expects it to pick up again slightly as the year progresses. Growth in the euro area is expected to be muted overall, as the ECB's key interest rate increases since mid-2022 have not yet had their full effect on the economy.

The determining factor for the economy is inflation, which continues to be well above the ECB's target rate of 2 percent. Inflation is expected to ease somewhat in 2023. While there are signs energy prices are easing, recent wage settlements have incorporated compensation for the higher inflation. This is expected to lead to further second-round effects on inflation. According to statements by the Bundesbank, however, the strongest inflationary pressure from the rise in energy prices in 2022 should be behind us.

Given the medium-term inflation risks, the ECB raised the primary refinancing rate by 50 basis points to 3.0 percent in February 2023 and announced that it would further tighten its monetary policy. Specifically, it intends to raise key interest rates once more in March. It also intends to undertake a gradual, controlled reduction in its portfolio of securities starting in March by no longer reinvesting in all maturing bonds. The US Federal Reserve raised the key interest rate by 25 basis points to a range of 4.5 to 4.75 percent at its February 2023 meeting and warned market observers of a continuation in the restrictive monetary policy.

The financial markets expect interest rate hikes to continue. For example, a survey by the ECB shows that participants in the financial markets expect a key interest rate level of 3.5 percent in the second quarter of 2023 and believe that this level will be maintained for the remainder of 2023. As a result of the tighter monetary policy, interest rates on longer maturities rose year-on-year. Interest rates on ten-year Bunds were at 2.5 percent on February 24, 2023, well above the previous year's level of 0.2 percent (as of February 24, 2022).

The current geopolitical situation, especially with regard to the war in Ukraine, is causing some uncertainty in the markets. The VIX volatility index shows that volatility at the beginning of 2023 decreased to 21.7 points (as of February 24, 2023) relative to the previous year's level (30.3 points on February 24, 2022). Thus, the markets show more serenity at the beginning of 2023 than in the previous year.

The ifo Business Climate Index for the leasing industry in Germany stood at 20.2 points in February 2023, slightly below the previous year's level of 22.3 points. However, the continuous improvement shown by the index since October 2022 indicates that entrepreneurs no longer expect a sharp economic downturn, but are looking to the future with growing confidence. Moreover, entrepreneurs in the manufacturing sector surveyed by the ifo Institute indicate that bottlenecks in global supply chains have eased further in February 2023.

In its forecast for global economic growth published in January 2023, the International Monetary Fund (IMF) assumes that the global economy will lose momentum in 2023 and will be able to catch up again somewhat in 2024. Thus, global growth is expected to be 2.9 percent in 2023 and 3.1 percent in 2024. However, neither the USA nor the euro area will be the growth drivers. Since the ECB's and the Fed's restrictive monetary policy have not yet had their full effect on the economy, growth in 2023 will be comparatively weak in the USA and the euro area at 1.4 and 0.7 percent respectively. For the euro area, the IMF also expects the ECB to continue its policy of raising interest rates and that high energy prices will continue to weigh on the economy. Within the euro area, expected growth in Germany of 0.1 percent is particularly weak, while Spain leads the way with 1.1 percent. For 2024, the IMF is more optimistic with a growth in the euro area estimated at 1.6 percent, while the momentum in the USA is expected to continue to weaken with growth of 1.0 percent.

6.2.2 Business performance and future strategy

The following statements on the future business development of the GRENKE Group and the assumptions regarding the market and industry development considered material for this purpose are based on estimates that the Board of Directors currently considers to be realistic according to the information available. These estimates however are subject to uncertainties and entail the unavoidable risk that the forecast developments may not actually occur either in terms of their tendency or their extent.

6.2.2.1 Expected development of new leasing business

For the 2023 financial year, the Board of Directors expects new leasing business of between EUR 2.6 billion and EUR 2.8 billion. Compared to the previous financial year, this corresponds to an expected growth rate in the range of 13 percent and 22 percent.

In the 2024 financial year, the volume of new business is expected to double to around EUR 3.4 billion, using the 2021 financial year, with a volume of EUR 1.7 billion in new leasing business, as the baseline year.

In the current financial year, the development of CM2 will continue to be at the centre of our new business management. In the 2023 financial year, we are aiming for a slight increase in the CM2 margin compared to the previous year. The medium-term goal is to achieve a CM2 margin of around 17 percent. The refinancing costs and our conditions in newly concluded leasing contracts are particularly decisive for this, as is the average ticket size. In the 2023 financial year, the average value per lease contract is expected to remain below the EUR 10,000 level. The focus on small tickets will remain an essential part of our growth strategy.

In 2023, we intend to achieve double-digit growth across all regions. At the same time, we are continuing to expand our portfolio of objects, but do not expect any significant shifts in object mix in 2023. We want to continue to respond with flexibility to new customer requirements and even offer new asset categories of lease financing. We have already started to do this with products such as eBikes, wallboxes and solar systems as part of the green transformation. The ongoing digital transformation will also enable us to grow in our core areas of IT and office communication at the same time.

6.2.2.2 Development of the results of operations

The Board of Directors expects that, despite rising interest expenses from the higher interest rate environment, the operating income of the leasing portfolio – consisting of the sum of net interest income after settlement of claims and risk provision, the profit from service business, the profit from new business and gains and losses from disposals – will show a clear positive development in the current 2023 financial year. This assessment is based on the continued strong momentum in new leasing business, the consistent passing on of higher interest rates through contract conditions and the unchanged risk-conscious pricing. The payment behaviour of our customers, which we expect to remain good, and the stability in the related expenses for risk provisioning will also have a positive effect. An increase in staff costs however will have the opposite effect. Staff costs are expected to increase from the rise in salaries due to high inflation and as a result of a continued selective strengthening of our team.

In order to continue our successful international expansion strategy, we plan to invest a total of EUR 45 million to EUR 50 million in digitally optimising our entire value chain in over 30 countries over the next three years. We will focus in particular on the relatively new GRENKE subsidiaries in our future core markets of Australia, Canada and the USA. These will all be equipped with state-of-the-art infrastructure right from the outset so they can fully tap the outsized growth potential in those markets. The digitalisation programme is based on a transformation to cloud technology. The investment in this technology marks the largest single initiative, amounting to one-third of the funds invested in the programme. The remaining investments will be distributed across the automation of all downstream core processes in the leasing business. We expect the initial net savings from these investments to materialise as early as 2025. As a result of the programme, additional expenses of an estimated EUR 15 million will be incurred in the 2023 financial year. The Board of Directors is therefore guiding for Group earnings in the range of EUR 80 million and EUR 90 million for the 2023 financial year. Higher business volume with solid CM2 margins and higher efficiency reflected by an improvement in the cost-income ratio are expected to grow Group earnings by a significant double-digit rate again as early as 2024. For the 2024 financial year, the Board of Directors is guiding for Group earnings of approximately EUR 120 million. In the long term, we are striving to achieve a cost-income ratio of below 50 percent as a result of the digitalisation programme and disciplined cost management. In the medium term, the CIR should be below 55 percent. Due to the upfront expenses from the digitalisation programme, the Board of Directors expects the CIR to be slightly above 55 percent in 2023.

The expected range of Group earnings for the 2023 financial year is based on the assumption that the loss rate will remain below 1.5 percent. Decisive to achieving this will be the solid leasing portfolio, stable incoming payments from the business concluded in recent quarters and the appropriate and conservative risk provisions already recognised.

The Board of Directors intends to adhere to its long-term dividend policy in the 2023 financial year and ensure that shareholders participate appropriately in the Company's success. The Board of Directors and Supervisory Board are proposing a dividend of EUR 0.45 per share for the 2022 financial year, corresponding to a payout ratio of 25 percent.

6.2.2.3 Development of the financial position and net assets

As a result of the new business development, total lease receivables, which form the basis for interest income, are also expected to rise by a high single-digit percentage range in the 2023 financial year. Total assets are expected to increase accordingly.

Based on the expected development of the Group's earnings, GRENKE expects to achieve – as in prior years – an equity ratio above 16 percent (2022: 20.8 percent).

The Board of Directors is guiding for stable cash flow from operations, and plans to use this to fully finance the planned investments internally. The Board of Directors is also assuming that the Consolidated Group's solid equity base and cash flow development will enable it to refinance the expected volume of new business in 2023 in parts through its access to various money and capital market instruments as well as the deposit business at risk-adequate conditions.

6.2.2.4 Non-financial performance indicators

At the beginning of the 2022 financial year, we expanded our use of our non-financial performance indicators in line with our sustainability strategy. This meant including key indicators from the categories "Climate and Environment", "Social Contribution" and "Responsibility and Trust".

In the category "Climate and Environment", we look at the share of green economy objects in our new leasing business volume. In the 2022 financial year, this share was 5.2 percent, compared to 4.0 percent in the previous year. We expect this to further increase slightly in the current financial year.

We also set the goal to achieve CO_2 neutrality (Scope 1 and 2) by 2025. In the past financial year, our greenhouse gas emissions, measured in tonnes of CO_2 equivalent (tCO_2e), were 4,492 tCO_2e for Scope 1 and 870 tCO_2e for Scope 2. These values encompass emissions from approximately 70 percent of all our sites and areas used. The recognised emissions for Scope 3 currently cover around 30 percent of our sites and amount to 6,186 tCO_2e.

Our goal is to save more resources and make our processes more efficient through a high degree of automation. We measure this by the number of countries with available eSignature and eInvoice solutions, as well as by the rate of eContract concluded. We determine this rate based on the share of lease contracts concluded with eSignature in relation to the total number of new contracts in the financial year. In the past 2022 financial year, we had 27 countries using eSignature solutions (2021: 27 countries), and eInvoice solutions were available in 26 countries (2021: 25 countries). The eContract ratio of 40.5 percent in the past financial year was above the previous year's level (2021: 38.7 percent). With our digitalisation programme "Digital Excellence", we expect to achieve a further increase in the eContract rate. In the long term, we expect to conclude more than half of our contracts in this way.

In the category "Social Contribution", we look at the satisfaction of our employees, the fluctuation rate and the number of days per employee that were used for further training in the financial year.

To measure the satisfaction of our employees, we developed the GRENKE Engagement Score (GES) based on our annual employee survey. This uses a scale of 1 (high satisfaction) to 7 (low satisfaction). In the 2022 financial year, we achieved a level of 1.99, compared to 2.28 in 2021. At 11.4 percent, the turnover rate in 2022 was below the previous year's value (2021: 12.9 percent). At 2.87 days (2021: 2.48 days), the number of days of further training per employee was close to the previous year's level. We are aiming to keep all three key indicators generally stable.

In the category "Responsibility and Trust", we measure the awareness of our strategy among our employees with the "Overall Strategy Awareness Score" along a scale from 1 (high awareness) to 7 (low awareness). In the reporting year, we achieved a score of 2.52 compared to 2.95 in 2021. We expect this score to improve in the current financial year.

We also consider the share of senior management that have sustainability components incorporated into their variable remuneration. Through their variable remuneration, all Board of Directors' members have their remuneration linked to sustainability targets. None of the employees at the first, second or third management levels below the Board of Directors currently have such a variable remuneration component. We will adjust this in the medium term and develop suitable procedures to integrate this component into management remuneration.

To measure the success of our internal governance structures, we record the proportion of audits completed by the Internal Audit department in relation to the planned audits in the annual audit plan. In the 2022 financial year, the level was 58 percent, which was 3 percentage points above the previous year. We also expect to see a further significant improvement in this area.

6.2.2.5 Overall statement on future development

In the current situation, it is not possible to definitively foresee how the Russian war in Ukraine will develop and what economic effects the higher inflation rate will have in the eurozone. Despite the generally difficult market, however, the Board of Directors is convinced that the GRENKE Group is well positioned to continue on its profitable growth path and to further expand its position as one of the leading financial services providers focused on small-ticket financing for SMEs.

Our new digitalisation programme "Digital Excellence" will make a significant contribution to this. With end-to-end digitalisation in the core leasing business, we are making further efficiency gains possible by automating all of the leasing business' core processes in more than 30 countries. This includes a greater use of cloud technologies and processing lease applications within seconds.

Based on this, the Board of Directors expects new leasing business in the range of EUR 2.6 billion to EUR 2.8 billion in 2023. The Consolidated Group's stable equity base provides the necessary foundation to achieve its targeted new business. At the same time, the Group earnings are expected to be in the range of EUR 80 million to EUR 90 million in the 2023 financial year. For the 2024 financial year, the Board of Directors continues to expect new leasing business of EUR 3.4 billion. With the plan to implement the digitalisation programme in the next few years, Consolidated Group net income in 2024 is anticipated to be approximately EUR 120 million instead of the previous forecast of EUR 140 million. The break-even point of the programme should be reached as early as the 2025 financial year, so that the efficiency gains in sales and administrative expenses will exceed the costs of IT investments for the first time.

At the same time, this programme lays the foundation to make our international growth ambitions profitable and scalable beyond 2024.

7. Acquisition-related disclosures

Explanatory report on the disclosures pursuant to Sections 289a and 315a HGB

Composition of the subscribed capital

As of the December 31, 2022 reporting date, GRENKE AG had fully paid-in subscribed capital of EUR 46,495,573, divided into 46,495,573 no-par value registered shares ("shares") with a notional interest of EUR 1 each. All shares carry the same rights. Each share grants one vote. The rights and obligations of the shareholders arise from the provisions of the German Stock Corporation Act (AktG), particularly from Sections 12, 53a et seq., 118 et seq. and 186 AktG. GRENKE AG shares have been admitted for trading on the Frankfurt Stock Exchange in the segment of the regulated market with additional post-admission obligations defined by Deutsche Börse AG (Prime Standard segment).

Restrictions affecting voting rights and share transfers

Each share grants one vote at the Annual General Meeting and is decisive for the shareholders' participation in GRENKE AG's net profit.

Voting rights are generally excluded by law in the cases of Section 136 AktG from the shares concerned. According to Section 71b AktG, no rights may be exercised from treasury shares either.

The Board of Directors is not aware of any restrictions agreed between shareholders that affect voting rights or share transfers, other than the vesting periods for shares acquired by members of the Board of Directors under the share-based payment scheme mentioned in the remuneration report. For further information, please refer to the remuneration report.

Furthermore, in connection with Article 19 (11) of Regulation (EU) No. 596/2014 (Market Abuse Regulation) and based on internal guidelines, certain trading prohibitions exist for members of the Board of Directors and the Supervisory Board of GRENKE AG when buying and selling GRENKE AG shares in (temporal) connection with the publication of an interim report or an annual financial report.

Direct or indirect shareholdings in the capital exceeding 10 percent of the voting rights

As of December 31, 2022, Grenke Beteiligung GmbH & Co. KG, which is domiciled in Baden-Baden (Germany), held 18,989,984 shares in the Company, corresponding to approx. 40.84 percent of the share capital. The general partner of Grenke Beteiligung GmbH & Co. KG is Grenke Vermögensverwaltung GmbH, which is domiciled in Baden-Baden (Germany), and its limited partners are the following members of the Grenke family: Anneliese Grenke, Moritz Grenke, Oliver Grenke, Roland Grenke and Wolfgang Grenke. Grenke Vermögensverwaltung GmbH has no interest in the assets or income of Grenke Beteiligung GmbH & Co. KG. Anneliese Grenke and Wolfgang Grenke are each managing directors of Grenke Vermögensverwaltung GmbH with sole power of representation.

The Company is not aware of any other direct or indirect shareholdings in the share capital exceeding 10 percent of the voting rights.

Shares with special rights conferring powers of control

Shares with special rights conferring powers of control have not been issued.

Type of voting rights control if employees have an interest in the capital and do not exercise their control rights directly

Employees who hold shares in GRENKE AG exercise their control rights like other shareholders in accordance with the statutory provisions and the Articles of Association.

Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Board of Directors and on amendments to the Articles of Association

GRENKE AG's Articles of Association do not contain any provisions on the appointment of members of the

Board of Directors by the Supervisory Board that deviate from the statutory provisions. Accordingly, members of the Board of Directors are appointed for a maximum of five years. A repeat appointment is permissible.

The members of the Board of Directors are appointed and dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG), Sections 24 (1) and 25c of the German Banking Act (KWG), and Article 5 (2) of the Articles of Association. Pursuant to Article 5 (1) of the Articles of Association, the Board of Directors of GRENKE AG consists of at least two persons. The Supervisory Board determines the number of members of the Board of Directors. It decides on their appointment, the revocation of their appointment, and the conclusion, amendment, and termination of the employment contracts to be concluded with them. The Supervisory Board may appoint a chair of the Board of Directors and a deputy chair of the Board of Directors, as well as appoint deputy members of the Board of Directors. If a required member of the Board of Directors is missing without the Supervisory Board making a corresponding appointment, such member shall be appointed by court order in urgent cases in accordance with Section 85 AktG.

Pursuant to Section 179 (1) sentence 1 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. The resolutions of the Annual General Meeting shall be adopted by a simple majority of the votes cast unless otherwise required by law or the Articles of Association and, if the law prescribes a capital majority in addition to a voting majority, by a simple majority of the share capital represented (Section 133 AktG, Article 15 [1] of the Articles of Association). Pursuant to Article 11 (2) of the Articles of Association, the Supervisory Board is authorised to adopt amendments to the Articles of Association that only affect their wording. In addition, the Supervisory Board was authorised to amend the wording of Article 4 of the Articles of Association, which, among other things, specifies the amount and division of the share capital, in accordance with the respective utilisation of the Authorised Capital or after the expiry of the authorisation period. Amendments to the Articles of Association become effective upon entry in the commercial register (Section 181 [3] AktG).

Authorisation of the Board of Directors, particularly related to the possibility of issuing or repurchasing shares

Pursuant to Article 4 (4) of the Articles of Association, with the consent of the Supervisory Board, the Board of Directors is authorised to increase the Company's share capital until May 2, 2023 by a total nominal amount of up to EUR 2,217,529 by issuing a total of up to 2,217,529 new shares on one or several occasions against cash contributions and/or contributions in kind (Authorised Capital 2018). The authorisation may be used in partial amounts.

With the consent of the Supervisory Board, the Board of Directors is authorised to exclude shareholders' subscription rights in the case of capital increases against contributions in kind, in particular in order to issue new shares in the context of business combinations or in the context of the acquisition of companies, parts of companies or interests in companies, including the increase of existing interests, or within the scope of other assets eligible for contribution or claims to the acquisition of assets, including claims against the Company or its Group companies. The Board of Directors is further authorised, with the consent of the Supervisory Board, to exclude the statutory subscription rights of shareholders when issuing new shares for the purpose of implementing a scrip dividend, whereby the shareholders are offered to contribute their dividend entitlement in whole or in part as a contribution in kind to subscribe to new shares in the Company.

In the case of capital increases against cash contributions, the shareholders shall generally be granted a subscription right to the new shares. The shares may be underwritten by at least one credit institution or a company operating pursuant to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) KWG with the obligation to offer them to the shareholders for subscription. However, with the consent of the Supervisory Board, the Board of Directors is also authorised to exclude shareholders' statutory subscription rights in the event of capital increases

a) to exclude any fractional shares from the subscription rights,

b) in order to grant holders of bonds with conversion or option rights or with conversion or option obligations issued or to be issued by the Company or by its group companies within the meaning of Section 18 AktG subscription rights to new no-par value registered shares of the Company to protect them against dilution to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling conversion or option obligations, or

c) in the case of cash capital increases, if the issue price of the new shares is not significantly lower than the stock exchange price of the shares already listed and the notional interest of the shares issued against cash contributions in accordance with or in mutatis mutandis application of Section 186 (3) sentence 4 AktG with the exclusion of shareholders' subscription rights during the term of this authorisation does not exceed a total of 10 percent of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. This 10 percent limit of the share capital shall include:

- treasury shares sold during the term of this authorisation in mutatis mutandis application of Section 186 (3) sentence 4 AktG under the exclusion of shareholders' subscription rights, and
- shares issued or to be issued to service bonds with conversion or option rights or obligations, if and to the extent that the bonds are issued during the term of this authorisation in mutatis mutandis application of Section 186 (3) sentence 4 AktG under exclusion of shareholders' subscription rights.

With the consent of the Supervisory Board, the Board of Directors is authorised to determine the further specifications of the share rights and the conditions of the share issue.

The authorisation to carry out a capital increase from the Authorised Capital 2018 was not used in the reporting period.

By resolution of the Annual General Meeting of May 14, 2019, the Board of Directors was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered bonds with warrants and/or convertible bonds (collectively "bonds") with or without a limited term in a total nominal amount of up to EUR 500,000,000 once or several times in partial amounts until May 13, 2024 and to grant or impose the holders or creditors (hereinafter also "holders") of the bonds with warrants option rights or obligations and the holders of convertible bonds conversion rights or obligations for no-par value registered shares of GRENKE AG (hereinafter also referred to as "GRENKE shares") with a notional interest in the share capital of up to EUR 4,500,000 in total in accordance with the terms and conditions of these bonds. The respective terms and conditions may also provide for mandatory conversions at the end of the term or at other times, including the obligation to exercise the option or conversion right. Bonds may also be issued against contributions in kind.

In addition to euros, the bonds may also be issued in the legal currency of an OECD country, limited to the corresponding euro equivalent. The bonds may also be issued by a GRENKE AG Group company within the meaning of Section 18 AktG in which GRENKE AG directly or indirectly holds a 100 percent interest (hereinafter "subsidiary"). In this case, the Board of Directors is authorised, with the consent of the Supervisory Board, to assume the guarantee for the bonds on behalf of GRENKE AG and to grant or impose option or conversion rights or obligations on the holders of the bonds for new no-par value registered shares of GRENKE AG.

The Board of Directors was also authorised, among other things, to exclude shareholders' subscription rights to the bonds under certain conditions and within defined limits with the consent of the Supervisory Board. Subscription rights may be excluded under these defined conditions, among other things, in the case of issuing bonds against contributions in kind, in particular in the context of business combinations and the acquisition of companies, and in the case of issuing bonds against cash consideration at an issue price that is not significantly lower than the theoretical market value of the bond.

To service the bonds issued under the above authorisation, the Annual General Meeting on May 14, 2019 also resolved to conditionally increase GRENKE AG's share capital by up to a nominal amount of EUR 4,500,000 by issuing up to 4,500,000 new no-par value registered shares (Conditional Capital 2019).

No use was made of the authorisation to issue bonds with warrants and/or convertible bonds in the reporting period.

By resolution of the Annual General Meeting of August 6, 2020, the Company was authorised until the end of August 5, 2025 to acquire treasury shares for any permissible purpose in the amount of up to 5 percent of the share capital existing at the time of the resolution of the Annual General Meeting or, if this amount is lower, of the share capital existing at the time of the exercise of the authorisation and to use them for all legally permissible purposes. Among other things, the shares may be used, with the consent of the Supervisory Board, in the context of business combinations and the acquisition of companies or sold to third parties for cash at a price that is not significantly lower than the stock exchange price at the time of the sale, excluding the shareholders' subscription rights. In this case, the total of the shares sold may not exceed 10 percent of the respective share capital of the Company. The amount of the share capital at the time this authorisation becomes effective or – if the amount is lower – the amount of the share capital at the time this authorisation is exercised shall be decisive for the calculation of the 10 percent limit. If during the term of this authorisation until its utilisation, other authorisations to issue or sell shares of the Company or to issue rights that enable or oblige the subscription of shares of the Company are exercised, and the subscription right is excluded pursuant to or in accordance with Section 186 (3) sentence 4 AktG, this shall be included in the aforementioned 10 percent limit. The acquired shares may also be used to service issued convertible bonds and/or bonds with warrants or to implement a scrip dividend. The treasury shares may also be cancelled.

No use was made of the authorisation to acquire own shares in the reporting period.

Significant agreements of the Company subject to a change of control

Further disclosures in accordance with GAS 20 K211 (conditions of a change of control in the event of a takeover bid) are omitted, as the corresponding disclosures would be likely to cause a significant disadvantage to the Company.

Compensation agreements of the Company with the members of the Board of Directors or employees in the event of a takeover bid

In the event of a takeover bid, no compensation agreements exist with members of the Board of Directors or employees.

8. Corporate Governance Statement/ Report on Corporate Governance

The corporate governance statements to be submitted in accordance with Sections 289f and 315d of the German Commercial Code (HGB) are summarised for GRENKE AG and the GRENKE Group. The Board of Directors and Supervisory Board of GRENKE AG also report on the Company's corporate governance in the Declaration of Conformity in accordance with Principle 23 of the German Corporate Governance Code (GCGC).

The Board of Directors and the Supervisory Board of GRENKE AG are committed to responsible, transparent management and control of the Company with a view to increasing the Company's value on a sustainable and long-term basis. To this end, the Board of Directors and the Supervisory Board analyse and evaluate the Company's role in society and the resulting social responsibility, as well as social and environmental factors, and include these and their potential effects as relevant parameters for the corporate strategy and the operating business and address them accordingly.

8.1 Declaration of Conformity in accordance with Section 161 AktG

DECLARATION OF CONFORMITY 2023

OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD WITH THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) IN ACCORDANCE WITH SECTION 161 AKTG

The Board of Directors and the Supervisory Board of GRENKE AG declare the following in accordance with Section 161 AktG:

I. Declaration of Conformity with the German Corporate Governance Code as amended on December 16, 2019

Since issuing the last annual Declaration of Conformity in January 2022, GRENKE AG has complied with the applicable recommendations of the German Corporate Governance Code as amended on December 16, 2019 and published in the German Federal Gazette on March 20, 2020, ("GCGC 2020"), with the exception of the following justified deviations:

In **Recommendation G.10 sentence 1,** the GCGC 2020 recommends that the variable remuneration granted to a member of the Board of Directors be invested by this member predominantly in shares or be share-based. The new remuneration system, to which the majority of Board of Directors' contracts have been converted to, complies with this recommendation. In the case of Board of Directors' contracts subject to grandfathering, the granting of share-based remuneration is already a focal point of variable remuneration, although this does not necessarily always predominate.

In **Recommendation G.10, sentence 2,** the GCGC 2020 recommends that the Board of Directors' member should be allowed to dispose of long-term variable grant amounts only after a period of four years.

In the case of contracts that have converted to the new remuneration system, only the long-term variable grant amounts that are not share-based do not meet the four-year payout restriction period that the Supervisory Board considers appropriate in view of their share in the variable remuneration and, albeit, a fundamentally multi-year assessment period. According to contracts subject to grandfathering, the variable share-based remuneration components are granted subject to multi-year payout restriction periods and not to four-year payout restrictions. In all other respects, the recommendation was followed.

In **Recommendation G.11, sentence 2,** the GCGC 2020 recommends that the option be given to reclaim variable remuneration in justified cases (clawback clause). This recommendation has been complied with, with the exception of contracts that are grandfathered.

In **Recommendation G.12,** the GCGC 2020 recommends, among others, adhering to the agreed holding periods in the event of the termination of a Board of Directors' contract. The recommendation was complied with, except for the share-based remuneration in the contracts subject to grandfathering.

In **Recommendation G.13, sentence 1,** the GCGC 2020 recommends that payments to a Board of Directors' member in the event of premature termination of Board of Directors' activities should not exceed the value of two years' remuneration (severance payment cap). In deviation from this, the Board of Directors' contracts that are subject to grandfathering do not provide for such a severance payment cap. In all other respects, this recommendation was followed.

II. Declaration of Conformity with the German Corporate Governance Code as amended on April 28, 2022

The new version of the German Corporate Governance Code dated April 28, 2022 ("GCGC 2022") entered into force upon its publication in the German Federal Gazette on June 27, 2022. GRENKE AG has complied with the recommendations of the new version applicable to it, with the exception of the following justified deviations, and will continue to comply with them in the future:

Recommendations G.10, G.11 sentence 2, G.12 and G.13 sentence 1 of the GCGC 2022 were deviated from and will continue to be so to the extent described above for the reasons explained. Otherwise, the recommendations have been and will be followed in the future.

Baden-Baden, January 30, 2023

GRENKE AG

On behalf of the Board of Directors	On behalf of the Supervisory Board
Dr Sebastian Hirsch	Prof Dr Ernst-Moritz Lipp

The declarations of conformity issued in the past five years are available on our website under the topic Investor Relations at www.grenke.com/investor-relations/corporate-governance/.

GRENKE AG also complies with all of the GCGC 2022 suggestions.

8.2 Management and supervision

GRENKE AG is a stock corporation under German law subject to the German Stock Corporation Act. The Company has three corporate bodies: the Board of Directors, the Supervisory Board, and the Annual General Meeting. The Board of Directors manages the Company, while the Supervisory Board monitors and advises the Board of Directors. The respective duties and powers are essentially derived from the law and the Company's Articles of Association and the respective Rules of Procedure of the Board of Directors and Supervisory Board.

The Board of Directors and Supervisory Board of the Company work closely together for the benefit of the Company. The Board of Directors keeps the Supervisory Board regularly, promptly, and comprehensively informed of all issues relevant to GRENKE AG and the GRENKE Group regarding the implementation of corporate strategy, planning, business development, the financial and earnings situation, and particular business risks and opportunities. Significant decisions of the Board of Directors are subject to the approval of the Supervisory Board; the Rules of Procedure of the Board of Directors contain a corresponding catalogue of such transactions requiring approval.

8.2.1 The Board of Directors

Pursuant to Article 5 (1) of the Articles of Association, GRENKE AG's Board of Directors shall consist of at least two persons. The precise number of persons is determined by the Supervisory Board. The Board of Directors is responsible for managing the Company in the Company's best interests and is committed to increasing the sustainable value of the Company. The Board of Directors is responsible for the operational management and implementation of the Company's strategic orientation as well as compliance with corporate policy. The Board of Directors also prepares the annual financial statements of GRENKE AG as well as the quarterly reports and the Consolidated Group's half-yearly financial report and annual financial statements and informs the Supervisory Board regularly and comprehensively about the Company as a whole through Board of Directors' reports and meeting documents.

The Board of Directors develops GRENKE AG's corporate strategy, which also includes GRENKE AG's sustainability strategy. The strategy is implemented by the Board of Directors as part of an ongoing exchange between the Board of Directors and the Supervisory Board. The following are regular components of Supervisory Board meetings and individual discussions between the Board of Directors and the Chair of the Supervisory Board, who reports directly to the Supervisory Board on these exchanges: issues related to strategy, implementation, planning, business development, the risk situation, compliance, the results of operations and financial position, strategic and operational business risks and their management, data protection, information security and cyber security, as well as sustainability along the dimensions of environmental, social and governance (ESG).

The Board of Directors has been issued rules of procedure by the Supervisory Board that include a requirement for approval with regard to the division into business areas as well as cooperation guidelines both within the Board of Directors and between the Supervisory Board and the Board of Directors. The individual business areas are assigned to the Board of Directors members according to their respective individual competence profiles. These assignments do not affect the principle of overall responsibility of the Board of Directors members.

In the reporting period, the Board of Directors consisted of the following members:

In the period from January 1, 2022 to November 20, 2022, the Board of Directors consisted of the following four members: Michael Bücker (CEO), Dr Sebastian Hirsch (CFO), Gilles Christ (CSO) and Isabel Rösler (CRO).

On November 21, 2022, the Supervisory Board of GRENKE AG temporarily revoked the appointment of the Chair of the Board of Directors Michael Bücker at his own request due to illness. At the same time, he was assured of his reappointment as of March 1, 2023.

The role and tasks of Mr Bücker as CEO have been taken over by the Deputy Chair of the Board of Directors, Dr Sebastian Hirsch, on an interim basis, thus ensuring continuity in the Board of Directors. With Michael Bücker's departure from the Board of Directors, his tasks were assumed by the other members of the Board of Directors, and the schedule of responsibilities was adjusted accordingly as of December 1, 2022.

Schedule of responsibilities until November 30, 2022

Michael Bücker Chair of the Board of Directors (CEO)	**Dr Sebastian Hirsch** Chief Financial Officer (CFO)	**Gilles Christ** Chief Sales Officer (CSO)	**Isabel Rösler** Chief Risk Officer (CRO)
Group Strategy	Controlling	Brand Management	Risk Management
Internal Audit	M + A	Sales	Compliance
IT	Treasury/Corporate Finance	Services	Corporate Credit
Process Management	Legal		Administration
Human Resources	Accounting/Taxes		Data Protection
	Investor Relations		Reporting
	Property and Facility Management		

Schedule of responsibilities as of December 1, 2022

Dr Sebastian Hirsch Chief Financial Officer (Interim CEO and CFO)	**Gilles Christ** Chief Sales Officer (CSO)	**Isabel Rösler** Chief Risk Officer (CRO)
Strategy & Communication	Brand Management	Risk Management
Expansion & M + A	Sales GRENKE Solutions	Compliance
Controlling	Sales Management	Internal Audit
IT	Services	Corporate Credit
Treasury/Corporate Finance	Process Management	Administration
Accounting/Taxes	Legal	
Human Resources		
Property and Facility Management		

Further information on the curriculum vitae of the individual members of the Board of Directors of GRENKE AG is available on GRENKE AG's website at www.grenke.com/management/board-of-directors/.

Members of the Board of Directors are responsible for managing the business units assigned to them. The measures and transactions of business units that are of particular relevance and scope for the Company require the prior approval of the entire Board of Directors. The same applies to actions and transactions for which the Chair of the Board of Directors or another Board of Directors member requires the prior adoption of a resolution by the full Board of Directors.

The Chief Executive Officer (CEO) coordinates the work of the Board of Directors in addition to the areas of responsibility assigned to him.

An age limit for Board of Directors members has been set by the Supervisory Board, which stipulates that Board members may not be more than 60 years old at the time of their appointment.

Members of the Board of Directors are liable for damages in the event of a culpable breach of their duties of care towards the Company.

Information on the remuneration system for Board of Directors' members, as well as the individual remuneration of Board of Directors members, is provided in the remuneration report, which is available at www.grenke.com/investor-relations/reports-and-presentations/.

The applicable remuneration system in accordance with Section 87a (1) and (2) sentence 1 of the AktG, the remuneration report for the 2022 financial year and the auditor's report in accordance with Section 162 of the AktG are also publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

8.2.2 The Supervisory Board

8.2.2.1 Composition and work practices of the Supervisory Board

Pursuant to Article 7 (1) of the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. All members of the Supervisory Board were elected by the Annual General Meeting.

In the reporting period, the Supervisory Board consisted of the following six members: Prof Dr Ernst-Moritz Lipp (Chair of the Supervisory Board), Jens Rönnberg (Deputy Chair of the Supervisory Board), Norbert Freisleben, Nils Kröber, Dr Konstantin Mettenheimer and Dr Ljiljana Mitic.

All members of the Supervisory Board, with the exception of Nils Kröber, were considered by the Supervisory Board as independent. The Chair of the Supervisory Board was informed by Nils Kröber about ongoing consulting activities for Grenke Beteiligung GmbH & Co. KG as well as for individual members of the Grenke family and that this could result in a conflict of interest in some cases. The Chair of the Supervisory Board, Prof. Dr Ernst-Moritz Lipp has been a member of the Supervisory Board of GRENKE AG since May 2003. Despite the length of his mandate, he is still considered by the Supervisory Board to be independent as he fulfils all other definition parameters due to his personal background, curriculum vitae and his financial independence. Prof Dr Ernst-Moritz Lipp has given no cause to doubt the dutiful and proper fulfilment of his duties on the Supervisory Board, nor is it expected that a material, and not merely temporary, conflict of interest will arise from his long period of membership. The Supervisory Board considers five to be an adequate number of independent shareholder representatives. These independent shareholder representatives are Prof Dr Ernst-Moritz Lipp, Dr Ljiljana Mitic, Jens Rönnberg, Norbert Freisleben and Dr Konstantin Mettenheimer.

Further information on the curriculum vitae, term of office, and other mandates of the respective members of GRENKE AG's Supervisory Board can be found on GRENKE AG's website at www.grenke.com/management/supervisory-board/.

Information on the remuneration of the members of the Supervisory Board and their individual remuneration is provided in the remuneration report (www.grenke.com/investor-relations/reports-and-presentations/). The remuneration report for the last financial year, the auditor's report in accordance with Section 162 AktG and the last remuneration resolution of the Annual General Meeting in accordance with Section 113 (3) AktG are publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

The central task of the Supervisory Board is to advise and monitor the Board of Directors in its management of the Company, in particular with regard to corporate strategy and fundamental corporate decisions. It monitors adherence to legal provisions, official regulations and internal Company guidelines (compliance). The Board of Directors involves the Supervisory Board in all decisions of fundamental importance to the Company. The Supervisory Board shall stipulate approval requirements for such transactions in the rules of procedure of the Board of Directors, unless these are already reflected in the Articles of Association. The Supervisory Board also votes on transactions with related parties regulated in Section 111a ff AktG, insofar as these require approval. The Supervisory Board is also responsible for appointing and dismissing the members of the Board of Directors and for reviewing the annual and consolidated financial statements, the combined management report of GRENKE AG and the GRENKE Group, and the proposal for the appropriation of unappropriated surplus. It also adopts the annual financial statements of GRENKE AG and approves the consolidated financial statements.

In the 2022 reporting year, the Board of Directors regularly provided the Supervisory Board with comprehensive information in ordinary and extraordinary meetings on the Consolidated Group's economic situation, strategic planning, and relevant current events. In addition, the Chair of the Supervisory Board maintained a close exchange with the Board of Directors on day-to-day business and reported directly to the full Supervisory Board on these exchanges. Key elements of the briefings by the Board of Directors were the regular reports on new business, sales, digitalisation, including cyber security, cost development, information security, refinancing and the ongoing audit activities by the auditor BDO AG Wirtschaftsprüfungsgesellschaft (annual financial statements 2022). Furthermore, the Supervisory Board was informed by the Board of Directors on sustainability issues along the dimensions of environmental, social, and governance (ESG). Permanent topics of discussion between the Board of Directors and the Supervisory Board were the current macroeconomic situation, rising interest rates and high inflation and the associated challenges. The Board of Directors coordinated closely with the Supervisory Board on the strategic development of the Consolidated Group and, together with the Supervisory Board, addressed issues of risk management and compliance, risk provisioning, the internal control system, and internal auditing.

The Supervisory Board of GRENKE AG convenes at least quarterly in ordinary meetings. Extraordinary meetings, as well as video and telephone conferences, and resolutions are passed outside of meetings, are held as required. Independently of these meetings, the Supervisory Board receives routine reports from the Internal Audit, Compliance, and Risk Controlling departments.

The Supervisory Board is chaired by Prof Dr Ernst-Moritz Lipp; at no time during the reporting period was he the chairman of the Audit Committee. The Chair of the Supervisory Board maintains contact on a regular basis and as necessary with the individual members of the Board of Directors. In his role as the Chair of the Supervisory Board, Prof Dr Ernst-Moritz Lipp coordinates the work of the Supervisory Board and represents its interests in public. To this end, the Chair of the Supervisory Board also held discussions with investors on issues relevant to the Supervisory Board.

A detailed description of the activities of the Supervisory Board, including an overview of its members and a list of their individual attendance at meetings, can be found in the Report of the Supervisory Board.

A competence profile was developed by the Supervisory Board for the entire Supervisory Board. In this profile, targets were set regarding the individual composition of the Supervisory Board.

In addition to a competence profile that matches the profile of the Supervisory Board as a whole, diversity is also an integral part of the concept. Proposals for new members of the Supervisory Board to the Annual General Meeting are always evaluated and selected in accordance with the objectives and competence requirements set out in Section 8.3 below.

Supported by the Nomination Committee, the Supervisory Board regularly, and at least once annually, conducts an assessment of the structure, size, and composition of the Supervisory Board and its committees and assesses the knowledge, skills and experience of the individual business managers, the members of the administrative and supervisory body, as well as the respective body as a whole. This self-assessment is based on a comprehensive, company-specific questionnaire, which was developed in cooperation with consulting firms and aligned annually to current circumstances in consultation with the Nomination Committee. The questionnaire covers various relevant topics related to the Supervisory Board's activities, including information sharing, committee work, quality of cooperation, work input and independence. The evaluations of the respective topics are submitted anonymously and in each case quantitatively, qualitatively and according to time spent. After aggregating the entries, the results are then discussed in detail in the plenum and suggestions for improvement are recorded. The suggestions for improvement, together with the recommendations of the Nomination Committee, are then incorporated into the work of the Supervisory Board's committees.

During the reporting period, a competence and efficiency review of the Supervisory Board was carried out in the form of questionnaires to be completed digitally until the meeting of the Nomination Committee on May 24, 2022. The results of the survey were evaluated by the Nomination Committee in a meeting on May 24, 2022 and suggestions for improvement were developed. These results and suggestions for improvement were subsequently presented and discussed in detail with the full Supervisory Board in a meeting on May 24, 2022, as well as in a continuation meeting on July 28 to 29, 2022.

To assess the status of the competence profile's implementation, the Supervisory Board has drawn up a qualifications matrix based on a self-assessment carried out by the members.

		Prof Dr Ernst-Moritz Lipp	**WP/StB Jens Rönnberg**	**Norbert Freisleben**	**Nils Kröber**	**Dr Konstantin Mettenheimer**	**Dr Ljiljana Mitic**
Term of office	Member since	2003	2019	2021	2021	2021	2015
Personal suitability	Independence as defined by the Code	•	•	•		•	•
	No "overboarding" as defined by the Code	•	•	•	•	•	•
Diversity	Year of birth	1951	1957	1970	1976	1955	1969
	Gender	Male	Male	Male	Male	Male	Female
	Nationality	German	German-Chilean	German	German	German	German
International experience	Germany	•	•	•	•	•	•
	EMEA (Europe, Middle East)	•	•	•		•	•
	APAC (Asia, Australia)			•		•	•
	AMER (North and South America)	•	•	•	•	•	•
Professional aptitude	Leadership experience	•	•	•	•	•	•
	Business segment/sector familiarity (leasing, factoring)	•	•	•	•	•	•
	Business segment/sector familiarity (banking)	•	•		•		•
	Risk management	•	•	•	•	•	•
	Compliance/corporate governance	•	•	•	•	•	•
	Capital market	•	•	•	•	•	
	Strategy	•	•		•	•	•
	Sustainability/ESG/CSR		•	•			•
	IT, technology and digitalisation				•		•
	Sales	•				•	•
	Human resources	•	•	•	•	•	•
Financial expert	Domestic and international accounting	•	•	•		•	
	Auditing of financial statements	•	•	•		•	

With its composition of proven experts in the fields of finance, accounting, corporate planning, corporate governance, controlling, accounting, risk management, auditing, compliance, environment, sustainability IT, law, and human resources, the Supervisory Board of GRENKE AG fully complies with the underlying competence profile and has the necessary knowledge, skills, and professional experience to properly perform its duties.

It has been agreed that the auditor will inform the Supervisory Board immediately of all relevant material findings and events that the auditor becomes aware of in the course of the audit. The auditor must also inform the Supervisory Board and record this in the audit report if facts are discovered during the audit that indicate that the Declaration of Conformity on the German Corporate Governance Code issued by the Board of Directors and Supervisory Board is incorrect.

The Supervisory Board has issued an age limit that states that Supervisory Board members may not be more than 70 years old at the time of their election.

Members of the Supervisory Board are liable for damages in the event of a culpable breach of their duties of care towards the Company.

The current Rules of Procedure of the Supervisory Board, which contain important information on the Supervisory Board and the Supervisory Board committees, are available on GRENKE AG's website at www.grenke.de/unternehmen/investor-relations/corporate-governance/.

8.2.2.2 Supervisory Board committees

In order to perform its duties efficiently, the Supervisory Board resolved, in accordance with the requirements of Section 25d (7) sentence 2 KWG, effective January 1, 2022, to establish a Nomination Committee, a Risk Committee and a Remuneration Control Committee in addition to the Audit Committee.

The tasks and powers assigned to these committees are listed in the Supervisory Board's rules of procedure. The committee chairpersons report on the work of the respective committees to the full Supervisory Board.

An overview of the committees, their members and chairpersons, a list of the attendance at each committee meeting, and details of the work of the committees formed in the 2022 financial year can be found in the Report of the Supervisory Board.

8.2.2.2.1 Audit Committee

The Audit Committee consists of three members. In accordance with Section 7 (4) of the Supervisory Board's rules of procedure, the tasks of the Audit Committee consist primarily of monitoring the accounting and the accounting process, the risk management system (especially the internal control system), the compliance management system and the internal audit. The Audit Committee is also tasked with monitoring the performance of the audit of the annual financial statements and specifically the independence of the auditor. The Committee is also responsible for monitoring any additional services provided by the auditor and the quality of the auditor.

It is also the Audit Committee's responsibility to recommend the focal points of the auditor's audit to the Supervisory Board. In addition the Audit Committee is tasked with receiving and evaluating the auditor's findings on the effectiveness of the internal control system, the risk management system and the efficiency of the internal audit.

Furthermore, the Audit Committee deals with any other findings of the auditor; the preparation of the audits and reports incumbent on the Supervisory Board pursuant to Sections 170, 171 AktG; the monitoring of the processing of the deficiencies identified and the discussion of the interim reports (quarterly and half-yearly reports) and statements.

The Audit Committee in the 2022 financial year consisted of Jens Rönnberg as Chair, Dr Konstantin Mettenheimer and Norbert Freisleben as members, and fulfilled all the requirements applicable to it in accordance with Section 107 (4) sentence 3 and Section 100 (5) AktG as well as Section 25d (9) KWG.

As the Committee's Chair, Jens Rönnberg has demonstrable expertise in the fields of accounting and auditing from his longstanding career as an auditor and tax consultant for leading law firms and renowned international organisations. His skills are complemented by Norbert Freisleben's longtime experience in the areas of accounting and auditing at a renowned auditing firm. The two aforementioned members also have expertise in sustainability reporting and auditing issues from their work. Dr Konstantin Mettenheimer has the necessary experience, knowledge and skills as a tax advisor, business economist and lawyer as well as from his experience on other audit committees.

All members of the Audit Committee are independent of the GRENKE Group and have knowledge and experience in the application of internal control and risk management systems. The Audit Committee as a whole is familiar with the sector in which the GRENKE Group operates.

8.2.2.2.2 Nomination Committee

The Nomination Committee has three members.

Pursuant to Section 8 (4) of the Rules of Procedure of the Supervisory Board, the main tasks of the Nomination Committee include the strategic aspects of personnel planning, such as reviewing fundamental personnel planning; and the conclusion, amendment and termination of the employment contracts with the members of the Board of Directors and the general representatives. The Nomination Committee also identifies candidates for Board of Directors positions and assists in the preparation of election proposals for the election of members of the Supervisory Board, taking into account the required knowledge, skills, professional experience, and diversity principles.

The development of a target to promote the representation of the underrepresented gender on the Supervisory Board and a strategy to achieve it is also the responsibility of the Committee.

At least once a year, the Nomination Committee shall conduct an assessment of the structure, size, composition and performance of the Board of Directors and the Supervisory Board as well as the committees of the Supervisory Board and regularly, at least once annually, assess the knowledge, skills and experience of both the individual Board of Directors and Supervisory Board members and the respective body or committee as a whole. The review of the Board of Directors' policies for the selection and appointment of senior management are just as much part of the core tasks of the Nomination Committee as the preparation of a diversity concept, executive and talent management and succession planning.

The Committee, which was composed of Dr Ljiljana Mitic as chairperson and Prof. Dr Ernst-Moritz Lipp and Jens Rönnberg as members in the 2022 financial year, has sufficient knowledge, skills and experience of the business activities of the Company and the Group individually and in its entirety to be able to assess the composition of the Board of Directors and Supervisory Board, including the recommendation of candidates.

8.2.2.2.3 Risk Committee

The Risk Committee consists of three members. According to Section 9 (3) of the Rules of Procedure of the Supervisory Board, the tasks of the Risk Committee include mainly advising the Supervisory Board on the current and future overall risk appetite and overall risk strategy of the Company and supporting the Board of Directors in monitoring the implementation of this strategy by upper management level.

Likewise, monitoring to ensure the conditions in the customer business are in line with the business model and risk structure of the Company is also part of the Risk Committee's tasks. If it is found that this is not the case, the Risk Committee requests proposals from the Board of Directors on how the conditions in the customer business can be structured in accordance with the business model and the risk structure and monitors their implementation. The Risk Committee is also responsible for reviewing whether the incentives set by the remuneration system adequately take into account the risk, capital and liquidity structure of the Company.

In the 2022 financial year, the Risk Committee consisted of Norbert Freisleben as Chair and Prof. Dr Ernst-Moritz Lipp and Dr Konstantin Mettenheimer as members. The Committee as a whole has sufficient knowledge, skills and experience regarding risk management and control procedures, and the Committee's Chair is neither the Chair of the full Supervisory Board nor of any other committee.

8.2.2.2.4 Remuneration Control Committee

The Remuneration Control Committee has three members. The main tasks of the Remuneration Control Committee in accordance with Section 10 (3) of the Rules of Procedure of the Supervisory Board are to monitor the appropriate design of the remuneration systems for the members of the Board of Directors and employees and, above all, for the heads of the risk controlling function and the compliance function, as well as such employees who have a significant influence on the Company's overall risk profile. Other key tasks include supporting the Supervisory Board in monitoring the appropriate design of the employee remuneration systems.

The Remuneration Control Committee shall assess the impact of the remuneration systems on risk, capital and liquidity management, prepare Supervisory Board resolutions on the remuneration of members of the Board of Directors and, in doing so, shall pay particular attention to the impact of the resolutions on the Company's risks and risk management.

The Committee shall take into account the long-term interests of shareholders, investors, other stakeholders and the public and shall assist the Supervisory Board in monitoring the proper involvement of internal control and all other relevant areas in the design of the remuneration systems, target setting and achievement for the variable remuneration of the Board of Directors members. It advises on the design of the remuneration policy and determines appropriate remuneration for the Board of Directors members that is geared towards sustainable corporate development.

In the 2022 financial year, the Committee consisted of Nils Kröber as Chair and Dr Ljiljana Mitic and Norbert Freisleben as members and, in its entirety, had sufficient expertise in risk management and risk controlling (particularly with regard to remuneration systems). The Chair also has expertise and professional experience, while Dr. Ljiljana Mitic has expertise in the field of risk management and risk controlling, particularly with regard to mechanisms for aligning remuneration systems with the Company's overall risk tolerance, risk strategy and capital adequacy.

8.2.3 Annual General Meeting

The Annual General Meeting passes resolutions for cases specified by law and in the Articles of Association. These include the election of shareholder representatives to the Supervisory Board, the election of the auditor, the discharge of the members of the Board of Directors and Supervisory Board, amendments to the Articles of Association, decisions on the appropriation of profits, and capital measures. At the request of the Board of Directors, the Annual General Meeting may also decide on management issues.

8.3 Targets for the representation of women, diversity concept and competence profile

Equal opportunity and diversity are integral components of the selection process for executives and employees of GRENKE AG.

The target percentage of women executives for the two management levels below the Board of Directors was set by the Board of Directors at a minimum of 30 percent for the 2022 financial year. This target was achieved by GRENKE AG in the reporting period.

The Board of Directors has also decided to maintain a gender-specific target of 30 percent for each of the first two management levels below the Board of Directors for the 2023 financial year.

The gender ratio for GRENKE AG's workforce as a whole is largely balanced, with women accounting for around 50 percent.

Once each financial year, the Board of Directors reports to the Supervisory Board on the development of family-friendly measures (such as financial support, childcare support, flexible work models, and remote workplace models) and the consideration of gender diversity when filling executive positions.

For the 2022 financial year, the Supervisory Board has set a target for the proportion of women executives on the Board of Directors at a minimum of 25 percent and on the Supervisory Board at a minimum of 33 percent. The corresponding targets represent a minimum limit. The target for the Supervisory Board was not met in 2022 but is expected to be met again in the future. The reason for it not being met was the decision to take candidates possessing a very specific skill profile.

When composing the Board of Directors, GRENKE AG takes into consideration the following diversity aspects:

The decisive factor for the Supervisory Board when filling a Board of Directors position is always the Company's interest, taking into account all circumstances of the individual case. In the view of the Supervisory Board, personal suitability and professional qualifications, in particular, are key criteria when selecting members for the Board of Directors.

This includes not only an appropriate consideration of women but also diversity with regard to cultural origin and the various educational and professional backgrounds. The Supervisory Board pays particular attention to the following principles when considering which personalities would best complement the Board of Directors:

The composition of the Board of Directors shall be balanced in terms of age structure so that the body's ability to act is guaranteed at all times.

The composition of the Board of Directors shall meet the requirements of the Second Management Position Act (Zweiten Führungspositionengesetz – FüPoG II).

With regard to their educational and professional backgrounds, the members of the Board of Directors must be able to fulfil the duties of proper management in accordance with the law, the Articles of Association, and the Rules of Procedure of GRENKE AG. In addition, they should have primarily the following backgrounds:

- Longstanding management experience in an international context
- Extensive experience in IT management (digitalisation)
- Comprehensive knowledge of the requirements and interrelationships of the capital market
- Sound knowledge of financial management and risk management
- Thorough knowledge of accounting according to IFRS and HGB
- In-depth knowledge of climate protection and sustainability

Based on these principles, the Supervisory Board fulfils the legal requirements by taking gender diversity into account in the selection of Board of Directors' members and implements the related aspiration to increase the proportion of women in management positions.

The Supervisory Board also fulfils all obligations under the law, the Articles of Association and the Rules of Procedure with regard to the consideration of different professional and educational backgrounds in order to ensure that the tasks and duties incumbent on this body can be properly fulfilled. In doing so, this also ensures that all changes in the business environment, which are fundamentally in an international context, as well as all effects of cultural, demographic and social change affecting the Company in its day-to-day business, are analysed and evaluated from a wide variety of perspectives. This corresponds to our understanding of stability and sustainability as well as innovation and dynamics for the further successful development of the Company.

A close, ongoing exchange between the Supervisory Board and Board of Directors regarding all important issues affecting the Company's fate and development ensures that the targets for the Board of Directors' composition are met. As part of this exchange, the Supervisory Board regularly reviews whether or not the competencies of the respective Board of Directors members meet the requirements of their areas of responsibility. It also regularly checks whether the number of Board of Directors members and their responsibilities correspond to the requirements associated with the growth and complexity of the Company. The Supervisory Board is responsible for deciding on the composition of the Board of Directors and the schedule of responsibilities, as well as for ensuring succession planning.

The Supervisory Board, together with the Board of Directors and with the support of the Nomination Committee, ensures long-term succession planning for the Board of Directors. Long-term succession planning takes into account the requirements of the German Stock Corporation Act, the Corporate Governance Code and the Rules of Procedure of the Supervisory Board as well as the criteria of the diversity concept developed by the Supervisory Board for the composition of the Board of Directors. Taking into account the specific qualification requirements and the aforementioned criteria, the Nomination Committee develops a target profile and, on the basis of this, draws up a shortlist of available candidates in the event of a specific succession decision. Structured interviews are conducted with these candidates. Subsequently, a recommendation is submitted to the Supervisory Board for resolution. If necessary, the Supervisory Board and the Nomination Committee are supported by external consultants in the development of requirement profiles.

The Supervisory Board of GRENKE AG shall be composed in such a way as to ensure qualified advice to and supervision of the Board of Directors at all times. The following diversity aspects are taken into account in the composition of the Supervisory Board:

The composition of the Supervisory Board shall meet the requirements of the Second Management Position Act (FüPoG II).

In terms of their educational and professional backgrounds, the members of the Supervisory Board should be in a position to fulfil the legal obligations associated with this task and, at the same time, be able to devote the time necessary to carry out this activity. In addition to the requirement for a high quality of character in the sense of personal competence, the decisive factors, above all, are professional competence and business experience, as well as the Supervisory Board member's corresponding ability to exercise objective judgment. In addition to this, the competence profile of the members of the Supervisory Board of GRENKE AG is also based on the following backgrounds:

- Longstanding management experience in an international context
- Comprehensive knowledge of the requirements and interrelationships of the capital market
- Sound knowledge of financial management (financing and controlling)
- Thorough knowledge of accounting according to IRFS and HGB
- Extensive experience in IT management (digitalisation and transformation)
- Experience in strategy and sales management
- In-depth knowledge of climate protection and sustainability

The members of the Supervisory Board as a whole must be familiar with the sector in which the Company operates.

The objectives pursued with the diversity concept for the composition of the Supervisory Board are as follows:

In order to fulfil its role as a supervisory and control body, the Supervisory Board should be able to provide an accurate assessment of the current development and future direction of the Company. Accordingly, the aim is to fill the Supervisory Board in such a way as to ensure qualified control and advice at all times in accordance with the German Stock Corporation Act and the German Corporate Governance Code.

In the 2022 financial year, the Supervisory Board's composition as a whole fully represented the knowledge and experience necessary. This made it possible for the Supervisory Board to deal with and evaluate the issues relevant to decision-making in a qualified manner. The Supervisory Board's composition also placed it in a position to make its decisions for effective supervision and control from an objective point of view.

The competence profile and diversity concept for the Supervisory Board are generally implemented as part of the election proposals to the Annual General Meeting, while the diversity concept for the Board of Directors is implemented through the appointment of Board of Directors' members by the Supervisory Board. The target for the Supervisory Board was not met in 2022 but is expected to be met again in the future. The reason for it not being met was the decision to take candidates possessing a very specific skill profile.

Curricula vitae of all Supervisory Board and Board of Directors members have been published by the Company on its website and provide information on the relevant individual knowledge, skills and experience of the members. The curricula vitae are updated annually.

8.4 Remuneration of the Board of Directors and Supervisory Board

The respective remuneration and the underlying remuneration system for the Board of Directors and the Supervisory Board are described in the remuneration report, which is available at www.grenke.com/investor-relations/reports-and-presentations/.

The remuneration report for the last financial year and the auditor's report in accordance with Section 162 AktG, the applicable remuneration system in accordance with Section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution in accordance with Section 113 (3) AktG are publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

8.5 Securities transactions subject to reporting requirements (Directors' dealings)

By law, persons who perform management duties at GRENKE AG and persons closely related to them are required to disclose any trading in GRENKE AG shares or related financial instruments if the value of the transaction reaches or exceeds the threshold of EUR 20,000 within one calendar year. In accordance with Article 19 (2) and (3) of the Market Abuse Regulation (MAR), GRENKE AG ensures the required notifications and disclosures are made and publishes them on the Company's website at: www.grenke.com/investor-relations/corporate-governance/directors-dealings/.

8.6 Shareholdings of the Board of Directors and Supervisory Board

As of December 31, 2022, the shareholdings of the members of the Board of Directors and the Supervisory Board of GRENKE AG amounted to 149,838 shares, corresponding to 0.32 percent of the shares issued.

8.7 Transparency and shareholder information

Announcements of GRENKE AG that are relevant to the capital market are published in the German Federal Gazette (Bundesanzeiger). Additionally, the Company uses a variety of channels to comprehensively inform financial market participants and the public about business developments and relevant events. In accordance with Article 18 (MAR), GRENKE AG maintains insider lists. The persons on these lists have been informed of their legal obligations and sanctions in the event of possible violations. Measures taken by GRENKE AG to inform the capital market are described in detail in the "Share and Investor Relations" section of this Annual Report.

8.8 Responsible corporate governance

The responsible corporate governance chapter covers the areas of compliance, money laundering prevention, corporate governance, data protection, information security, environment and climate, and social contribution. Due to the high importance of these topics, both for the confidence of customers and the capital market, which at the same time have far-reaching relevance for the success of the Company, a separate section in the Non-Financial Statement of the Annual Report is dedicated to this topic and can be found in chapter 4.

8.9 Controlling and risk management

The purpose of risk management at GRENKE AG is to enable the Board of Directors and all employees involved to consciously manage risks and take advantage of opportunities. As a financial services provider, GRENKE AG is subject to the minimum requirements for risk management (MaRisk) defined by the Deutsche Bundesbank and the German Federal Financial Supervisory Authority (BaFin), as well as the regulatory requirements for IT (BAIT). The topic of risk management and the respective responsibilities are dealt with in detail in the management report.

8.10 Accounting, auditing and financial reporting

In accordance with Sections 315 (5) and 298 (2) HGB, the management report of the GRENKE Group and the management report of GRENKE AG are combined in a single report. Any deviations are explained in detail in the management report of GRENKE AG.

The GRENKE Group's consolidated financial statements for the financial year of January 1 – December 31, 2022 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) as adopted by the European Union and, for the Company, in accordance with the German Commercial Code (HGB). GRENKE AG also observed and applied the provisions of Section 315a HGB.

After the review by the Supervisory Board, the adopted annual financial statements and the approved consolidated financial statements are generally published within four months of the end of the financial year. For the 2022 financial year, the Annual General Meeting on May 25, 2022 elected BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditor and Group auditor. The auditor will also perform the audit review of interim financial reports to the extent this needs to be carried out.

Further information on the subject matter and scope of the audit of the annual financial statements in accordance with Section 317 HGB and on the duties of the Audit Committee can be found in the Annual Report in the Report of the Supervisory Board.

9. Management Report of GRENKE AG

In the following management report, the development of GRENKE AG (the "Company") in the 2022 financial year is discussed in addition to the information reported on the GRENKE Group. The Company's financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). The Company's annual financial statements for the 2022 financial year, as well as the consolidated financial statements, will be published in the German Federal Gazette. The annual financial statements for the 2022 financial year will also be made available to download at https://www.grenke.com/investor-relations/reports-and-presentations. With regard to the general economic conditions and sector development, there were no deviating material developments that would have only affected the Company.

9.1 Corporate legal framework, group affiliation

GRENKE AG was created in 1997 under the former name GRENKELEASING AG. GRENKE Investitionen Verwaltungs Kommanditgesellschaft auf Aktien ("KgaA") was also formed in the same year. Both companies represent a structural business separation, with GRENKE AG serving as the operating company and the KGaA as the holding company. Using a two-level model, the operating company rents leased assets from the holding company and then leases these assets to sub-lessees. GRENKE AG holds an indirect interest of 100 percent in the KGaA, and a control and profit transfer agreement is in effect. As the parent company of the GRENKE Group, GRENKE AG held direct investments in 37 subsidiaries and structured entities as of the end of 2022.

9.1.1 Branches

Apart from its function as the parent company of the Consolidated Group, GRENKE AG operates the leasing business in Germany. In addition to its head office in Baden-Baden, GRENKE AG maintains locations in the following cities in Germany:

Locations in Germany

Entity	Location
Berlin*/**	Kieselbronn*/**
Bielefeld**	Köln*/**
Bremen*/**	Leipzig**
Dortmund**	Magdeburg**
Dresden**	Mannheim*/**
Düsseldorf*/**	Mönchengladbach*/**
Erfurt**	München**
Frankfurt am Main*/**	Neu-Ulm**
Freiburg*/**	Nürnberg*/**
Hamburg**	Potsdam*/**
Hannover*/**	Regensburg**
Heilbronn**	Rostock*/**
Karlsruhe*	Saarbrücken**
Kassel**	Stuttgart*/**
Kiel**	

* Registered branches of GRENKE AG
** Registered branches of GRENKE BUSINESS SOLUTIONS GmbH & Co KG.

9.1.2 Investments

In addition to the shares in the KGaA, GRENKE AG held 100 percent of the shares in GRENKE Service AG, Baden-Baden, GRENKEFACTORING GmbH, Baden-Baden, GRENKE BANK AG, Baden-Baden, and GRENKE digital GmbH, Karlsruhe, as of December 31, 2022. GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, founded in 2019, is the sales company of GRENKE AG. The general partner of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG is GRENKE Management Services GmbH, Baden-Baden, in which GRENKE AG also holds a 100 percent interest.

As of the end of the reporting year, GRENKE AG held the following investments outside of Germany:

Investments outside of Germany

Entity	Registered office	Quote in %
GRENKELEASING GmbH	Vienna/Austria	100
GRENKELEASING AG	Zurich/Switzerland	100
GRENKEFACTORING AG	Basel/Switzerland	100
GRENKELEASING s.r.o.	Prague/Czechia	100
GRENKE ALQUILER S.L.	Barcelona/Spain	100
GRENKELEASING ApS	Herlev/Denmark	100
Grenkefinance N.V.	Vianen/Netherlands	100
GRENKE LIMITED	Dublin/Ireland	100
GRENKE FINANCE PLC	Dublin/Ireland	100
GRENKE LOCATION SAS	Schiltigheim/France	100
GRENKE Locazione S.r.l.	Milan/Italy	100
GRENKELEASING AB	Stockholm/Sweden	100
GRENKE LEASING LIMITED.	Guildford/United Kingdom	100
GRENKELEASING Sp. z o.o.	Poznan/Poland	100
GRENKELEASING Magyarország Kft.	Budapest/Hungary	100
GRENKE LEASE SRL	Brussels/Belgium	100
Grenke Renting S.R.L.	Bucharest/Romania	100
GRENKE RENTING S.A.	Lisbon/Portugal	100
Grenkeleasing Oy	Vantaa/Finland	100
GRENKELEASING s.r.o.	Bratislava/Slovakia	100
GRENKELOCATION SARL	Munsbach/Luxembourg	100
GRENKELEASING d.o.o.	Ljubljana/Slovenia	100
GRENKE RENT S.L.	Madrid/Spain	100
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey	100
GRENKE Renting Ltd.	Sliema/Malta	100
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100
GC Leasing Middle East	Dubai/United Arab Emirates	100
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100
GC Leasing AZ, LLC	GC Leasing AZ, LLC, Phoenix/United States of America	58
GC Lease Singapore Pte. Ltd.	Singapore/Singapore	58

9.2 Net assets, financial position and results of operations

The annual financial statements of GRENKE AG as of December 31, 2022, were prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Providers.

Selected key figures from the income statement and statement of financial position

EURK	2022	2021
Income from leases	665'254	625'596
Expenses from leases	431'774	372'185
PROFIT FROM LEASES	**233'480**	**253'411**
Net interest income	–9'045	–9'849
Other operating income	59'288	56'525
General and administrative expenses	121'302	110'885
Staff cost	33'204	29'748
Depreciation and impairment	164'399	188'707
NET PROFIT	**1'147**	**117'764**

EURK	2022	2021
Cash reserve	80'000	58'000
Investments in associated companies	444'055	488'555
Leased assets	369'092	443'425
Property, plant and equipment	16'747	18'259
Receivables from banks	114'715	144'403
Receivables	52'335	39'410
Equity	503'168	525'735
Subordinated liabilities	200'000	200'000
Bank liabilities	76	37'506
Payables	48'191	35'067
Accruals and deferrals	311'969	373'684
Total assets	1'196'025	1'278'517

9.2.1 Results of operations

GRENKE AG's income is dominated by two functional areas: the leasing business in Germany and the holding function of the Consolidated Group.

In the reporting year, the profit from leases before depreciation and impairment was slightly lower compared to the prior year at EUR 233.5 million (previous year: EUR 253.4 million). Net interest income amounted to EUR –9.0 million, compared to EUR –9.8 million in the prior year. In addition to the interest portions included in the lease-purchase contracts, which are forwarded to the KGaA under the two-level model, interest expenses also include expenses from interest on the cash pool account with the subsidiary GRENKE FINANCE PLC, Dublin, as well as accrued interest from outstanding AT1 bonds. Total interest expenses were primarily related to the financing of leased assets from which the leasing income is generated.

Current income from investments in associated companies fell in the reporting year to EUR 90.6 million after EUR 120.6 million in the previous year. Income from profit and loss transfer agreements fell to EUR 0.2 million after EUR 28.0 million in the previous year.

This was offset by the transfer of losses from subsidiaries of EUR 7.2 million (previous year: EUR 2.8 million). Other operating income rose by EUR 2.8 million to EUR 59.3 million (previous year: EUR 56.5 million) as of the reporting date due to higher intra-Group allocations, which are based on the higher level of new business.

While commission income remained almost unchanged at EUR 6.2 million (previous year: EUR 5.9 million), commission expenses rose in the reporting year to EUR 22.1 million (previous year: EUR 15.8 million).

General and administrative expenses rose by EUR 10.4 million to EUR 121.3 million. This was mainly due to increased intra-Group allocations for services and research and development costs. It also included higher staff costs totalling EUR 33.2 million (previous year: EUR 29.7 million). Depreciation, amortisation and impairment of intangible assets and property, plant and equipment fell from EUR 188.7 million in the previous year to EUR 164.4 million, mainly due to the decrease in leased assets. Write-downs and impairments on receivables and certain securities, as well as additions to loan loss provisions in the lending business, increased from EUR 2.0 million in the previous year to EUR 4.9 million, particularly as a result of additions to impairments.

In the reporting year, unscheduled write-downs and impairments totalling EUR 52.4 million (previous year: EUR 14.7 million) were made to the carrying amounts of investments in associated companies. These charges were not offset by any write-ups in the financial year (previous year: EUR 15.3 million).

The result from ordinary business activities overall in the 2022 financial year amounted to EUR 2.7 million, compared to EUR 119.8 million in the previous year. After a tax expense of EUR 1.5 million (previous year: EUR 2.1 million), the net profit for the year was EUR 1,147k (previous year: EUR 117,764k).

9.2.2 Report on financial position and net assets

The Company's total assets fell by fell by 6.5 percent to EUR 1,196.0 million as of December 31, 2022 (previous year: EUR 1,278.5 million). The decline resulted from several items:

Leased assets decreased by 16.8 percent to EUR 369.1 million, after EUR 443.4 million in the previous year. Despite an increase in new business, leased assets declined due to the higher number of terminated leases that were reclassified as current assets for disposal.

Leased assets largely serve as collateral for sold lease receivables.

Whereas property, plant and equipment as of the end of the 2022 financial year fell to EUR 16.7 million compared to EUR 18.3 million in the previous year, receivables from customers rose to EUR 52.3 million (previous year: EUR 39.4 million). This was due to the decrease in lease-purchase receivables sold to GRENKE BANK AG from EUR 29.4 million to EUR 18.7 million, which are shown net in receivables from customers.

Investments in associated companies fell from EUR 488.6 million to EUR 444.1 million and resulted from write-downs and impairments on investments in associated companies.

Receivables from banks fell from EUR 144.4 million in the previous year to EUR 114.7 million as of December 31, 2022. The cash reserve held as balances at central banks increased from EUR 58 million in the previous year to EUR 80 million. GRENKE AG uses this liquidity to ensure it meets the regulatory requirements for liquidity at the Consolidated Group level.

Accruals and deferrals decreased by 16.5 percent to EUR 312.0 million (previous year: EUR 373.7 million). The majority of this item is related to deferrals from forfaiting instalments of lease contracts, which fell from EUR 341.9 million to EUR 276.4 million in the reporting year. Liabilities to banks had a reporting date-related decline to EUR 0.1 million (previous year: EUR 37.5 million). Liabilities to customers rose by 37.4 percent to EUR 48.2 million after EUR 35.1 million at the end of the previous financial year. This resulted mainly from an increase in lease-purchase liabilities reported under the two-level model with the KGaA from EUR 31.0 million in the prior year to EUR 41.8 million in the reporting year

The Company's other liabilities increased in the reporting year from EUR 86.4 million to EUR 105.7 million, largely due to the increase in liabilities to associated companies. The increase resulted mainly from the higher utilisation of the credit balances available from GRENKE FINANCE PLC for deposits at the Deutsche Bundesbank. At EUR 200.0 million, subordinated liabilities were unchanged from the previous year and solely include the AT1 bonds issued by GRENKE AG, which are accounted for as equity for regulatory purposes and under IFRS. GRENKE AG did not make use of the option to repay the first issued AT1 bond in the amount of EUR 50 million as of March 31, 2021. Therefore, the AT1 bond has been extended for a further five years and matures on March 31, 2026; the new interest coupon is 7.33 percent.

The Company's equity declined to EUR 503.2 million (previous year: EUR 525.7 million). As a result, the equity ratio as of the December 31, 2022 reporting date equalled 42.1 percent (previous year: 41.1 percent).

9.2.3 Liquidity and refinancing

GRENKE AG's high level of cash and cash equivalents and broadly diversified refinancing structure enabled it to meet its payment obligations at all times in the past financial year. GRENKE AG's total liquidity as of the reporting date amounted to EUR 85.6 million and included balances at central banks (EUR 80.0 million) and receivables from banks due on demand (EUR 5.6 million). Thus, 7.2 percent (previous year: 7.4 percent) of the total assets are available as liquidity.

GRENKE BANK AG is the Company's direct refinancing partner. GRENKE AG regularly sells lease receivables to GRENKE BANK AG to finance its business. Additional financing was provided in the context of cash pooling through the Consolidated Group's internal clearing account. The net balance as per the reporting date was a receivable totalling EUR 44.3 million (previous year: EUR 20.2 million).

Private placements can also be made either directly or indirectly via the wholly-owned subsidiary GRENKE FINANCE PLC, based in Dublin/Ireland. In the reporting year, two new euro-denominated bonds with a total volume of EUR 170 million were issued and an existing bond was increased by EUR 50.0 million. In return, bonds with a volume of EUR 170.0 million and JPY 1,000.0 million were redeemed. In the reporting year, GRENKE FINANCE PLC issued a new promissory note with a nominal volume of EUR 10 million. Scheduled repayments were made with a total volume of EUR 20 million.

The Irish subsidiary also has access to a syndicated revolving credit facility with a volume of EUR 250 million as well as a revolving loan facility of EUR 30 million. Both of these facilities can also be utilised by other subsidiaries.

There are also seven ABCP programmes Group-wide with a potential total volume of EUR 927.8 million and GBP 150.0 million. Under these programmes, GRENKE FINANCE PLC, the KGaA and GRENKELEASING LIMITED, United Kingdom, have the right to sell receivables to the programmes for a specified period or use the programmes to obtain refinancing.

GRENKE AG and GRENKE FINANCE PLC also have the ability to issue commercial paper up to a total of EUR 750.0 million with maturities between 1 and 364 days. As per the reporting date of December 31, 2022, the commercial paper programme had been utilised up to an amount of EUR 25.0 million (previous year: EUR 0 million).

9.3 General statement on the Company's business performance and financial position (Management Report AG)

The 2022 financial year was another challenging year for us. Although the effects of the Covid-19 pandemic slowly subsided with the reduction of restrictions at the beginning of the year, the war in Ukraine starting in February 2022 caused a sharp increase in inflation. This culminated in the ECB raising key interest rates in several significant steps starting in the second half of 2022. This prompted a significant corresponding rise in refinancing costs. The Board of Directors of GRENKE AG believes that we achieved a solid result in the 2022 financial year in light of the environment.

Based on the further increase in our equity ratio to 20.8 percent at the end of 2022 and our strong refinancing mix, the Board of Directors is confident that we will be able to finance the planned growth in the new leasing business at attractive conditions in the coming year.

As part of the Group-wide refinancing programmes, the Company issued guarantees to associated companies in the amount of EUR 11,125.8 million (previous year: EUR 10,096.9 million).

9.4 Two-level model

The Company is refinanced primarily through the Consolidated Group companies GRENKE BANK AG, GRENKE FINANCE PLC and the KGaA. The leased assets of the new business are partially leased from the KGaA as part of a two-level model. The KGaA's lease receivables are sold to financial institutions via structured entities under three ABCP programmes or locally to two savings banks (forfaited). The underlying contractual agreements secure the financing for new business, even as volumes increase. In addition to the aforementioned, the Company also issued unsecured and subordinated hybrid bonds.

9.5 Dividends

The Board of Directors and the Supervisory Board propose a dividend of EUR 0.45 per share for the 2022 financial year at the Annual General Meeting to be held on May 16, 2023. In the previous year, the Company distributed a dividend of EUR 0.51 per share.

9.6 Employees

The average number of full-time employees (excluding the Board of Directors and including trainees) increased in the reporting year to 349 (previous year: 328). The staff turnover rate rose to 10.7 percent (previous year: 9.2 percent).

9.7 Report on risks, opportunities and forecasts

9.7.1 Opportunities and risks report

The risks and opportunities described for the Consolidated Group also largely apply to the Company. However, the German domestic market continues to play a special and more important role for the Company than for the Consolidated Group as a whole. The Company is not exposed to material currency risk in its operating business because it does not enter into cross-border transactions with countries outside the eurozone.

9.7.2 Report on forecasts and outlook

The macroeconomic situation at the beginning of 2023 remained challenging. High inflation is placing central banks under pressure and the economic environment is not very encouraging. Decisive for future economic performance is inflation, which remains well above the ECB's target of two percent. Although there are signs that energy prices are easing and inflation is expected to decline somewhat in 2023, recent wage settlements incorporate a compensation for inflation, which will trigger second-round effects on inflation going forward.

Factors still looming over the global economy include the continuing war in Ukraine and its consequences for international trade. These uncertainties also affect the forecasts for GRENKE AG's future business development in the 2023 financial year.

For the 2023 financial year, GRENKE AG's Board of Directors currently expects significant volume growth in new leasing business. In addition, the Board of Directors of GRENKE AG plans to acquire the remaining franchise companies in 2023.

The Board of Directors also expects GRENKE AG to report a net profit for the 2023 financial year, depending on the income from investments and profit transfers from the subsidiaries.

For additional details on the guidance for the 2023 and 2024 financial years, please refer to the comment of the Board of Directors on the Consolidated Group in chapter 6.2 "Report on forecasts and outlook", which is part of the combined management report.

Baden-Baden, March 13, 2023

The Board of Directors

Consolidated Financial Statements

for the 2022 financial year

Consolidated income statement

EURk	Note	2022	2021
Interest and similar income from financing business[1]	4.1	413'513	424'814
Expenses from interest on refinancing and deposit business	4.1	69'000	58'029
NET INTEREST INCOME		**344'513**	**366'785**
Settlement of claims and risk provision	4.2	120'437	142'785
Of which, impairment losses		–39'614	36'781
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION		**224'076**	**224'000**
Profit from service business	4.3	124'031	119'165
Profit from new business	4.4	40'673	36'585
Gains(+) / losses (–) from disposals	4.5	–3'121	–5'719
INCOME FROM OPERATING BUSINESS		**385'659**	**374'031**
Staff costs	4.6	149'067	127'530
Depreciation and impairment	4.7	32'465	31'484
Selling and administrative expenses (not including staff costs)	4.8	97'663	97'156
Other operating expenses	4.9	13'989	14'106
Other operating income	4.10	5'503	28'755
OPERATING RESULT		**97'978**	**132'510**
Result from investments accounted for using the equity method		–4	–419
Expenses/income from fair value measurement		12'206	1'777
Other interest income		9'558	2'699
Other interest expenses		8'705	13'067
GROUP EARNINGS BEFORE TAXES		**111'033**	**123'500**
Income taxes	4.13	26'849	28'315
GROUP EARNINGS		**84'184**	**95'185**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG		90'375	99'538
of which total comprehensive income attributable to non-controlling interests		–6'191	–4'353
Earnings per share (basic/diluted in EUR)	4.14	1.75	1.94
Average number of shares outstanding	4.14	46'495'573	46'495'573

[1] Interest and similar income calculated according to the effective interest method EUR 7,855k (previous year: EUR 7,118k.

Consolidated statement of comprehensive income

EURk	Note	2022	2021
GROUP EARNINGS		**84'184**	**95'185**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS			
Appropriation to/reduction of hedging reserve	7.3	13'240	1'653
thereof: income tax effects		–1'891	–236
Change in currency translation differences / effects of high inflation		–1'204	4'876
thereof: income tax effects		0	0
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS			
Equity instruments		0	–5'339
thereof: income tax effects		0	0
Appropriation to / reduction of reserve for actuarial gains and losses	5.15	1'748	1'011
thereof: income tax effects		–402	–201
OTHER COMPREHENSIVE INCOME		**13'784**	**2'201**
TOTAL COMPREHENSIVE INCOME		**97'968**	**97'386**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG		104'454	102'780
of which total comprehensive income attributable to non-controlling interests		–6'486	–5'394

Consolidated statement of financial position

EURk	Note	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5.1	448'844	853'071
Derivative financial instruments that are assets	7.3	10'727	5'331
Lease receivables	5.2	1'985'059	1'963'532
Other current financial assets	5.3	124'832	169'119
Trade receivables	5.4	6'531	6'050
Lease assets for sale		12'459	12'431
Tax assets		25'471	16'815
Other current assets	5.5	233'370	169'321
TOTAL CURRENT ASSETS		**2'847'293**	**3'195'670**
NON-CURRENT ASSETS			
Lease receivables	5.2	3'258'885	3'155'440
Derivative financial instruments that are assets	7.3	27'232	4'878
Other non-current financial assets	5.3	84'865	97'059
Investments accounted for using the equity method		0	162
Property, plant and equipment	5.6	88'034	82'082
Right-of-use assets	5.10	32'973	41'979
Goodwill	5.7	34'940	41'031
Other intangible assets	5.8	16'514	19'278
Deferred tax assets	5.9	18'761	20'032
Other non-current assets		3'246	3'329
TOTAL NON-CURRENT ASSETS		**3'565'450**	**3'465'270**
TOTAL ASSETS		**6'412'743**	**6'660'940**

Consolidated statement of financial position

EURk	Note	Dec. 31, 2022	Dec. 31, 2021
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities	5.11	2'247'666	2'073'493
Lease liabilities	5.10	10'043	11'405
Derivative liability financial instruments	7.3	3'477	11'123
Trade payables		36'112	43'725
Tax liabilities		5'331	4'678
Deferred liabilities	5.14	39'658	28'734
Other current liabilities	5.12	67'240	55'601
Deferred lease payments	5.13	33'864	58'861
TOTAL CURRENT LIABILITIES		**2'443'391**	**2'287'620**
NON-CURRENT LIABILITIES			
Financial liabilities	5.11	2'547'052	3'003'670
Lease liabilities	5.10	23'170	31'542
Derivative liability financial instruments	7.3	3'442	9'661
Deferred tax liabilities	5.9	60'445	54'582
Pensions	5.15	3'076	4'867
Other non-current liabilities		0	2
TOTAL NON-CURRENT LIABILITIES		**2'637'185**	**3'104'324**
EQUITY	5.16		
Share capital		46'496	46'496
Capital reserves		298'019	298'019
Retained earnings		799'475	753'245
Other components of equity		17'312	1'735
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRENKE AG		**1'161'302**	**1'099'495**
Additional equity components[1]		200'000	200'000
Non-controlling interests		–29'135	–30'499
TOTAL EQUITY		**1'332'167**	**1'268'996**
TOTAL EQUITY AND LIABILITIES		**6'412'743**	**6'660'940**

[1] Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

Consolidated statement of cash flows

EURk		Note	2022	2021
	GROUP EARNINGS		**84'184**	**95'185**
	NON-CASH ITEMS INCLUDED IN NET PROFIT AND RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES			
+	Depreciation, amortisation and impairment		32'465	31'484
- / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets		389	–23'459
- / +	Other non-cash income / expenses		42'634	43'789
+ / -	Increase / decrease in deferred liabilities, provisions, and pensions		9'133	–4'448
=	**SUB-TOTAL**		**168'805**	**142'551**
	CHANGE IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES AFTER ADJUSTMENT FOR NON-CASH ITEMS			
+ / -	Lease receivables	5.2	–124'972	517'320
+ / -	Loan receivables		–15'018	–14'295
+ / -	Factoring receivables		14'394	13'490
+ / -	Other assets		–43'983	32'935
+ / -	Financial liabilities	5.11.5	–282'573	–732'989
+ / -	Other liabilities		–34'201	3'734
+	Interest received		9'558	2'699
-	Interest paid		–8'705	–13'067
-	Income taxes paid		–30'144	–24'419
=	**CASH FLOW FROM OPERATING ACTIVITIES**		**–346'839**	**–72'041**
-	Payments for the acquisition of property, plant and equipment and intangible assets		–8'213	–7'127

EURk		Note	2022	2021
-	Payments for the acquisition of subsidiaries		–274	0
- / +	Payments for / proceeds from the acquisition /sale of associated entities		0	27'657
-	Payments for the acquisition of financial assets		0	–75
+	Proceeds from the sale of property, plant and equipment and intangible assets		240	188
=	**CASH FLOW FROM INVESTING ACTIVITIES**		**–8'247**	**20'643**
-	Repayment of lease liabilities		–13'258	–13'515
-	Interest coupon payments on hybrid capital		–12'946	–13'406
-	Dividend payments to GRENKE shareholders		–23'713	–12'089
=	**CASH FLOW FROM FINANCING ACTIVITIES**		**–49'917**	**–39'010**
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5.1	**852'960**	**944'664**
+	Cash flow from operating activities		–346'839	–72'041
+	Cash flow from investing activities		–8'247	20'643
+	Cash flow from financing activities		–49'917	–39'010
+ / -	Change due to currency translation		648	–1'296
=	**CASH AND CASH EQUIVALENTS AT END OF PERIOD**	5.1	**448'605**	**852'960**

Consolidated statement of changes in equity

EURk	Share capital	Capital reserves	Retained earnings/ Consolidated net profit	Hedging reserve	Reserve for actuarial gains/losses	Currency translation	Revaluation for equity instruments	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Non-controlling interests	Total equity
EQUITY AS OF JAN. 1, 2022	**46'496**	**298'019**	**753'245**	**–39**	**–577**	**5'576**	**–3'225**	**1'099'495**	**200'000**	**–30'499**	**1'268'996**
First-time application of IAS 29 Hyperinflation						1'498		1'498			1'498
EQUITY AS OF JAN. 1, 2022 (ADJUSTED)	46'496	298'019	753'245	–39	–577	7'074	–3'225	1'100'993	200'000	–30'499	1'270'494
Group Earnings			81'307					81'307	9'068	–6'191	84'184
Other comprehensive income				13'240	1'748	–909		14'079		–295	13'784
TOTAL COMPREHENSIVE INCOME			**81'307**	**13'240**	**1'748**	**–909**		**95'386**	**9'068**	**–6'486**	**97'968**
Dividend payment 2022 for 2021			–23'713					–23'713			–23'713
Interest coupon payment for hybrid capital									–12'946		–12'946
Interest coupon for hybrid capital			–3'878					–3'878	3'878		
Transactions with nci			–7'486					–7'486		7'850	364
EQUITY AS OF DEC. 31, 2022	**46'496**	**298'019**	**799'475**	**13'201**	**1'171**	**6'165**	**–3'225**	**1'161'302**	**200'000**	**–29'135**	**1'332'167**
EQUITY AS OF JAN. 1, 2021	**46'496**	**298'019**	**675'200**	**–1'692**	**–1'588**	**–341**	**2'114**	**1'018'208**	**200'000**	**–25'105**	**1'193'103**
Group Earnings			90'134					90'134	9'404	–4'353	95'185
Other comprehensive income				1'653	1'011	5'917	–5'339	3'242		–1'041	2'201
TOTAL COMPREHENSIVE INCOME			**90'134**	**1'653**	**1'011**	**5'917**	**–5'339**	**93'376**	**9'404**	**–5'394**	**97'386**
Dividend payment 2021 for 2020			–12'089					–12'089			–12'089
Interest coupon payment for hybrid capital*									–13'406		–13'406
Interest coupon for hybrid capital*											
Others*									4'002		4'002
EQUITY AS OF DEC. 31, 2021	**46'496**	**298'019**	**753'245**	**–39**	**–577**	**5'576**	**–3'225**	**1'099'495**	**200'000**	**–30'499**	**1'268'996**

* For better transparency, the hybrid coupon is presented as a gross figure as of 2022.

Notes to the consolidated financial statements

for the 2022 financial year

1. General information

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201836. GRENKE AG is the parent company of the GRENKE AG Group ("the GRENKE Group"). GRENKE AG is also a listed parent company trading on an organised market as defined by Section 2 (11) of the German Securities Trading Act (WpHG).

The GRENKE Group conducts financing business and is a partner for mainly small and medium-sized enterprises. Its products and services range from leasing to factoring and include various payment transaction services as well as a deposit business for private customers.

The consolidated financial statements of GRENKE AG as of December 31, 2022 (the "consolidated financial statements") include the financial statements of GRENKE AG, its subsidiaries and consolidated structured entities. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) and the supplementary regulations applicable under German commercial law in accordance with Section 315e (1) HGB. The consolidated financial statements of GRENKE AG take into account all of the standards and interpretations applicable in the EU for the 2022 financial year.

The consolidated financial statements were prepared in euro (EUR). Unless stated otherwise, all figures are rounded and stated in thousands of euro (EURk). The accounting policies applied correspond with those of the previous year. Exceptions are listed in Note 2.1–2 and relate to changes resulting from the mandatory adoption of new or amended accounting standards.

Disclosures in accordance with IFRS 7 "Financial Instruments: Disclosures" on the nature and extent of risks arising from financial instruments are contained in the Chapter "Report on Risks, Opportunities and Forecasts" in the Management Report and are an integral part of the consolidated financial statements.

The consolidated financial statements were prepared by the Board of Directors on March 13, 2023, submitted to the Supervisory Board for review and approval, and released for publication.

2. Accounting changes

2.1 First-time adoption, revised and new accounting standards

The following amendments to standards whose adoption was mandatory as of the 2022 financial year had no or only an immaterial effect on GRENKE AG's consolidated financial statements:

- Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and Annual Improvements to IFRS 2018-2020

Amendments to IFRS 3 "Business combinations", IAS 16 "Property, plant and equipment", IAS 37 "Provisions, contingent liabilities and contingent assets" and annual improvements to IFRS 2018-2020

Several limited IFRS amendments, including the omnibus amendment standard of the annual improvement, 2018-2020 cycle, which makes adjustments to IFRS 1 "First-time Adoption of IFRS", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and an example of IFRS 16 "Leases", were published by the IASB on May 14, 2020, with an effective date of January 1, 2022.

The amendments to IFRS 3 updated the reference to the IFRS framework. Likewise, IFRS 3 was supplemented by the provision that an acquirer must apply these regulations instead of the framework concept when identifying assumed obligations within the scope of IAS 37 or IFRIC 21. The accounting rules for business combinations were not changed in terms of content.

Under the amendment to IAS 16, entities are no longer permitted to deduct revenue from the sale of goods produced while an item of property, plant and equipment is being brought to the location and condition intended from the cost of that item of property, plant and equipment. Instead, these revenues are to be recognised in the income statement together with the production costs of the item of property, plant or equipment.

The amendment to IAS 37 specifies which costs an entity should consider when assessing whether a contract is onerous or loss-making and focuses on costs that are directly related to the contract (directly related cost approach). Costs related to the performance of contracts for the supply of goods or services include both the directly attributable (incremental) costs of fulfilling the contract and overhead costs that relate directly to contract performance activities. General administrative costs are not directly related to the contract and are therefore not included in the contract performance costs unless the contract explicitly provides for charging to the customer.

The annual improvements to the omnibus amendment standard (2018-2020 cycle) concern minor amendments to IFRS 1 "First-time Adoption of IFRS", first-time adoption by a subsidiary, an accompanying example to IFRS 16 "Leases" and the significance of tax effects in determining fair value in IAS 41 "Agriculture".

In addition, IFRS 9 "Financial Instruments" was also amended, according to which only costs and fees paid by the entity to the creditor and vice versa are to be taken into account in the ten percent present value test before derecognition of financial liabilities. Costs or fees paid to other third parties may not be included.

2.2 Application of IAS 29 "Financial Reporting in Hyperinflationary Economies"

Since the second quarter of 2022, Turkey has been classified as a hyperinflationary economy as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies". The financial results of the Turkish subsidiary, which are prepared on the basis of the historical cost method, have therefore been adjusted for inflation effects and stated in the measuring unit applicable on the reporting date. Prior-year comparisons do not need to be adjusted. The adjustment for inflation in the 2022 financial year was based on the consumer price index published by the Turkish Statistical Institute (TURKSTAT), the level of which was 1,109.2 as of December 31, 2022 (December 31, 2021: 625.4 points; January 1, 2021: 496.9 points).

The effects of IAS 29 were of minor significance for the GRENKE Group as of the reporting date. Group earnings reported in the consolidated income statement increased by a total of EUR 757k due to the application of IAS 29. The gain recognised in this context from the net position of monetary items in the 2022 financial year amounted to EUR 5,825k. Of this, EUR 1,460k was shown on a net basis within the item "Other operating expenses". A further EUR 4,365k was allocated to the item "Profit from service business" to reflect the effect resulting from indexation on leased assets from operating leases. The profit from the net position of monetary items is offset by higher depreciation from operating leases in the consolidated income statement so that there was no significant effect overall.

The leased assets from operating leases shown in the consolidated statement of financial position under the item "Property, plant and equipment" increased by EUR 3,794k. In addition, equity rose by EUR 3,035k and deferred tax liabilities by EUR 759k. In the consolidated statement of changes in equity, EUR 757k is shown in the Group earnings and EUR 2,278k in the currency translation/hyperinflation" column. Of the amounts reported in currency translation/hyperinflation, EUR 1,498k result from the first-time application and EUR 780k from the current application of IAS 29. In the consolidated statement of cash flows, the effect of the indexation of leased assets from operating leases is shown in the item "Other assets".

2.3 Accounting standards and interpretations already published but not yet implemented

The IASB has published additional amended standards or interpretations, the adoption of which will only become mandatory at a later date. Several of these standards have already been endorsed by the EU. Voluntary early application is expressly permitted by these standards. GRENKE AG does not make use of this option. These standards will be implemented in the consolidated financial statements at the time of mandatory adoption. The effects on GRENKE AG's consolidated financial statements are being examined. These amendments are not expected to have a material impact on the reporting in GRENKE AG's consolidated financial statements.

Accounting Standard or Interpretation		Publication IASB	First-time adoption IASB	Adopted by EU
IFRS 17	Introduction of IFRS 17 "Insurance Contracts" Amendments to IFRS 17 "Insurance Contracts"	May 18, 2017 Jun. 25, 2020	Jan. 1, 2023	Yes (Nov. 23, 2021)
IAS 8	Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	Feb. 12, 2021	Jan. 1, 2023	Yes (Mar. 2, 2022)
IAS 1, IFRS Practice Statement 2	Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements"	Feb. 12, 2021	Jan. 1, 2023	Yes (Mar. 2, 2022)
IAS 12	Amendments to IAS 12 "Income Taxes" on the recognition of deferred taxes arising from a single transaction	May 7, 2021	Jan. 1, 2023	Yes (Aug. 12, 2022)
IFRS 17	Amendments to IFRS 17 "Insurance Contracts": First-time application of IFRS 17 and IFRS 9 - Comparative Information"	Dec. 9, 2021	Jan. 1, 2023	Yes (Sep. 9, 2022)
IFRS 16	Amendments to IFRS 16 "Leases" for lease liability measurement in a sale and leaseback transaction	Sep. 22, 2022	Jan. 1, 2024	No
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements": - Classification of liabilities as current or noncurrent - Deferral of effective date - Classification of liabilities with covenants	 Jan. 23, 2020 Jul. 15, 2020 Oct. 31, 2022	Jan. 1, 2024	No

IFRS 17 "Insurance Contracts"

IFRS 17 replaces IFRS 4 and thus, for the first time, provides uniform requirements for the recognition, measurement, presentation of and disclosures in the notes on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. According to the measurement model of IFRS 17, groups of insurance contracts are measured based on the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks as well as a contractual service margin, which leads to the recognition of profit according to the provision of services.

The changes from the liability to provide insurance cover in each period for which the insurance company receives a fee, as well as the part of the premiums that cover the acquisition costs, are reported as "insurance revenue" instead of premium income. Proceeds from and payments into savings components are not recognised as revenue or income or expense in the income statement. Insurance financial income and expenses result from discounting effects and financial risks. For each portfolio, they can be recognised either in the income statement or in other comprehensive income.

Changes in assumptions that do not relate to interest or financial risks are not recognised directly in the income statement, but are instead recognised against the contractual service margin and thus distributed over the duration of the services still to be provided. Only for those groups of insurance contracts for which losses are imminent, changes in estimates are recognised directly.

IFRS 17 provides for an approximation method for short-term contracts, which shows the liability for the provision of insurance cover as previously via unearned premiums. Under IFRS 17, liabilities from insurance claims that have occurred but not yet been settled must be discounted using current interest rates. For large parts of the life insurance business with profit participation, IFRS 17 modifies the general measurement model by also recognising changes in the shareholder's share of the development of the profit sources underlying the profit participation in the contractual service margin and distributing them over the remaining period of service provision.

To the extent that retrospective application is not possible, the contractual service margin at the transition date can be determined using a modified retrospective method or by comparing the expected value of the discounted cash flows and risk adjustment to the present value at the transition date.

The June 2020 amendments include a deferral of the first-time application of IFRS 17 from January 1, 2021 by two years to January 1, 2023. The exemption from the first-time application of IFRS 9 applicable to insurers is also deferred to January 1, 2023 so that both standards can continue to be applied for the first time at the same time.

In addition, the amendments essentially concern the following topics:

- Accounting for certain means of payment (e.g. credit cards) (exemption from scope or decomposition) and loans (option to apply either IFRS 17 or IFRS 9) to the extent that they involve insurance risks.
- Recognition of profits not only in accordance with the insurance cover provided but also in accordance with the investment management services provided.
- Allocation of acquisition costs, also to expected contract renewals outside the contract limits of the original contract.
- Risk management measures are taken into account not only in the case of risk mitigation via derivatives but also in the case of risk mitigation via reinsurance or by means of classic financial instruments.
- Recognition of assets and liabilities from insurance contracts at portfolio level instead of at group level of insurance contracts.
- Reinsurance of loss-making contracts should be allowed to be recognised as profit to the extent that it covers the loss-making contracts.
- Accounting for assumed loss liabilities in the context of a company acquisition before the transition to IFRS 17.

The amendments are applicable to reporting periods beginning on or after January 1, 2023. The adoption by the EU took place on November 23, 2022.

The GRENKE Group currently assumes that there will be no impact on the consolidated financial statements as the Consolidated Group does not have any insurance contracts as defined by IFRS 17.

Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to IAS 8 clarify the distinction between changes in accounting policies and changes in accounting estimates. For this purpose, it is defined that an accounting estimate always relates to a measurement uncertainty of a financial figure on the financial statements. This distinction is important because changes in estimates are applied prospectively to transactions and other events from the date of the change in estimate, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are applicable to reporting periods beginning on or after January 1, 2023. The adoption by the EU took place on March 2, 2022.

The GRENKE Group currently assumes that there will be no material impact on the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements"

The amendments to IAS 1 require entities to present only their "material" accounting policies in the notes (previously, it was "significant" accounting policies). To be material, the accounting policy must be related to significant transactions or other events and be event-driven (for example, a change in policy). The amendments are thus intended to help improve the disclosures on accounting policies. Accompanying this, the guidance of IFRS Practice Statement 2 was adjusted accordingly. The amendments are applicable to reporting periods beginning on or after January 1, 2023. The adoption by the EU took place on March 2, 2022.

The GRENKE Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendment to IAS 12 "Income Taxes" on the recognition of deferred taxes from a single transaction

The amendments address previously existing uncertainties in the accounting for deferred taxes in connection with leases and disposal or restoration obligations.

Until now, when assets and liabilities are recognised for the first time, the "initial recognition exemption" (IAS 12.15) has been applied under certain conditions. In these cases, deferred taxes are exceptionally not to be recognised. In practice, there was uncertainty as to whether this exemption also applied to leases and disposal or restoration obligations. A narrowly defined amendment to IAS 12 has now been made to ensure uniform application of the standard.

Due to this amendment, the "initial recognition exemption" no longer applies to transactions in which both deductible and taxable temporary differences arise in the same amount upon initial recognition, even if the other previously applicable conditions are met. This is therefore a retroactive exception from the "initial recognition exemption" for narrowly defined cases. The amendments mean that deferred taxes must be recognised, for example, on leases accounted for by the lessee and on disposal or restoration obligations.

The amendments are applicable to reporting periods beginning on or after January 1, 2023. The adoption by the EU took place on August 12, 2022.

The GRENKE Group currently assumes that there will be no significant impact on the consolidated financial statements as the previous accounting already complied with the new regulations.

Amendments to IFRS 17 "Insurance Contracts" – First-time adoption of IFRS 17 and IFRS 9 – Comparative Information

The amendment to IFRS 17 introduces the option to apply a "classification overlay approach" if certain conditions are met. This makes the comparative information for financial instruments more meaningful in the year before the first-time application of IFRS 17, i.e. for the year 2022. The "classification overlay approach" can be applied if no "restatement" of a financial asset is made during the simultaneous first-time application of IFRS 17 and IFRS 9 with regard to the comparative information of IFRS 9 in 2022. When applying the "classification overlay approach", the current information status at the time of transition is used for the classification in the categories of IFRS 9, i.e. how the entity plans to classify its financial assets when first applying IFRS 9. The disclosure of comparative information is basically made as if the classification and measurement rules of IFRS 9 had already been applied in the comparative period, with the exception of the impairment rules, for which the "classification overlay approach" does not force disclosure in accordance with IFRS 9. Differences between the previous carrying amount of a financial asset and the amount resulting from the "classification overlay approach" must be recognised in equity.

The extent to which an entity uses the approach (e.g. whether it has been applied to all financial assets to be disposed of in 2022) and whether and to what extent it has been disclosed in accordance with the impairment rules of IFRS 9 must also be disclosed.

When IFRS 9 is applied for the first time as of January 1, 2023, the transitional provisions applicable under IFRS 9 must be applied, regardless of whether the "classification overlay approach" was applied or not. The adoption by the EU took place on September 9, 2022.

The GRENKE Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IFRS 16 "Leases" on the subsequent measurement of a lease liability in the event of a sale and leaseback transaction

The amendments to IFRS 16 serve to clarify the subsequent measurement of a lease liability in the event of a sale and leaseback transaction. According to the amendments to IFRS 16, the lease liability is to be measured in such a way that no gain or loss is realised in the subsequent measurement insofar as this relates to the retained rights of use.

Subject to adoption into EU law, the amendments are applicable to annual reporting periods beginning on or after April 1, 2024. Early application of the amendments is permitted but requires EU endorsement.

The GRENKE Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities and the classification of liabilities with covenants

In January 2020, IAS 1 "Classification of Liabilities as Current or Non-current" was published. The amendments to IAS 1 clarify that the classification of liabilities as current or non-current should be based on the entity's rights at the reporting date to defer settlement of the liability for at least twelve months after the end of the reporting period. If such rights exist, the liability is classified as non-current, otherwise it is classified as current. The classification is independent of management's expectations and possible events after the reporting date. The classification therefore does not depend on the expectations of whether an entity will exercise its right to defer settlement of an obligation. On July 15, 2020, the IASB deferred first-time adoption of the amendment by one year for financial years beginning on or after January 1, 2023.

In October 2022, the IASB published amendments to IAS 1 on the classification of liabilities with covenants. The purpose of the amendment to IAS 1 is to clarify that covenants that must be met before or on the reporting date can have an impact on the classification as current or non-current. Covenants that are only to be met after the reporting date have no influence on the classification as current or non-current; instead, such covenants are to be disclosed in the notes to the consolidated financial statements.

Subject to adoption into EU law, the amendments are applicable to reporting periods beginning on or after January 1, 2024. Early application of the amendments is permitted but generally requires EU endorsement.

The amendment to IAS 1 from October 2022 modifies the two amendments to IAS 1 on the same topic from January 2020 and July 2020, which are not yet mandatory. In addition to the amendment of content, the date of first-time application of the amendments from January 2020 was also postponed by one year to January 1, 2024.

The GRENKE Group currently assumes that there will be no significant impact on the consolidated financial statements.

3. General accounting policies

3.1 Composition of the Consolidated Group

The Consolidated Group consists of GRENKE AG and 55 consolidated entities (previous year: 56), of which 7 (previous year: 6) are consolidated structured entities, and 11 are consolidated franchise companies without equity investments (previous year: 13). The Consolidated Group holds either directly or indirectly a 100 percent equity interest in 38 (previous year: 38) of the entities controlled by the Consolidated Group. Of the consolidated structured entities, 4 (previous year: 4) are held by third parties, and 3 concern parts of investees (silos). Furthermore, since the fourth quarter of the 2022 financial year, no (previous year: 1) associated company has been accounted for in the GRENKE Group using the equity method as the shares were sold in full. The consolidated financial statements contain all assets and liabilities as well as all expenses and income of GRENKE AG and of the Consolidated Group companies it controls (the "GRENKE Group") after eliminating all material intra-Group transactions. Uniform accounting principles are applied Group-wide to the consolidated financial statements. All intra-Group receivables and liabilities, as well as expenses and income resulting from transactions between companies included in the consolidated financial statements, are eliminated as part of the consolidation of liabilities, expenses and income. Gains or losses incurred in the Consolidated Group from intercompany transactions are also eliminated.

Affiliated entities are consolidated as of the date control is assumed by the GRENKE Group and are no longer consolidated as of the date that control ceases. For more information, please refer to the schedule of shareholdings in Note 10.

3.1.1 Subsidiaries

Subsidiaries are entities in which the Consolidated Group holds either a direct or indirect interest and over which GRENKE AG exerts control. Control exists when GRENKE AG's existing rights give it the ability to direct the relevant activities of the subsidiary (power of disposition) and, in doing so, is exposed to variable returns, and there is a link between this power of disposition and the amount of return. To determine whether an entity should be consolidated, a number of control factors need to be considered. These include an examination of

- the purpose and design of the entity,
- the relevant activities and how they are determined,
- whether the Consolidated Group has rights giving it the ability to direct the relevant activities,
- whether the Consolidated Group has risk exposure or rights to variable returns, and
- whether the Consolidated Group has the ability to use its power in a manner that affects the amount of returns.

Structured entities are entities in which voting or similar rights are not the dominant factors in determining control, for example, when voting rights only relate to administrative tasks and the relevant activities are governed by contractual agreements.

For the consolidated franchise companies, voting rights and comparable rights are not the dominant factors in determining control. These companies are controlled specifically due to the ability to determine the relevant activities.

3.1.2 Associated entities

Associated entities are entities whose financial and business decisions can be significantly influenced by the Consolidated Group, but the Consolidated Group cannot control or jointly control the entities' decision-making processes. Significant influence typically exists when there is an interest in the associated entities' voting rights of 20 percent to 50 percent.

Associated entities are accounted for in the consolidated financial statements using the equity method and initially recognised at acquisition cost.

The share of profit and loss of the associated entity following its acquisition or establishment is recognised in the consolidated income statement, and the share in any earnings-neutral changes in equity is directly recognised in the Consolidated Group's equity. Goodwill arising from the acquisition of an associated or jointly controlled entity is included in the carrying amount of the investment (less accumulated impairment losses). As a result, there is no separate goodwill impairment test carried out.

3.2 Foreign currency translation

The separate financial statements of the foreign Consolidated Group companies are translated into euros using the functional currency concept. The functional currency of all foreign business enterprises is the respective national currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate on the reporting date. The income and expenses of these subsidiaries are translated at the average rate for the financial year. The translation differences that result are recognised as a separate component of equity. When a foreign operation is sold, the cumulative amount recognised in equity for this foreign operation is released in profit and loss.

Transactions in a currency that differs from the functional currency of a subsidiary are first translated into the functional currency at the prevailing spot rate on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing rate on each reporting date. The translation differences that result are recognised through profit and loss. Non-monetary items denominated in a foreign currency are carried at historical exchange rates.

Currency translation was based on the following key exchange rates versus the euro:

	Closing rate Dec. 31, 2022	Average rate 2022	Closing rate Dec. 31, 2021	Average rate 2021
GBP	0.8869	0.8528	0.8403	0.8596
HUF	400.87	391.29	369.19	358.52
CHF	0.9847	1.0047	1.0331	1.0811
SEK	11.1218	10.6296	10.2503	10.1465
TRY	19.9649	17.4088	15.2335	10.5124
DKK	7.4365	7.4396	7.4364	7.4370

3.3 Leases

3.3.1 The Consolidated Group as lessor

Leases are defined as agreements in which the lessor transfers the right to the lessee to use an identifiable asset for an agreed time period in exchange for the payment of consideration.

Whether an agreement can be considered as a lease or containing a lease depends on the economic substance of the agreement at the beginning of the agreement. For the lessor, leases are to be classified as either operating leases or finance leases.

3.3.1.1 Finance leases

In the case of finance leases, all of the significant risks and rewards of legal ownership are transferred from the lessor to the lessee.

Finance leases are initially recognised in the statement of financial position as of the date they are available for use (upon the issue of the lease's letter of acceptance) as lease receivables at an amount equal to the net investment, which represents the sum of outstanding lease payments and non-guaranteed residual values of the existing lease agreements, discounted at the interest rate underlying the lease. Lease payments as of the date of the lease's availability for use are divided into interest payments and principal payments in such a manner that they reflect a periodic rate of return for the receivable. Initial direct costs incurred in connection with the conclusion of the contract, e.g. reseller commissions, are taken into consideration when calculating the net investment value. The capitalisation of initial direct costs is recorded in profit from new business. This item also includes portions of revenue from lease down payments, which is the fee paid by the lessee for the use of the lease object during the period from the transfer of the object until the issuance of the lease acceptance letter. Service fees for making the lease object available for use are also a component of the profit from new business.

3.3.1.2 Operating leases

Operating leases are leases in which the GRENKE Group does not transfer all the significant risks and rewards of ownership of the asset to the lessee. Initial direct costs incurred in the negotiation and conclusion of an operating lease are added to the carrying amount of the lease asset. These amounts are depreciated together over the term of the lease agreement until the residual value is reached. At the GRENKE Group, the term of an operating lease corresponds to the non-cancellable basic term as the exercise of the extension options is considered sufficiently certain.

Contingent rents are recognised as income in the period in which they are generated. Operating lease assets are typically recorded in the statement of financial position as property, plant and equipment based on the type of asset (see Note 5.6). Revenue from lease instalments and significant portions of depreciation on lease assets are recognised on a straight-line basis in the profit from service business.

3.3.2 The Consolidated Group as lessee

In the case of a lease contract in accordance with IFRS 16, the lessee is generally obliged to capitalise rights of use and to recognise a corresponding lease liability.

An agreement constitutes a lease within the meaning of IFRS 16 if it entitles the holder to use an underlying asset for a specified period of time in return for the payment of a fee. The existence of a lease therefore requires not only an identified asset but also the right of the customer to derive the economic benefit from its use and to decide on its use.

The only exceptions to the recognition are the "short-term" and "low-value" leases, which the GRENKE Group does not recognise as rights of use and lease liability despite the existence of a leasing relationship. Instead, the lease payments for these agreements are recognised as an expense over the term of the lease. "Short-term" leases are leases with a maximum term of twelve months and that do not include purchase options. "Low-value" leases are leases where the underlying asset is of minor value. In the GRENKE Group, an initial value of no more than EUR 4,500 is taken as a basis for determining leases for low-value assets.

Where contracts contain both leasing and non-leasing components, only the leasing components are recognised as rights of use and lease liabilities in accordance with IFRS 16. The first-time measurement of lease liabilities recognised in accordance with IFRS 16 is at the present value of the lease payments not yet made.

When determining the lease payments, in addition to the non-terminable basic term, extension periods are also taken into account, provided that the exercise of the underlying extension option is deemed sufficiently certain. The GRENKE Group uses the lessee's respective incremental borrowing rate to discount the cash flows. In subsequent measurement, the lease liabilities are carried at amortised cost using the effective interest method. The interest incurred in the financial year is recognised as an expense in the item "other interest expenses". Lease liabilities are gradually reduced by the repayment portions included in the lease payments. A revaluation of the lease liability (and a corresponding adjustment of the related rights of use) is to be carried out if the future lease payments resulting from the underlying agreement change. This may be due to contract adjustments or renegotiations of contracts as well as changes in estimates with regard to the expected exercise of termination or renewal options.

The initial recognition of the associated rights of use is based on the valuation of the lease liabilities. Based on the amount of the lease liability, the amount of the rights of use is determined by additionally capitalising all lease payments made at or before the asset's availability for use, as well as initial direct costs and estimated costs for deconstruction obligations. Lease incentives received are to be subtracted. In subsequent measurement, the rights of use recognised is amortised over its useful life and, if necessary, impaired in accordance with IAS 36 "Impairment of Assets". The amortisation of the rights of use is included in the item depreciation and impairment.

3.4 Measurement of fair values

The GRENKE Group measures only derivative financial instruments at their fair value. Additionally, the fair values of financial instruments measured at cost are presented in Note 7.4.

The fair value is the amount that would be obtained from the sale of an asset in an arm's length transaction between market participants at the valuation date as part of an orderly business transaction under current market conditions or the amount to be paid for the transfer of a liability. Fair value measurement assumes that the transaction leading to the sale of the asset or the transfer of the liability takes place on the asset's principal market or the principal market for the transfer of the liability or, if such a principal market is not available, on the most favourable market for the asset or the transfer of the liability.

Fair value is determined for a certain point in time and by applying those assumptions that representative market participants would take into consideration in pricing. With respect to pricing, it is assumed that market participants act in their own best economic interest.

When measuring the fair value of non-financial assets, the respective market participant's ability to generate an economic benefit is taken into account through the greatest and best use of the asset or through the sale of the asset to another market participant who finds the greatest and best use of the asset.

The GRENKE Group uses observable market data, as far as possible, for determining the fair value of an asset or a liability. The fair values are assigned to different levels of the fair value hierarchy based on the input parameters used in the valuation methods:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Measurement procedures in which all input factors that have a significant effect on the recognition of fair value are directly or indirectly observable

Level 3: Measurement procedures that use input factors that have a significant effect on the fair value recognised and are not based on observable market data

If the input factors used to determine the fair value of an asset or a liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is assigned entirely to the level in the fair value hierarchy that corresponds to the lowest input factor material for the overall measurement.

The GRENKE Group recognises reclassifications between the different levels of the fair value hierarchy at the end of the reporting period in which the change has occurred. In the reporting year, there were no reclassifications among the three levels of the measurement hierarchy.

3.5 Financial instruments

3.5.1 Categories of financial instruments

The GRENKE Group classifies financial assets and liabilities in the following categories pursuant to the provisions of IFRS 9:

Financial assets:
- Amortised Cost (AC)
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss (FVTPL)

Financial liabilities:
- Amortised Cost (AC)
- Fair Value Through Profit or Loss (FVTPL)

The GRENKE Group divides the IFRS 9 categories into the following classes:

Financial assets:
- Cash and cash equivalents
- Lease receivables
- Other financial assets (factoring receivables, receivables from the lending business, other financial assets)
- Trade receivables
- Other investments
- Derivative financial instruments without hedging relationship
- Derivative financial instruments with hedging relationship

Financial liabilities:
- Financial liabilities (liabilities from the deposit business, liabilities from the refinancing of lease receivables and bank liabilities)
- Trade payables
- Derivative financial instruments without hedging relationship
- Derivative financial instruments with hedging relationship
- Financial guarantees and irrevocable credit commitments

3.5.2 Financial assets

IFRS 9 categories

IFRS 9 differentiates financial assets into debt instruments, derivatives and equity instruments. The classification of financial assets into measurement categories is determined based on the business model and the contractual cash flow characteristics of the financial asset ("SPPI"; solely payment of principal and interest).

The business model employed for the administration and management of the financial assets determines how the future cash flows from the financial assets should be realised and represents the strategic decisions of persons holding key positions in the Company. The assessment of the business model does not depend on the management's intended use of an individual asset; instead, the decision on the classification is made at a portfolio level. The method in which the cash flows within the respective business model are realised is crucial for the assessment of the business model in accordance with IFRS 9. Next to the strategic objectives of the management, the Consolidated Group observes several other factors when defining the business model, such as how the performance within the respective portfolio is measured and which persons holding key positions in the Company this should be reported to. In addition to taking into account the risks affecting the portfolio's performance and the portfolio's financial assets, special attention is paid to how the market and credit risks are managed, as well as how the executives in this department are remunerated. It follows that the description of the business model is not the decisive factor in making the assessment but, instead, the actual management. Consequently, the determination of the business model is not done arbitrarily but is based on observable facts and actual circumstances.

IFRS 9 provides for three business models:

- The achievement of cash flows by collecting the contractual cash flows (the "Hold" business model)
- the generation of cash flows through the receipt of contractual cash flows and the sale of financial assets (the "Hold and Sell" business model)
- financial assets that do not qualify for either the "Hold" or "Hold and Sell" business model (the "Sell" business model)

In addition to the business model requirement, a review of the contractual cash flow characteristics ("SPPI") must also be carried out, which requires that the contractual terms of the relevant debt instrument result in payments consisting exclusively of interest and principal at predetermined dates in the context of a traditional credit relationship. In contrast to the business model assessment, the individual contract specification of each financial instrument should be considered individually. The business model is assigned on a portfolio basis, while the SPPI criterion must always be reviewed for each individual financial instrument assigned to the "Hold" or "Hold and Sell" business model.

IFRS 9 provides for the following types of subsequent measurement of financial assets:

- Measurement at amortised cost (AC)
- Measurement at fair value through OCI (fair value through other comprehensive income/FVTOCI) with or without recycling
- Measurement at fair value through P&L (fair value through profit or loss/FVTPL)

Finance lease receivables are recognised in accordance with IFRS 16 (see Note 3.3.) Finance lease receivables, however, are subject to the provisions of IFRS 9 for derecognition and impairment.

Financial assets are allocated to the measurement categories upon initial recognition. Reclassifications are only permissible in the event of a change in the business model that results in a significant impact on the business processes. Where appropriate, reclassifications are made prospectively as of the first day of the first reporting period following the change in the business model. No reclassifications took place during the reporting or the previous year.

Financial assets at amortised cost (AC)

Debt instruments are accounted for at amortised cost when the contractually agreed payment characteristics consist solely of principal and interest payments ("SPPI criterion") on the outstanding principal and are recognised within the scope of a business model whose objective is to hold financial assets in order to collect the contractual cash flows of the financial asset.

The initial measurement in the measurement category is at fair value plus any additional and individually allocable transaction costs which, in the case of financial assets, increase the fair value. This, however, excludes trade receivables with no significant financing components. Trade receivables with no significant financing component are measured at their transaction price. The transaction price generally corresponds to the fair value. After their initial recognition, financial assets in the category "financial assets at amortised cost" are measured at amortised cost using the effective interest method less any impairment. Amortised cost includes all discounts and premiums paid upon acquisition and includes all fees that are an integral part of the effective interest rate, including transaction costs. Impairment is tested based on the expected credit loss model under IFRS 9. The model stipulates the recognition of impairment through profit and loss based on expected future credit losses. Please refer to Note 3.5.5. Financial assets measured at amortised cost are recognised as of the settlement date.

At the GRENKE Group, financial assets in the category "at amortised cost" include the line items "cash and cash equivalents", "other financial assets" and "trade receivables". The item cash and cash equivalents in the consolidated statement of financial position comprises cash on hand and balances at banks and central banks with a maturity of less than three months. Current account liabilities are deducted from cash and cash equivalents in the statement of cash flows.

Financial assets at fair value through other comprehensive income (FVTOCI)

The fair value measurement through comprehensive income with recycling is applied to financial assets whose cash flows also comply with the SPPI criterion and have been assigned to the "Hold and Sell" business model. GRENKE does not hold any instruments that are assigned to the "Hold & Sell" business model and therefore does not make use of this classification.

Equity instruments that comply with the definition of equity under IAS 32 do not fulfil the cash flow condition due to a lack of contractual payment entitlements in terms of interest and credit repayments and are therefore to be measured at fair value through profit or loss. There is the option (OCI option) of designating equity instruments that are not intended to be traded as "at fair value through other comprehensive income". GRENKE applies this option and classifies its 13.71 percent investment in Finanzchef24 GmbH as FVTOCI without recycling, because it constitutes an equity instrument. As a result, all changes in fair value are presented in other comprehensive income, no impairment losses are recognised in profit or loss, and no gains or losses are reclassified to profit or loss upon disposal. This alternative presentation is chosen to ensure that volatility in a start-up company's fair value measurement is not recognised in the income statement. Financial assets at fair value through other comprehensive income are measured at fair value upon acquisition.

Financial assets at fair value through profit and loss (FVTPL)

The measurement at fair value with changes recognised in profit or loss is compulsory if either the financial instrument has not been allocated to a portfolio of the other aforementioned business models (AC, FVTOCI) or if its cash flows do not meet the SPPI criterion.

The subsequent measurement at amortised cost is not possible for derivatives since they do not regularly meet the SPPI criterion. Derivatives are always to be measured at fair value through profit or loss provided they are not in a hedging relationship (hedge accounting). The GRENKE Group does not hold any financial assets at fair value through profit or loss as of the reporting date except for derivatives. Derivative financial instruments held by the GRENKE Group that are not in a hedging relationship are solely used to hedge interest rate and currency risk. Changes in the fair value of these derivatives are recorded under "expenses/income from fair value measurement" or, in the case of derivatives used to hedge currency risk, under "other operating expenses" and "other operating income".

In order to avoid accounting mismatches resulting from the classification of a financial asset at amortised cost or at fair value through other comprehensive income, the financial asset may be irrevocably classified as measured at fair value through profit or loss. The utilisation of this option is limited under IFRS 9. GRENKE is not currently applying the fair value option.

Modification of financial assets

In the case of modifications that affect the contractual cash flows of financial assets, the Consolidated Group must examine whether this poses a substantial or non-substantial modification of the contractual cash flows. This assessment is done by taking an overall view of the qualitative and quantitative circumstances. An example of a qualitative indicator is a change of debtor. A quantitative criterion that leads to a substantial modification of the contract is if the discounted present value of the cash flows of the new contractual terms differs by at least 10 percent from the discounted present value of the remaining cash flows of the original debt instrument. A substantial modification results in the derecognition of the original agreement and the recognition of a new financial asset. The date of the initial recognition of the new financial asset is the date of the modification. In the case of a non-substantial modification, the asset is not derecognised, and the difference between the respective carrying amounts is recognised in profit or loss.

3.5.3 Financial liabilities

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value, net of transaction costs. In subsequent periods, they are recognised at amortised cost. The deducted transaction costs and any debt discounts are amortised over the lease term in profit and loss using the effective interest method.

Refinancing liabilities, which result from the sale of the lease receivables to the respective refinancing party, are recognised at the present value of the payments yet to be made to the refinancing party. The originally agreed interest rate is used as the discount rate for fixed interest loans. Upon repayment, regular payments are split into an interest portion and a principal component. The interest portion is recognised as an expense from interest on refinancing.

A financial guarantee is a contract that contains an obligation for the guarantor to make payments that compensate the guarantee holder for a loss that arises because a given debtor fails to meet their payment obligations on time and according to the terms of the debt instrument. Liabilities from financial guarantees are initially recognised at fair value. The fair value typically corresponds to the net present value of the consideration received in return for the provision of the financial guarantee. In the case of marketable contracts, the fair value of a financial guarantee at the time of conclusion of the contract is usually the value of the obligation and, therefore, zero (net method). Subsequently, the measurement is made at the higher of amortised cost or the amount of the provision that must be recognised in the event of an imminent claim.

Financial liabilities are measured at amortised cost using the effective interest method under IFRS 9, except when they are financial liabilities measured at fair value.

Financial liabilities at fair value

The GRENKE Group did not hold any financial assets at fair value through profit or loss as of the reporting date except for derivatives. Derivative financial instruments held by the GRENKE Group are solely used to hedge interest rate and currency risk. Changes in the fair value of derivatives are recorded under “expenses/income from fair value measurement” or, in the case of derivatives used to hedge currency risk, under “other operating expenses” and “other operating income”.

In order to avoid accounting mismatches resulting from the classification of a financial asset or a financial liability that would otherwise result from the measurement of assets or liabilities or the recognition of gains or losses on a different basis, the financial asset or financial liability may be irrevocably classified upon initial recognition as measured at fair value through profit or loss. GRENKE is not currently applying the fair value option.

Embedded derivatives

Embedded derivatives are derivatives that are embedded in primary financial instruments. In accordance with IFRS 9, only derivatives that are embedded in financial liabilities and non-financial basic contracts are separated. According to IFRS 9, financial assets are assessed as a whole, with the result that there is no longer any separate accounting between the basic instrument and the embedded derivative. Instead, financial assets are classified in accordance with the business model and contract terms.

Presentation as a separate line item is only required when the following three conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the basic contract
- A standalone derivative with the same conditions as the embedded derivative meets the definition of a derivative
- The original financial liability is not measured at fair value through profit or loss

In this case, the embedded derivative to be separated is recognised at fair value. Measurement changes are recognised in profit or loss under financial assets and liabilities measured at fair value through profit or loss. By contrast, the accounting and measurement of the basic contract follow the rules of the assigned category of the financial instrument.

3.5.4 Derivative financial instruments with hedging relationship

The GRENKE Group uses derivative financial instruments to hedge and manage interest rate and foreign currency risks. These are interest rate swaps, cross currency swaps and foreign currency forward contracts. IFRS 9 differentiates between three types of hedging relationships: fair value hedges, cash flow hedges and hedging the net investment in a foreign business operation. The GRENKE Group employs cash flow hedges only. These serve to avoid one-sided earnings effects for derivatives used to hedge the risk of changes in future cash flows. The GRENKE Group accounts for interest rate derivatives to hedge variable cash flows in addition to derivative financial instruments to hedge currency risk under hedge relationships (hedge accounting). The interest rate swap contracts are offset against the variable cash flows of the underlying bond and private placement transactions, as well as against the variable cash flows of the underlying ABCP and ABS refinancing transactions. The currency swaps (cross currency swaps) are offset against variable cash flows of the underlying bond and private placement transactions in foreign currencies. The forward currency contracts are offset against the variable cash flows from the granting of foreign currency loans and the purchase of receivables in foreign currencies. The Consolidated Group recognises changes in the fair value of interest rate and currency swaps and forward currency transactions relating to the effective portion of the hedging relationship in other comprehensive income (hedging reserve) while taking deferred taxes into consideration. The ineffectiveness is recognised in profit and loss. For more information, please refer to Note 7.3.

Derivative financial instruments are recognised at fair value at the time of acquisition. Subsequent measurement is also at fair value. The fair value is derived from the discounted future cash flows, which are adjusted for the counterparty risk. Future variable-rate cash flows are estimated on the basis of future interest rates (based on observable yield curves at the end of the reporting date). Fixed and variable-rate cash flows are discounted at future interest rates and translated using the exchange rates at the end of the reporting period. Forward currency contracts are used to hedge spot rate risk. The forward price elements of these contracts are immaterial and are recognised in the income statement.

Hedge accounting requires documentation at the beginning of the hedging relationship that should identify the hedge and the hedged underlying transaction, the nature of the risk being hedged and the way in which the Company assesses whether the hedging relationship meets the requirements for hedge effectiveness. In addition, the risk management objectives and strategies must be explained. The GRENKE Group assesses hedge effectiveness both at the inception of the hedging relationship and on an ongoing basis. As soon as the conditions for hedge accounting are no longer met, the derivative is measured at fair value with changes in value recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative net gain or loss previously recognised in the consolidated statement of comprehensive income is reported in the consolidated statement of income.

3.5.5 Impairment of financial assets and provisions for off-balance-sheet liabilities

At each reporting date, the GRENKE Group determines the impairment on financial assets or a group of financial assets based on a model of expected credit losses in accordance with the requirements of IFRS 9.

The impairment provisions under IFRS 9 are applied to debt securities measured at amortised cost (AC) or fair value through other comprehensive income (FVTOCI), lease receivables under IFRS 16 “Leases” and off-balance-sheet obligations such as loan commitments and financial guarantees. Equity instruments are not subject to the impairment requirements of IFRS 9.

Level assignment

The standard provides for a determination of expected credit losses based on a three-step approach. Under the general approach, the loss from expected loss events during the next year (12M ECL) is already recognised as a risk provision upon acquisition (Level 1). If there has been a significant deterioration in the credit risk since the first-time recognition but no credit impairment, the risk provision is recognised at the level of the expected credit losses over the entire remaining contractual life (lifetime expected loss – LT ECL) (Level 2). If there is credit impairment, the risk provisioning must also be set in the amount of the losses expected over the remainder of the entire contract period on the basis of the estimated, expected future cash flows of the asset (LT ECL) (Level 3). The financial assets remain at Level 2 or 3 as long as the conditions for these levels are met; otherwise they will be reassigned to an appropriate lower level.

Financial assets are generally recognised in Level 1 upon initial recognition. An exception to this is financial instruments whose credit is already considered impaired at the time of the acquisition of the transaction (“purchased or originated credit-impaired financial assets – POCI”). These are not assigned to any of the three levels but instead treated and reported separately. The GRENKE Group does not hold any financial instruments classified as POCI as of the reporting date. In addition, Level 1 includes all transactions that have a low credit default risk. Low credit default risk exists in cases where the external credit rating is in the range of investment grade. The GRENKE Group does not apply the low credit risk exemption.

For financial instruments classified as POCI, no impairment or provision is recognised at the time of acquisition. The measurement is at fair value. In the subsequent measurement, the risk provisioning corresponds to the accumulated change in the LT ECL since the time of acquisition. A financial instrument classified as POCI remains in this approach until it is derecognised, i.e. there is no transfer to another level.

In addition to the general approach (three-stage model), IFRS 9 provides for a simplified procedure for trade receivables and contract assets as well as for lease receivables falling within the scope of IFRS 16. Under the simplified procedure, it is not necessary to track the change in credit risk. Instead, expected losses are to be recognised as a risk provision in the amount of the expected losses over the entire term (LT ECL) – both upon initial recognition and at each subsequent reporting date. The assets are transferred to Level 3 once credit is impaired. An option exists to apply this simplified procedure to those trade receivables and contract assets that contain a material financing component, as well as for lease receivables. The GRENKE Group uses the simplified procedure for factoring receivables and trade receivables. The exercise of the option was waived for determining risk provisions for lease receivables. Therefore, the general approach and classification of lease receivables in three stages applies. The financial assets remain at Level 3 as long as the conditions for this level are met, otherwise they will be reassigned to an appropriate lower level.

For Level 1 and Level 2 financial assets, the GRENKE Group calculates interest income using the effective interest method on the gross carrying amount (i.e. without deduction of expected credit losses). The interest income on Level 3 financial assets is determined using the effective interest method at amortised cost (i.e. the gross carrying amount less risk provisioning).

Significant increase in credit risk and credit impairment

Determining a significant increase in credit risk is necessary to establish the timing of the transition between Level 1 and Level 2 as defined above. Defining credit impairment is relevant to the timing of the transition to Level 3. The GRENKE Group assesses a significant increase in credit risk since initial recognition and defines credit impairment on the basis of appropriate and comprehensible information. The information used is adapted to the circumstances of the respective portfolio and is explained below:

- Lease receivables: The GRENKE Group expects a significant deterioration in the credit quality of lease receivables when contractually agreed payments are more than 30 days past due or when the estimated probability of loss for the remaining term has at least doubled compared to the estimated probability of loss for the same period based on the information available at the conclusion of the contract. Creditworthiness is impaired if contractually agreed payments are more than 90 days overdue, the contract has been terminated by the GRENKE Group, or at least one of the two conditions was not met as of the measurement date but was met within the three preceding months. The GRENKE Group usually terminates a lease contract as soon as the second lease instalment lapses. For terminated receivables, the expected value of the claim for damages is recognised.
- Factoring receivables: The GRENKE Group applies the simplified procedure for factoring receivables. Therefore, outstanding receivables are included in Level 2 as long as they are not classified as credit-impaired. Credit is impaired when the impaired receivables are overdue for more than 90 days and are not in an internal loss class. An internal loss class is assigned to factoring receivables of Processing Classes 2 to 7 (see Note 3.18.3). Otherwise, they will be considered credit-impaired and will be considered in Level 3.
- Loan receivables: The GRENKE Group expects a significant deterioration in the credit quality of loan receivables when payments are delayed for more than 30 days, the receivable is transferred internally to a special watch list, or a current deferral agreement is in place. The criteria for the special watch list are, for example, performance disruptions, negative notifications of the credit agency, significant deterioration in economic conditions and abnormalities in bookkeeping. Receivables that, among others, are delayed for more than 90 days, are in reorganisation or settlement or have a VR rating signalling default are considered to be credit-impaired.

- Trade receivables: The GRENKE Group applies this simplified impairment model to these receivables. As a result, outstanding receivables are included in Level 2 as long as they are classified as credit-impaired. Credit is impaired when receivables are more than 90 days past due, or there is an objective indication of credit impairment. An objective indication, for example, could be the default or delinquency of a debtor, indications of bankruptcy and other features that indicate a reduction in the expected payments of the debtor.
- Cash and cash equivalents: The assessment of whether credit risk has significantly deteriorated and the determination of credit impairment for these receivables is based on credit ratings, which are determined by observing published external credit ratings.

3.5.6 Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised along with the related impairment when the requirements have been met. The GRENKE Group derecognises financial assets when its contractual rights to cash flows have expired or the risks and rewards associated with the contractual rights are transferred to a buyer. When the GRENKE Group transfers its contractual rights to receive the cash flows of an asset to the buyer, but the opportunities and risks are not transferred, then the receivable is not derecognised, but instead a financial liability is recognised in the same amount.

An impairment also represents a derecognition. This is usually the case at the GRENKE Group when, after reasonable assessment, it can no longer be assumed that the contractual cash flows of a financial asset can be realised in whole or in part. This is the case, for example, if legal proceedings are terminated or, in the case of lease transactions, the asset is disposed.

Derecognition of financial liabilities

Financial liabilities are derecognised if the contractual obligation underlying the liability is discharged or definitively expires. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different terms, or if the terms of an existing liability are changed substantially, then such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability. A criterion that leads to a material change in the contract is when the discounted present value of the cash flows of the new contract conditions deviates by at least 10 percent from the discounted present value of the remaining cash flows of the original debt instrument. The difference between the corresponding carrying amounts is recognised in profit and loss.

3.6 Lease assets for sale

Lease assets for sale are recognised at their recoverable amount on the basis of historical figures. Appropriate measurement is ensured through the use of maturity bands reflecting the age of the lease assets. The sale proceeds calculated using this approach are netted against the expenses that are still incurred until the sale in order to correspond to the net realisable value.

3.7 Property, plant and equipment

Property, plant and equipment are recognised at acquisition costs net of accumulated depreciation and impairment. Financing costs are capitalised when the necessary requirements are met. Property, plant and equipment are depreciated on a straight-line basis over their expected economic life. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are derecognised, and any gains or losses resulting from their disposal are recognised in the income statement as other operating income or expenses.

Depreciation rates are based on the following estimated economic lives of assets:

Office buildings	25–33 years
OPERATING AND OFFICE EQUIPMENT	
IT hardware	3 years
Leasehold improvements	10 years
Other (office equipment)	3–20 years

The useful life and depreciation method for the respective property, plant and equipment are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

3.8 Goodwill

Goodwill resulting from acquisitions is initially determined as the excess of the purchase price over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity as of the date of acquisition.

Goodwill is not subject to scheduled amortisation. Following initial recognition, goodwill is tested for impairment at least once a year (a “impairment test”) to prove it is not impaired (the “impairment-only approach”). If there are indications that goodwill might be impaired, further tests must be conducted in addition to the mandatory annual impairment test. In subsequent periods, goodwill is recognised at cost less accumulated impairment.

The impairment test for goodwill is carried out on the basis of cash-generating units. In the Leasing and Factoring segments, these units are equivalent to the business activities in the respective regions (countries) and typically correspond to the legal entities. This cash-generating unit represents the lowest level at which goodwill is monitored internally.

The recoverable amount is the higher of the fair value less selling costs and the value in use of the cash-generating unit. If one of these amounts exceeds the carrying amount, then it is not always necessary to determine both amounts. The recoverable amount of each of the cash-generating units is determined based on a value-in-use calculation using cash flow projections. The cash flows of the five-year detailed planning phase are based in principle on financial plans approved by management for a period of three years and supplemented by two additional years. In the case of valuations in the Leasing segment, the five-year detailed planning phase is supplemented by a four-year ramp-up phase using the sustainable growth rate in order to achieve a steady state. For further explanations on the impairment testing of goodwill, please refer to Note 5.7.

3.9 Other intangible assets

3.9.1 Licences, software

Purchased licences and software are capitalised at amortised cost. The acquisition costs include the purchase price plus directly attributable costs necessary to prepare the asset for its intended use. The acquisition costs are reduced by scheduled amortisation on a straight-line basis over their expected economic life that, according to a standalone assessment, is usually either 3 or 5 years.

3.9.2 Internally generated intangible assets (development costs)

An intangible asset developed as part of a single project is only recognised if the GRENKE Group is able to prove the technical feasibility of completing the intangible asset for internal use or sale and also prove the intention to complete the intangible asset and use or sell it. In addition, the asset’s generation of future economic benefits, the availability of resources to complete the asset and the ability to measure the expenditure attributable to the intangible asset during its development must exist.

Internally generated intangible assets are measured at cost. The cost comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended. The capitalised amounts are amortised on a straight-line basis over the period during which the project is expected to generate revenue or during which the software can probably be amortised. Based on the technical developments expected in the future, the economic life is assumed to be 5 to 6 years, depending on the development project.

3.9.3 Customer relations/Dealer networks

Customer relations/Dealer networks acquired in a business combination are measured at fair value upon initial recognition. The fair value of customer relations/dealer networks is based on a net present value method by applying the residual value method. Customer relations and dealer networks are amortised on a straight-line basis over their economic life of 7 years.

3.10 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognised in profit and loss as soon as the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Internally generated intangible assets are tested once annually for impairment during the period in which they have not yet been used.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The recoverable amount is estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

The carrying amounts of goodwill are tested in order to assess the probability of continuing future benefits in accordance with the rules described in Note 3.8.

Impairment is recognised in profit and loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit. If the reason for an impairment recorded in a prior period ceases to apply, an impairment loss must be reversed. Exceptions to this rule exist only for impairment of goodwill, the reversal of which is expressly prohibited.

3.11 Equity

The hybrid bonds issued by GRENKE AG, which are reported under additional components of equity, meet the definition of equity under IAS 32 and are accounted for accordingly. The bonds are recognised at their nominal amount and are to be allocated to core capital according to CRR/CRD 4. The share in net profit attributable to hybrid bondholders is only attributed to them once there is a legally enforceable right to distribution. Discounts and the cost of issuance of hybrid bonds reduce equity, whereas premiums increase equity, each net of deferred taxes and recorded under retained earnings.

3.12 Provisions

Provisions are carried at their probable settlement amount if a present obligation (legal or constructive) exists for the GRENKE Group due to an event occurring before the end of the reporting period, and it is probable that the settlement of the obligation will lead to an outflow of resources embodying economic benefits, and if a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In addition, any provisions for off-balance-sheet obligations, such as loan commitments and financial guarantees, must be recognised in accordance with the impairment requirements of IFRS 9 (see Note 3.5).

3.13 Pensions and other post-employment benefits

Defined benefit plans relate to benefits following the end of employment and are based on direct benefit commitments for which the amount of the benefit is determined and dependent on factors such as age, remuneration and time employed. The provision recognised for defined benefit plans in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets. Current and past service costs for benefits following the end of employment are recorded under staff costs. Interest expenses resulting from defined benefit obligations and interest income on plan assets are recorded as net interest expenses under other interest income. Past service costs resulting from plan adjustments are directly recognised in profit and loss.

The present value of the defined benefit obligation is calculated annually by an independent actuarial expert using the projected unit credit method of discounting the forecasted future cash outflows using the interest rate of industrial bonds of excellent credit standing. The industrial bonds are denominated in the currency of the payment amounts, and their terms match those of the pension obligations. The calculation takes the current market interest rate into particular account as well as forecasts of future salary and pension increases in addition to biometric assumptions.

In accordance with Swiss law, the Consolidated Group has set up a defined benefit pension plan in Switzerland, which requires that contributions be made to separately administered funds. The obligation under the defined benefit plans is calculated using the projected unit credit method. In addition, there is a defined benefit pension plan for employees of GRENKE BANK AG, who were acquired in the acquisition of Hesse Newman & Co. AG. These benefits are not financed by funds.

The underlying pension plans relate to both final salary and flat salary pension plans. Actuarial gains and losses, for example, due to adjustment of the discount rate, are recognised as other comprehensive income in equity.

The amount to be recognised as an asset or a liability under a defined benefit plan is the total of the present value of the defined benefit obligation less the fair value of the plan assets out of which the obligations are to be settled directly.

Contributions to defined contribution plans are recognised as an expense when the employees have rendered services. These expenses include contributions to statutory pension schemes and, specifically, direct insurance premiums. The GRENKE Group primarily uses defined contribution plans.

3.14 Taxes

3.14.1 Actual tax assets and tax liabilities

Actual tax assets and tax liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as of the end of the reporting period.

3.14.2 Deferred tax liabilities and deferred tax assets

Deferred tax liabilities are calculated using the liability method. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability for financial reporting purposes and its tax base.

Deferred tax assets for previously non-utilised tax-loss carryforwards are recognised to the extent that it is probable that taxable profit will be available in the future to utilise these carryforwards. Deferred tax assets and deferred tax liabilities are recognised on the basis of tax rates anticipated for the period in which the temporary differences will reverse. For this purpose, tax rates are used, which are applicable as of the end of the reporting period or will be applicable in the near future.

Deferred taxes relating to items that are recognised directly in equity are recognised in shareholders' equity and not in the income statement. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity at the end of the reporting period expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or liabilities in the consolidated statement of financial position.

3.14.3 Value-added tax

Revenue, expenses, and assets are recognised net of VAT, with the following exceptions:

- The VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the acquisition costs of the asset or as part of the expense item the stated receivables and liabilities include VAT.
- The net VAT recoverable from or payable to the tax authorities is stated under other receivables or liabilities in the consolidated statement of financial position.

3.14.4 Trade tax

In calculating the trade income for the German Consolidated Group companies GRENKE AG, Grenke Investitionen Verwaltungs KGaA, and GRENKEFACTORING GmbH, Section 19 of the Trade Tax Ordinance (Gewerbesteuer-Durchführungsverordnung – GewStDV) was applied since the 2008 assessment period and charges and similar amounts relating directly to financial services as defined by Section 1 (1a) sentence 2 of the KWG were not added. For GRENKE BANK AG, Section 19 GewStDV is applied in a relevant manner for banks.

3.15 Earnings per share

Basic earnings per share are calculated by dividing the Group earnings attributable to the ordinary shareholders of GRENKE AG by the weighted-average number of shares outstanding during the financial year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based compensation plans have been converted or exercised.

3.16 Revenue from contracts with customers

The GRENKE Group acts as a principal and recognises income when it fulfils a performance obligation by transferring a promised good or service to a customer. The transfer is deemed to have occurred when the customer has obtained control over this asset.

The prerequisite for this is that the following criteria are met in identifying the contract with the customers: the contracting parties agreed to the contract; the corresponding rights to the goods or services to be transferred can be determined; the payment terms can be identified; the contract has an economic substance; and the receipt of the consideration is probable.

The GRENKE Group is required to identify the performance obligations for each contract. When identifying the contractual performance obligations, any commitment to supply a good or to provide a service under a contract with a customer must first be identified. If goods and services from a contract have been identified, there is then an assessment as to whether these goods and services should be considered separate service obligations or whether certain services should be deferred from the overall package of services.

In determining the transaction price, the GRENKE Group estimates the fee based on the identified customer contract that can be claimed in exchange for the goods or services supplied. The variable purchase price components, fees to customers, non-cash considerations as well as material financing components are taken into account when determining the transaction price.

The transaction price is to be allocated to the individual performance obligations of the contract identified. The GRENKE Group allocates the transaction price generally on the basis of the individual selling prices. Individual selling prices are the prices at which a good or service would be sold separately at the time the contract begins or at the time the contract is concluded. Contracts that contain multiple performance obligations are referred to as multi-component contracts. When the actual individual selling prices are not immediately apparent, they are then estimated by the GRENKE Group. The individual selling price estimate takes into account all available information and uses as many observable parameters as possible. Estimates are calculated based on the market price as part of the adjusted market assessment approach.

The GRENKE Group takes into account all separately recognised benefit obligations of the relevant customer contract that were previously identified within the framework of the allocated transaction prices. Revenue is recognised either at a single point in time or over the period of time that the performance obligation is fulfilled.

A contract liability is recognised when the customer renders a payment or the payment becomes due (whichever event occurs first) before the Consolidated Group has transferred the respective goods or services to the customer and the Consolidated Group has an unconditional right to a certain consideration before transferring a good or a service to the customer. Contract liabilities are recognised as revenue once the Consolidated Group has met its contractual obligations or has transferred control over the respective goods or services to the customer.

3.16.1 Revenues from service and protection business

Revenues from service and protection business are reported under the profit from service business. The lease assets must be included under the group insurance policy of the GRENKE Group unless the lessees themselves insure the lease asset. For this service, the lessee will be charged fees on an annual basis that are recognised as revenue. The lessee's payments are made in advance at the beginning of the respective calendar year or, in the case of newly concluded contracts, at the beginning of the lease term during the year. Deferred income from contracts with customers in the service and protection business is presented as contractual liabilities under the item deferred lease payments. When recognising the revenue from service and protection business, the performance obligation over a certain period of time can be said to be fulfilled, meaning the income must also be realised over this period. Income is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.2 Sale of lease assets

The sale of lease assets relates to lease assets from contracts that have exhausted their basic lease term, defective lease contracts or mutually agreed early termination. Revenue from the sale of lease assets is recognised when GRENKE fulfils a performance obligation by transferring the promised good to a customer. The transfer occurs when the customer obtains control over this asset. The Consolidated Group recognises the revenue at a certain point in time.

Revenue from sales after the end of the basic lease term or due to the mutually agreed early termination of the contract is recognised in gains/losses from disposals, sale proceeds from defective lease contracts are recognised in the line item "settlement of claims and risk provision".

3.16.3 Service fees for making lease assets available for use

Service fees for making the lease asset available for use are usually recognised at the beginning of the lease agreement when the performance obligation has been fulfilled.

3.16.4 Commission income from the banking business

Commission income from banking business consists primarily of account fees and is usually charged or invoiced on a quarterly basis. These performance obligations are fulfilled over a period of time. Income is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.5 Revenue from reminder fees

Revenue from reminder fees is realised when due payment obligations are paid. The GRENKE Group fulfils its performance obligation at the payment date. Income is, therefore, recognised at a certain point in time.

3.16.6 Other revenue to lessees

Other revenue to lessees, such as that for an additional printout of the invoice, is realised at the time the invoice is issued or the performance obligation is fulfilled.

3.16.7 Interest income

Interest and similar income from financing business are recognised using the effective interest method. An exception is fees such as factoring fees, which are realised at the time of invoice.

3.17 Accounting judgements

In applying the accounting policies, the senior management has made the following judgements that substantially influence the recognition and amounts in the financial statements. This does not include those decisions involving estimates.

3.17.1 Principles of consolidation

When deciding whether to consolidate an entity, the following control factors, among others, are evaluated: the purpose and design of the entity; the relevant activities and how they are determined; whether the Consolidated Group's rights give the ability to direct the relevant activities; whether the Consolidated Group has risk exposure or rights to variable returns; whether the Consolidated Group can use its power to influence its returns.

When voting rights are decisive, the Consolidated Group is said to have control over an entity where it holds, directly or indirectly, more than half of the voting rights. This is the case unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

In determining control, potential voting rights are also considered if they are deemed as substantial.

The Consolidated Group gives a similar assessment on the existence of control where it does not control the majority of the voting rights but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of the voting rights of the shareholders give the Consolidated Group the power to direct the activities of the investee.

Moreover, when assessing whether to consolidate an entity, the possibility to control parts of the investee as a fictitious separate entity, a "silo", is also considered.

If any facts or circumstances indicate changes in one or more of the control factors listed in IFRS 10, the Consolidated Group reviews the adequacy of previous decisions. The Consolidated Group reassesses the consolidation status on an annual basis. This includes changes in decision-making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure, as well as changes triggered by an event that was anticipated in the original contractual agreements.

For further explanations regarding changes in the scope of consolidation during the reporting period, please refer to Note 6.

3.17.2 Consolidation of structured entities

For refinancing, the Consolidated Group uses various structured entities in the form of asset-backed commercial paper programmes ("ABCP programmes").

Control over the investee as a fictitious separate entity ("silo" structure) was determined for the structured entities and ABCP programmes of CORAL PURCHASING (IRELAND) 2 DAC, Kebnekaise Funding Limited, Elektra Purchase No. 25 DAC and Opusalpha Purchaser II Limited. Although this concerns multi-sellers in which banks create securitisation vehicles to give customers access to specific portfolios of assets and provide market liquidity through the securitisation of the financial assets, this financing structure opens up a further form of refinancing for the Consolidated Group and thus provides it with the corresponding benefits. The GRENKE Group does not have the power to exercise influence over the trust or the management of structured entities.

A significant activity over the term of these programmes is the selection of the receivables to be transferred. Furthermore, the initial selection of the receivables for each silo is defined according to specific selection criteria. In the event of a default of receivables, the settlement is managed by the GRENKE Group. The opportunities and risks of the receivables of the silos remain in the GRENKE Group. In the case of revolving receivables purchases or sales, the variable returns may be affected in such a manner that the part of the investee is controlled as a fictitious separate entity.

At FCT GK 2, FCT GK 4 and FCT GK 5, shares of the funds are held by two subsidiaries and are included in consolidation. The lease receivables purchased by the FCTs are underwritten by the ABCP programmes described above. The shares that are directly and indirectly held by the Consolidated Group are an indication for inclusion in the scope of consolidation, but not the decisive criteria since all assumptions contained in IFRS 10 must be met for consolidation. The FCTs are included in the scope of consolidation since all control factors are met, and the Consolidated Group controls the entities by having the power to direct the relevant activities, having the right of variable returns, as well as having the power to affect the amount of the returns.

As of December 31, 2022 and December 31, 2021 and during both years, the GRENKE Group did not hold any interests where it did not have the controlling influence. Therefore, there were no significant restrictions due to protection rights in favour of these shareholders.

3.17.3 Consolidation of franchise companies

The GRENKE Group has used a franchise model to facilitate its expansion strategy in the Leasing and Factoring segments in new markets. To this end, franchise companies were founded in the local markets by financial investors, with the respective managing director also holding shares in the franchise company. The GRENKE Group could acquire the company after approximately four to six years based on a pre-emptive right. Due to this strategy, an increasing number of former GRENKE employees have been recruited as managing directors and shareholders in recent years. Through the franchise agreements concluded, GRENKE grants rights that are intended to protect the franchise brand. In a typical franchise agreement, the franchisor is granted certain decision-making rights with regard to the franchisee's business activities. Generally, the franchisor's rights do not restrict the ability of third parties to make decisions that have a significant impact on the franchisee's return on investment. Similarly, the franchisor's rights under franchise agreements do not necessarily give the franchisor the ability to direct activities that have a material impact on the franchisee's return. A distinction has to be made between the present ability to make decisions that materially affect the franchisee's return and the ability to make decisions that protect the franchise brand. The franchisor does not have control over the franchisee if third parties have existing rights that give them the present ability to direct the franchisee's relevant activities. By entering into the franchise agreement, the franchisee has made a unilateral decision to conduct its business in accordance with the terms of the franchise agreement but on its own account. Fundamental decisions, such as the choice of legal form and financial structure of the franchisee, may be dominated by parties other than the franchisor and may significantly affect the franchisee's return. The lower the level of financial support provided by the franchisor and the lower the franchisor's risk exposure to the franchisee's return fluctuations, the greater the likelihood that the franchisor will only have protective rights. A certain degree of management's judgement is required in assessing whether or not franchise agreements and the accompanying objective control of the relevant activities of the franchise companies preclude a relationship requiring consolidation. The franchise companies are therefore included in the GRENKE Group's scope of consolidation in accordance with IFRS 10.

3.17.4 Leasing – the Consolidated Group as lessor

In its capacity as lessor, the Consolidated Group has determined from its analysis of the contractual terms and conditions of nearly all leases during the basic lease term that all significant risks and rewards incidental to ownership of the leased assets concerned are transferred to the lessee. These leases are therefore accounted for entirely as finance leases. In the case of individual Consolidated Group companies, the leases are set for the basic lease term in such a way that the significant risks and rewards incidental to ownership of the leased assets are not transferred to the lessee. These contracts are therefore accounted for as operating leases.

The determination of the term of a lease is subject to discretion. The term of a lease includes the non-cancellable basic term during which a lessee has the right to use an underlying asset. It also includes extension periods if the exercise of the underlying extension option by the lessee can be considered reasonably certain. Periods resulting from an option to terminate the lease are also only taken into account if there is sufficient certainty.

The GRENKE Group's contracts are structured so that there are no early termination options for the lessee that the lessee can unilaterally exercise without GRENKE's consent until the agreed basic term ends. Early termination can only be effected by mutual agreement with a corresponding release from damages of GRENKE. At the specified end of the basic term, both the lessee and GRENKE have a right of termination.

It is however possible for the lessee to obtain an extension of the period of use of the leased asset after the end of the fixed basic term by not terminating at the end of the basic term if GRENKE does not itself give notice of termination at the end of the basic term, e.g. in the event of an advantageous disposal opportunity. However, at the inception of the lease, experience does not indicate with sufficient certainty that leases will continue beyond the basic term. The term of the lease therefore generally corresponds to the basic term of the contract. When assessing whether there is sufficient certainty, the GRENKE Group takes into account all facts and circumstances that give the lessee an economic incentive to exercise or not exercise the extension option.

3.17.5 Leasing – the Consolidated Group as lessee

The GRENKE Group, in its role as lessee, makes assessments affecting the amount of lease liabilities and rights of use recognised in the statement of financial position under IFRS 16. Such assessments concern, for example, the determination of appropriate incremental borrowing rates for discounting the expected cash flows and the determination of the lease term.

The determination of the lease's term is subject to discretion, as the property agreements concluded regularly include extension and termination options for flexibility purposes that are to be included in the determination of the lease's term when there is sufficient certainty that these options will be exercised. In assessing the existence of sufficient certainty, the GRENKE Group takes into account all of the facts and circumstances that give it an economic incentive in its role as lessee to exercise or not exercise the extension or termination option.

For further explanations of the recognised lease liabilities and rights of use, please refer to Note 5.10.

3.17.6 Impairment of financial assets

For information on discretionary decisions with regard to level transfers, credit impairment and other discretionary decisions made in determining the impairment of financial assets, please refer to the explanations in Note 3.5.5.

3.18 Use of assumptions and estimates

In preparing the consolidated financial statements, assumptions and estimates have been made that have affected the recognition and carrying amounts of assets, liabilities, income, expenses and contingent liabilities.

Assumptions and estimates generally relate to the Consolidated Group-wide uniform determination of the useful lives of assets; the measurement of provisions; the impairment of receivables; the recognition of realisable residual values of lease assets; the determination of parameters for assessing the recoverability of intangible assets and other non-financial assets; the determination of the fair value of financial instruments; as well as the probability of future tax benefits. In individual cases, the actual amounts may differ from the assumptions and estimates. Any changes will be recognised in profit and loss as and when better information becomes available.

The key uncertainties in relation to estimates and the associated disclosure requirements are described in the sections that follow.

3.18.1 Assumptions made in impairment tests for measuring existing goodwill

The cash flows used to measure goodwill under the discounted cash flow method are based on current business plans and internal plans. This involved making assumptions as to the future development of income and expenses. Future growth rates of the respective cash-generating unit were assumed on the basis of past experience, and income and expense trends to date were projected into the future, taking into account current and expected market developments. These estimates and the underlying methodology can have a significant influence on the values determined. Due to the current overall economic environment, the estimates regarding the development of future new business and returns for the cash-generating units are associated with additional uncertainties. If significant assumptions differ from actual figures, impairments may have to be made in the future in profit and loss. For further information on the assumptions made, please refer to Note 5.7.

3.18.2 Determination of impairment (risk provisions) for lease receivables

Current lease receivables ("performing lease receivables") are generally to be measured in accordance with the provisions of IFRS 16. Additionally, appropriate risk provisions as defined by IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions. The ECL is calculated as a multiplication of the three parameters: probability of default (PD), loss given default (LGD) and exposure at default (EaD). This standard formula for determining the expected loss takes into account the probability of failure (PD), the maximum possible loss on failure (EaD) and ultimately the actual loss (LGD). Depending on whether the twelve-month period or the total residual term is considered, different models are used to estimate the parameters, taking into account the period under consideration.

The individual parameters are described in the following:

- PD: The default probability model is determined using a recognised mathematical statistical method. The model weighs input variables and, based on these weightings, determines an estimate for the probability of default until the actual end of the contract. Variables from three areas are included in the PD models. These are customer-specific variables, contract-specific variables and variables that reflect the observed payment behaviour of the lessee. Macroeconomic variables are included in our models in the form of country-specific parameters that are based on the respective country risk. Countries for which there is insufficient data to calculate a separate PD are summarised. In addition, various scenarios for the development of macroeconomic variables are considered. The aim here is to obtain forward-looking information on gross domestic product and the unemployment rate in individual countries. The probabilities of the possible developments of macroeconomic variables are taken from a survey of professional forecasters published by the ECB. The final impact on the PD, and thus the risk provisioning within the individual scenarios, is determined using internal data. The final weighting of the PD derived from the internal data within the individual macroeconomic scenarios with their probability of occurrence according to the ECB expert survey results in the final PD that is decisive for risk provisioning.
- EaD: We calculate the EaD for lease receivables as the sum of the outstanding instalments and the IFRS residual value at the date of the loss. Since the time at which the loss event occurs is unknown at the reporting date, an estimate is made about the distribution of loss events during the observation period based on past experience and considered in our EaD model. Discounting takes place at the internal interest rate of the lease contract concerned.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be as a quota of estimated EaD. For countries with insufficient data for the determination of LGDs, average values of the GRENKE Group are used.

The ECL model, including the input parameters and sub-models, is validated at least once a year or based on the occasion and updated if necessary.

Terminated lease contracts or contracts in arrears ("non-performing lease receivables") are also to be measured in accordance with the provisions of IFRS 16, taking the appropriate impairment pursuant to IFRS 9 into consideration. The amount of impairment is determined using percentages and processing categories. Percentages are calculated using statistical methods, which include both payments as well as expected payments. They are reviewed once a year for validity using backtesting. Processing statuses are grouped together in processing categories that are set up with respect to risk.

The following table lists the processing categories in the leasing business:

Category	Description
0	Current contract not in arrears
1	Current contract in arrears
2	Terminated contract with service instalment agreement
3	Terminated contract (recently terminated or court order for payment applied for)
4	Legal action (pending or after objection to court payment order)
5	Order of attachment issued/Debt-collecting agency commissioned
6	Statement in lieu of oath (applied for or issued) and insolvency proceedings instituted but not completed
7	Derecognised
8	Being settled (not terminated)
9	Discharged (completely paid)

The processing categories 2 to 7 are allocated to Level 3 because the contracts have been terminated due to defaults in payment and are thus credit-impaired. The impairment rates range between 30 percent and 100 percent. The processing categories 0 and 1 are impaired in the context of current lease receivables.

Post-model adjustments

In addition to the risk provision calculated on the basis of the existing IFRS 9 model, post-model adjustments were recognised. A total adjustment of EUR 57,321k was recognised for all lease contracts to cover the additional uncertainties arising from the Russian war against Ukraine for the GRENKE Group and the associated potential consequences such as recession, inflation and supply and energy bottlenecks. The post-model adjustments were determined by taking into account macroeconomic factors on the recognised risk provision for lease contracts in arrears. The factors were determined at the country level in order to take into account the diverse effects on the economy in the different countries. For current leases, updated parameters to reflect macroeconomic conditions were already taken into account in the model as of the reporting date so that no further adjustment was necessary. In addition, an increased risk provision was recognised for those receivables that had been deferred in the past. This was based on the assumption that these customers will be subject to increased risk of default in the event of a renewed economic downturn and increased costs due to supply and energy bottlenecks. A risk provision was created in accordance with IFRS 9 Level 2 or 3, specifically, for leases that were deferred in the past and are to be allocated to IFRS 9 Level 1 as of the reporting date.

For IFRS 9 Level 2 contracts, a risk provision was recognised in accordance with IFRS 9 Level 3. Contracts that were formerly deferred, have an instalment agreement and are in Processing Category 2 are adjusted with a higher impairment rate in order to represent the increased risk. The coronavirus-related post-model adjustments recognised in the past were reversed as of the reporting date.

3.18.3 Determination of impairment (risk provisions) for factoring receivables

Current factoring receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the "expected credit loss" (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

In the following, we describe the individual parameters:

- PD: The default probability model is determined using a recognised mathematical statistical method. The model weighs input variables and, based on this weighting, calculates an estimated probability of default. Our PD models include variables that provide information on the customer, the debtor and the receivable, as well as the current overdue status.
- EaD: The EaD is defined for factoring receivables as the outstanding amount as of the date of default. Since factoring receivables have a fixed due date, there are virtually no or only very limited estimation uncertainties about the amount and the time of outstanding receivables subject to potential default.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be in the future as a quota of estimated EaD. LGDs are determined at the country level. For countries where there is no sufficient underlying data for determining the LGDs, the LGD determined for Germany is used.

The ECL model, including the input parameters and sub-models, is validated at least once a year or based on the occasion and updated if necessary.

Factoring receivables in arrears are recognised at amortised cost less appropriate bad debt allowances. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. Processing statuses are grouped together in processing categories.

The following table illustrates the processing categories in the factoring business:

Category	Description
0	Receivables waiting to be processed
1	Receivables due and not due before debt collection measures
2	Receivables due in own debt collection
3	Receivables due being processed by third-party debt collection and/or with payment being serviced in instalments
4	Receivables due directly before or after applying for a default notice
5	Receivables due directly before or after action is filed
6	Receivables due from insolvent debtor
7	Derecognised receivables
8	Fully paid receivables

Impairment is assumed for Categories 2 to 7 due to defaults in payment, whereby recoverability consistent with the processing category is assumed. The allowance rates range between 1.5 percent and 100 percent. The processing categories 0 and 1 undergo impairment as part of the current factoring receivables. The allowance rates are determined on the basis of past experience and statistical methods and projected into the future.

3.18.4 Determination of impairment from the lending business (risk provision)

Receivables from the lending business are carried at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables. The following sub-portfolios are to be distinguished for the lending business: start-up loans, microcredits and other loans. The microcredit receivables are fully guaranteed by the German microcredit fund (Mikrokreditfonds Deutschland) to ensure the recognition of an LGD of zero and no loan loss provisions for this portfolio.

For the remaining two portfolios, the individual parameters of the ECL model are defined as follows:

- PD: The default probability model is determined based on a viability rating (VR) procedure for corporate clients, if available. Otherwise, the modelling is carried out with the help of historical empirical values on defaults. The VR rating is updated monthly and, in addition to customer information, focuses on an analysis of their payment behaviour. Furthermore, various scenarios for the development of macroeconomic variables are taken into account. The aim here is to obtain forward-looking information on gross domestic product and the unemployment rate in individual countries. The probabilities of the possible developments of macroeconomic variables are taken from a survey of professional forecasters published by the ECB. The final impact on the PD, and thus the risk provisioning within the individual scenarios, is determined using internal data. The final weighting of the PD derived from the internal data within the individual macroeconomic scenarios with their probability of occurrence according to the ECB expert survey results in the final PD that is decisive for risk provisioning.
- EaD: We calculate the EaD for receivables from the lending business as the balance of outstanding receivables. Since the time at which the loss event occurs is unknown at the reporting date, an estimate is made about the future distribution of loss events during the observation period based on past experience and considered in our EaD model.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses in the future will be as a quota of estimated EaD. LGDs are determined separately for each portfolio.

The ECL model, including the input parameters and sub-models, is validated at least once a year or based on the occasion and updated if necessary.

3.18.5 Determination of impairment for trade receivables

Trade receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the “expected credit loss” (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

The individual parameters are described below:

- PD: The probability of default model is determined using expert estimates based on internal information.
- EaD: The EaD is defined for trade receivables as the outstanding amount as of the date of default. Since trade receivables have a fixed due date, there are virtually no or only very limited estimation uncertainties about the amount and the time of the outstanding receivables subject to a possible default.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be in the future as a quota of estimated EaD. For trade receivables, the LGD was based on an expert estimate that also includes regulatory requirements.

Trade receivables that are credit-impaired are assigned to Level 3 of the IFRS 9 Impairment Model. The amount of the impairment loss is based on the processing categories in the leasing business and is determined on a case-by-case basis. Based on past experience, a 100 percent impairment loss is already recognised in some countries for all receivables that are more than six months past due.

The ECL model is validated on an ad hoc basis and at least once a year and updated if necessary.

3.18.6 Consideration of estimated residual values at the end of the lease term to determine the present value of lease receivables

Non-guaranteed (estimated) residual values are taken into account when determining the present value of the lease receivables in accordance with the definition in IFRS 16. The residual values estimated at the end of the contract period are determined according to the expiration group of the respective lease contract and include the expected subsequent business at the end of the term, based on historical experience. For additions as of January 1, 2022, residual values amounted to between 1 percent and 25 percent of the acquisition cost (previous year: as of January 1, 2021, between 1 percent and 25.5 percent). The estimated residual values are best determined on the basis of statistical analyses. If the post-transaction recoverable amount is lower than expected (from the sale and subsequent lease), the lease receivables are impaired. However, an increase in the recoverable amount remains unrecognised.

3.18.7 Recognition of lease assets for sale at estimated residual values

The measurement of lease assets for sale is based on the average sales proceeds per age group realised in the past financial year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. As of the end of the reporting period, the residual values used amounted to between 2.5 percent and 19.6 percent of the historical cost (previous year: between 2.2 percent and 15.3 percent). If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

3.18.8 Fair value of financial instruments

The fair values of financial assets and financial liabilities, not derived from information on active markets, are determined using a valuation model. The input parameters of these models are based on observable market data, if possible. If this is not possible, determining fair values requires a certain degree of judgement. This judgement relates to input parameters such as liquidity risk, credit risk and volatility. Changes regarding the assumptions of these input parameters may have an effect on the recognised fair value of financial instruments. If observable prices and parameters are available, they are to determine the fair value that in turn avoids the large-scale use of estimates.

3.18.9 Recognition and measurement of deferred taxes on tax-loss carryforwards

Deferred tax assets are recognised for all unused tax-loss carryforwards to the extent to which it is likely that taxable income will be available. This means that the tax-loss carryforwards may, in fact, be used. Determining the amount of the deferred tax assets requires considerable use of judgement on the part of the management with regard to the expected occurrence and level of the future taxable income, as well as to the future tax planning strategies.

3.18.10 Recognition and measurement of actual tax assets and tax liabilities

Due to the complexity of tax legislation, taxpayers and local tax authorities may have varying constructions and interpretations of the tax laws. This can lead to subsequent tax payments for prior financial years. Tax provisions are recognised in the event that the amounts stated in the tax declarations are not likely to be realised (uncertain tax items). The amount is determined from the best estimate of the anticipated tax payment. Tax receivables from uncertain tax items are recognised when probable and adequately ensured they can be realised. The assumptions are based on the management's assessment of the amount of uncertain tax items.

3.19 Categorisation as current and non-current

The Consolidated Group classifies assets and liabilities on the statement of financial position into current and non-current assets and liabilities. The residual term or the date of expected realisation or settlement is defined as current if there is less than one year between the reporting date and the due date. Financial instruments without contractual maturities, cash on hand, demand deposits, and actual income taxes are generally categorised as "current". Deferred tax assets and deferred tax liabilities are classified as non-current assets or liabilities.

4. Selected notes to the income statement

4.1 Net interest income

4.1.1 Interest and similar income from financing business

Interest and similar income from the financing business break down as follows:

EURk	2022	2021
Interest income from leasing business	397'665	410'932
Interest and similar income from factoring business	10'893	8'373
Interest income from bank's lending business	4'955	5'509
TOTAL	**413'513**	**424'814**

4.1.2 Interest expenses from refinancing (including deposit business)

Interest expenses from refinancing, including the deposit business, break down as follows:

EURk	2022	2021
Interest expenses from refinancing (excl. deposit business)	61'568	47'461
Interest expenses from deposit business	7'432	10'568
TOTAL	**69'000**	**58'029**

4.2 Settlement of claims and risk provision

Expenses for the settlement of claims and risk provision break down as follows:

EURk	2022	2021
SETTLEMENT OF CLAIMS AND RISK PROVISION IN LEASING BUSINESS	**105'243**	**139'920**
Impairment leasing business	–53'617	35'348
Settlement of claims and other risk provision in leasing business	158'495	104'094
Depreciation of terminated operating leases	189	309
Expenses from disposal of residual carrying amounts under operating leases	176	169
SETTLEMENT OF CLAIMS AND RISK PROVISION IN THE BANK'S LENDING BUSINESS	**14'331**	**2'132**
Impairment in bank's lending business	14'166	2'125
Other settlement of claims and risk provision in lending business	165	7
SETTLEMENT OF CLAIMS AND RISK PROVISION IN FACTORING BUSINESS	**74**	**298**
Impairment factoring business	–528	–343
Other settlement of claims and risk provision in factoring business	602	641
SETTLEMENT OF CLAIMS AND RISK PROVISION TRADE RECEIVABLES	**789**	**435**
Impairment trade receivables	365	–349
Other settlement of claims and risk provision in factoring business	424	784
TOTAL	**120'437**	**142'785**
thereof impairment	–39'614	36'781

4.3 Profit from service business

This item contains income and expenses from the service and protection business, the processing of property insurance policies within the scope of the leasing business, as well as income and expenses from operating leases. The effect from hyperinflation results from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the context of the leasing business in Turkey.

The income and expenses from the service business break down as follows:

EURk	2022	2021
Revenue from service-and-protection-business	133'272	128'424
Expenses from service-and-protection-business	9'438	9'054
PROFIT FROM SERVICE-AND-PROTECTION-BUSINESS	**123'834**	**119'370**
Revenue from operating leases	24'357	20'956
Depreciation of lease assets from operating leases	28'525	21'161
Effect of high inflation	4'365	0
PROFIT FROM OPERATING LEASES	**197**	**–205**
TOTAL	**124'031**	**119'165**

4.4 Profit from new business

The profit from new business is comprised as follows:

EURk	2022	2021
Capitalised initial direct costs	23'132	24'333
Revenue from lease down payments	10'341	7'674
Service fees for making lease assets available for use	6'693	4'104
Net commission income from the lending and factoring business	495	455
Other	12	19
PROFIT FROM NEW BUSINESS	**40'673**	**36'585**

Based on the calculations specific to the lease agreement, mainly the initial direct costs, revenue from lease down payments and service fees for making lease assets available for use are recorded in the profit from new business. Initial direct costs include primarily commissions paid to resellers, bonus payments, variable remuneration components and other initial direct costs incurred in connection with the conclusion of the lease. The presentation of capitalised initial direct costs is on a gross basis, which means the costs incurred are still included within the corresponding items of the income statement.

4.5 Gains (+) / Losses (-) from Disposals

EURk	2022	2021
Capital gains/losses from disposal after end of the basic lease term	1'631	–5'408
Capital losses from the mutually agreed early dissolution of contracts	–4'752	–311
PROFIT	**–3'121**	**–5'719**

The gains/losses from disposals consist of gains and losses from the termination of lease contracts after the agreed basic lease term and gains/losses from the premature mutual termination of contracts. The income components of the subsequent business are reported as interest and similar income from the financing business within the framework of finance leases.

4.6 Staff costs

In the reporting year, GRENKE Group's headcount (excluding the Board of Directors) averaged 1,954 employees (previous year: 1,865). Additionally, the Consolidated Group employed 47 trainees (previous year: 62).

Number of employees	2022	2021
NUMBER OF EMPLOYEES		
Europe	1'847	1'762
of which in Germany	814	760
of which in France	170	164
of which in Italy	205	204
Other countries	107	103
GRENKE CONSOLIDATED GROUP	**1'954**	**1'865**

The average number of employees (excluding the Board of Directors) in full-time equivalents was 1,878 (previous year: 1,794). Since 2021, employees on parental leave have no longer been included in the headcount.

Staff costs consisted of the following:

EURk	2022	2021
Salaries	122'637	105'454
Social security and pension expenses	26'430	22'076
TOTAL	**149'067**	**127'530**

Salaries include severance payments of EUR 1,284k (previous year: EUR 3,314k).

Staff costs contain a net amount of government grants due to the COVID-19 pandemic in the amount of EUR 100 (previous year: EUR 348k) and other grants of EUR 39 (previous year: EUR 0k). The grants are due to the utilisation of short-time allowance, reduction of social security contributions and other grants in various countries.

For the existing defined benefit pension plans, a net pension expense totalling EUR 588k (previous year: EUR 602k) was recognised under staff costs for the 2022 financial year. Staff costs also included EUR 1,531k (previous year: EUR 1,323k) for the employee participation programme of the French subsidiary.

Expenses by category were as follows:

EURk	2022	2021
Staff costs	149'067	127'530
Own work capitalised	2'243	1'757
TOTAL STAFF COSTS	**151'310**	**129'287**

4.7 Depreciation, amortisation and impairment

EURk	2022	2021
Other intangible assets	7'298	9'139
Operating and office equipment	4'817	5'523
Goodwill	5'923	2'698
Office buildings	1'157	1'061
Rights of use	13'112	13'063
Financial assets	158	0
TOTAL	**32'465**	**31'484**

With regard to expenses from impairment of property, plant and equipment, goodwill and other intangible assets, please refer to Notes 5.6 through 5.8. With regard to the amortisation of rights of use capitalised as lessee in accordance with IFRS 16, please see Note 5.10.

Expenses by category were as follows:

EURk	2022	2021
Depreciation, amortisation and impairment	32'465	31'484
Depreciation and amortisation of operating leases recorded in the profit from service business	28'525	21'161
Depreciation and amortisation of operating leases recorded in the risk provisions of the leasing business	189	309
TOTAL DEPRECIATION/AMORTISATION	**61'179**	**52'954**

4.8 Selling and administrative expenses (not including staff costs)

Selling and administrative expenses are divided into the following categories:

EURk	2022	2021
Operating expenses	29'458	20'439
Consulting and audit fees	22'194	38'297
Distribution costs (excl. commissions and bonuses)	15'693	11'730
Administrative expenses	16'959	16'971
Other taxes	3'971	3'115
IT project costs	8'602	6'170
Remuneration of the supervisory committees	786	434
TOTAL	**97'663**	**97'156**

The decrease in consulting and auditing costs is mainly due to the non-recurrence of the additional legal and consulting costs incurred in the previous year following the special audit in accordance with Section 44 (1) sentence 2 KWG.

The consulting costs in the context of the majority acquisitions of the franchise companies amount to EUR 1,327k in the 2022 financial year (previous year: EUR 441k).

IT project costs that are not capitalised as development costs occur as a result of the involvement of external expertise, particularly for process optimisation projects of the central and standardised IT processes.

Expenses by category were as follows:

EURk	2022	2021
Selling and administrative expenses	97'663	97'156
Expenses from the service-and-protection-business	9'438	9'054
Commissions and bonuses paid to dealers and recorded in profit from new business	57'234	37'095
TOTAL SELLING AND ADMINISTRATIVE EXPENSES	**164'335**	**143'305**

4.9 Other operating expenses

Other operating expenses break down as follows:

EURk	2022	2021
Currency translation differences	8'708	3'491
Revenue deductions	3'612	3'389
Capital losses from the disposal of operating and office equipment	461	2
Expenses from prior periods	94	3'334
Other items	1'114	3'890
TOTAL	**13'989**	**14'106**

Expenses related to prior periods in 2021 resulted from adjustments to contracts in the leasing business in the previous year.

4.10 Other operating income

Other operating income breaks down as follows:

EURk	2022	2021
Revenue from overdue payment fees	1'261	920
Maintenance revenues	398	45
Other revenue from lessees	956	1'046
Revenue from the disposal of merchandise	93	76
Change in inventory	–45	–71
Prior-period income	605	173
Proceeds account management	346	309
Rental income	102	118
Capital gains from the disposal of non-current assets	72	23'720
Reversal of other provisions	52	235
Government grants	292	0
Other items	1'371	2'184
TOTAL	**5'503**	**28'755**

The decrease in capital gains from the sale of property, plant and equipment results from the proceeds from the sale of the investments in viafintech GmbH in the amount of EUR 23,715k in the previous year.

4.11 Revenue from contracts with customers

The following table shows revenue from contracts with customers (IFRS 15):

EURk	Segment	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)			
Gross revenue from service-and-protection-business (service business)	Leasing	133'272	128'424
Service fee for making lease assets available for use	Leasing	6'693	4'104
Revenue from reminder fees	Leasing	1'246	904
Revenue from reminder fees	Factoring	15	16
Other revenue from lessees	Leasing	956	1'046
Disposal of lease assets	Leasing	182'309	170'460
Commission income from banking business	Bank	495	455
TOTAL		**324'986**	**305'409**

4.12 Revenues and other revenue

The following table shows revenue from contracts with customers (IFRS 15) and other revenue (IFRS 9, IFRS 16):

EURk	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)	**324'986**	**305'409**
OTHER REVENUE (IFRS 9, IFRS 16)		
Interest and similar income from financing business	413'513	424'814
Revenue from operating leases	24'357	20'956
Portions of revenue from lease down payments	10'341	7'674
TOTAL	**773'197**	**758'853**

4.13 Income taxes

EURk	2022	2021
Current taxes	22'141	27'836
Corporate and trade taxes (Germany)	143	121
Foreign income taxes	21'998	27'715
Deferred taxes	4'708	479
Germany	–5'482	5'326
International	10'190	–4'847
TOTAL	**26'849**	**28'315**

Current taxes include tax expenses of EUR 2,592k from prior years (previous year: tax expenses of EUR 704k).

4.13.1 Reconciliation of the average effective tax rate to the expected tax rate

The reconciliation of the expected applicable tax rate of GRENKE AG to the effective tax rate based on earnings before taxes (100 percent) is as follows:

Applicable tax rate	2022	2021
Trade tax	14.13%	14.02%
Corporate income tax	15.00%	15.00%
Solidarity surcharge	0.83%	0.83%
EXPECTED AVERAGE TAX RATE GRENKE AG	**29.96%**	**29.85%**
Non-deductible expenses	7.33%	5.03%
Changes due to foreign taxes	–14.40%	–14.89%
Effective changes in tax rates	0.84%	–1.08%
Tax-free income	3.04%	3.60%
Effect of non-tax deductible goodwill impairment	1.60%	0.65%
Utilisation of non-capitalised loss carryforwards	–6.86%	–2.39%
Back payments and tax refunds from previous years	2.33%	0.57%
Tax credits	0.00%	0.00%
Other	0.34%	1.59%
EFFECTIVE AVERAGE TAX RATE FOR THE CONSOLIDATED GROUP	**24.18%**	**22.93%**

4.14 Earnings per share

The Group earnings attributable to the shareholders of GRENKE AG in the amount of EUR 81,307k (previous year: EUR 90,134k) is the basis for the calculation of both diluted and basic earnings per share. There was no dilutive effect in the 2022 financial year or in the previous year. Earnings per share for the reporting year amounted to EUR 1.75 (previous year: EUR 1.94).

Shares	2022	2021
Shares outstanding at beginning of period	46'495'573	46'495'573
Average number of shares outstanding at end of period	46'495'573	46'495'573
Shares outstanding at end of period	46'495'573	46'495'573

EURk	2022	2021
Net profit attributable to GRENKE AG ordinary shareholders	81'307	90'134
Net profit attributable to GRENKE AG hybrid capital holders	9'068	9'404
Profit/Loss attributable to non-controlling interests	–6'191	–4'353
GROUP EARNINGS	**84'184**	**95'185**

5. Selected notes to the statement of financial position

5.1 Cash and cash equivalents

EURk	Dec. 31, 2022	Dec. 31, 2021
Bank balances	122'192	213'805
Balances at central banks	326'614	639'252
Cash in hand	38	14
TOTAL	**448'844**	**853'071**

For the purposes of the statement of cash flows, cash and cash equivalents break down as follows:

EURk	Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents as per the statement of financial position	448'844	853'071
Less current account liabilities	239	111
CASH AND CASH EQUIVALENTS AS PER THE STATEMENT OF CASH FLOWS	**448'605**	**852'960**

5.2 Lease receivables

The following table shows the maturity of non-discounted lease payments from leases that were classified as finance leases upon their inception.

EURk	Dec. 31, 2022	Dec. 31, 2021
Lease payments outstanding under finance leases as of reporting date		
Up to 1 year	2'091'397	2'013'249
1 to 2 years	1'463'163	1'442'795
2 to 3 years	927'828	909'100
3 to 4 years	527'037	449'537
4 to 5 years	230'406	175'006
More than 5 years	37'224	31'255
TOTAL	**5'277'055**	**5'020'942**
+ non-guaranteed residual values	692'976	702'047
GROSS INVESTMENT	**5'970'031**	**5'722'989**
– unrealised (outstanding) finance income	685'009	629'104
NET INVESTMENT	**5'285'022**	**5'093'885**

The reconciliation of gross investment contains only current contracts as of the reporting date. The following adjustments must be made in order to reconcile the net investment with the carrying amount of lease receivables reported in the statement of financial position:

EURk	Dec. 31, 2022	Dec. 31, 2021
CHANGES IN LEASE RECEIVABLES FROM CURRENT CONTRACTS		
RECEIVABLES AT BEGINNING OF PERIOD	**5'093'885**	**5'614'509**
+ change during the period	191'137	–520'624
LEASE RECEIVABLES (CURRENT + NON-CURRENT) FROM CURRENT CONTRACTS AT END OF PERIOD	**5'285'022**	**5'093'885**
CHANGES IN LEASE RECEIVABLES FROM TERMINATED CONTRACTS/CONTRACTS IN ARREARS		
GROSS RECEIVABLES AT BEGINNING OF PERIOD	**563'763**	**525'869**
+ additions to gross receivables during the period	25'308	118'108
– disposals of gross receivables during the period	145'565	80'214
GROSS RECEIVABLES AT END OF PERIOD	**443'506**	**563'763**
TOTAL GROSS RECEIVABLES (CURRENT AND TERMINATED)	**5'728'528**	**5'657'648**
IMPAIRMENT AT BEGINNING OF PERIOD	**538'676**	**504'086**
+ additions of accumulated impairment during the period	–54'092	34'590
IMPAIRMENT AT END OF PERIOD	**484'584**	**538'676**
Lease receivables (carrying amount, current and non-current) at beginning of period	5'118'972	5'636'292
LEASE RECEIVABLES (CARRYING AMOUNT, CURRENT AND NON- CURRENT) AT END OF PERIOD	**5'243'944**	**5'118'972**

Receivables from terminated contracts and contracts in arrears are included in current lease receivables.

The maximum credit risk (without taking collateral into account), credit risk minimisation and other tools are limited to the carrying amount of the receivables.

As a result of risk management and a highly diversified contract and lessee portfolio, the lease receivables have a diversified risk structure with regard to credit risk. In the majority of cases (97 percent), the GRENKE Group remains the legal owner of the lease assets, which are used as collateral for the lease receivables. There is also a low amount of bank guarantees (EUR 9.2 million) as well as guarantees and warranties from third parties for 4 percent of the lease receivables based on the carrying amount. The risk concentration of the lease receivables results from the underlying receivables. The risk concentration of lease receivables is determined on the basis of the main geographical areas in which revenues are generated with external customers. The three countries Germany, France and Italy account for a total of 60 percent (previous year: 62 percent) of the gross volume of lease receivables. The total amount of the risk position per risk concentration country is shown in the following overview. The following overview also shows the gross receivables broken down into the default risk rating categories for lease receivables as defined in the GRENKE Group and the level of impairment for lease receivables for each IFRS 9 impairment level. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

2022				
EURk	Level 1	Level 2	Level 3	Total
GERMANY				
Categories 0, 8: Low risk	1'131'831	42'023	0	1'173'854
Categories 1, 8: Higher risk	0	15'373	9'078	24'451
Categories 2–6: Doubtful receivables	0	0	13'687	13'687
TOTAL GROSS RECEIVABLES GERMANY	**1'131'831**	**57'396**	**22'765**	**1'211'992**
FRANCE				
Categories 0, 8: Low risk	1'071'908	65'584	0	1'137'492
Categories 1, 8: Higher risk	0	12'850	24'984	37'834
Categories 2–6: Doubtful receivables	0	0	71'223	71'223
TOTAL GROSS RECEIVABLES FRANCE	**1'071'908**	**78'434**	**96'207**	**1'246'549**
ITALY				
Categories 0, 8: Low risk	720'492	87'867	0	808'359
Categories 1, 8: Higher risk	0	6'630	23'158	29'788
Categories 2–6: Doubtful receivables	0	0	152'832	152'832
TOTAL GROSS RECEIVABLES ITALY	**720'492**	**94'497**	**175'990**	**990'979**
OTHER COUNTRIES				
Categories 0, 8: Low risk	1'885'534	113'337	0	1'998'871
Categories 1, 8: Higher risk	0	35'194	53'396	88'590
Categories 2–6: Doubtful receivables	0	0	191'547	191'547
TOTAL GROSS RECEIVABLES OTHER COUNTRIES	**1'885'534**	**148'531**	**244'943**	**2'279'008**
TOTAL CONSOLIDATED GROUP				
Categories 0, 8: Low risk	4'809'765	308'811	0	5'118'576
Categories 1, 8: Higher risk	0	70'047	110'616	180'663
Categories 2–6: Doubtful receivables	0	0	429'289	429'289
TOTAL GROSS RECEIVABLES CONSOLIDATED GROUP	**4'809'765**	**378'858**	**539'905**	**5'728'528**
Impairment	71'296	49'912	363'376	484'584
CARRYING AMOUNT	**4'738'469**	**328'946**	**176'529**	**5'243'944**

Gross lease receivables increased in the financial year by EUR 70,880k or 1.3 percent. The gross lease receivables developed differently in the three IFRS 9 levels. The receivables in IFRS 9 Level 1 increased by EUR 150,967k (3.2 percent), whereas the receivables in IFRS 9 Levels 2 and 3 declined. The decrease in Level 2 amounted to EUR 606k (0.2 percent) and the decrease in Level 3 was EUR 79,481k (12.8 percent). The development of receivables in Level 1 is due to the current increase in new business in the Leasing segment. The fact that this increase is lower compared to the growth in new business, as well as the decline in IFRS 9 Levels 2 and 3, is due to the difficult macroeconomic environment, particularly triggered by the Russian war of aggression against Ukraine and the associated consequences, including supply chain bottlenecks, rising energy and commodity prices and rising inflation. This has also led to higher derecognitions in the current financial year than in the pre-crisis period. In addition, the decrease in gross receivables in IFRS 9 Level 3 is due to management's decision to derecognise receivables that are no longer recoverable earlier than in the past and to no longer recognise a 100 percent impairment on these receivables. An individual analysis of the countries shows that a significant part of the decline in gross lease receivables in Levels 2 and 3, but also of the comparatively small increase in Level 1, is attributable to Italy. Here, gross lease receivables fell by EUR 104,425k or 9.5 percent compared to the previous year, whereas gross lease receivables rose by EUR 9,559k (0.8 percent) in Germany, EUR 27,975k (2.3 percent) in France and EUR 137,771k (6.4 percent) in other countries.

2021

EURk	Level 1	Level 2	Level 3	Total
GERMANY				
Categories 0, 8: Low risk	1'118'183	36'683	0	1'154'866
Categories 1, 8: Higher risk	0	4'614	7'269	11'883
Categories 2–7: Doubtful receivables	0	0	35'684	35'684
TOTAL GROSS RECEIVABLES GERMANY	**1'118'183**	**41'297**	**42'953**	**1'202'433**
FRANCE				
Categories 0, 8: Low risk	1'018'104	73'655	0	1'091'759
Categories 1, 8: Higher risk	0	10'402	23'551	33'953
Categories 2–7: Doubtful receivables	0	0	92'862	92'862
TOTAL GROSS RECEIVABLES FRANCE	**1'018'104**	**84'057**	**116'413**	**1'218'574**
ITALY				
Categories 0, 8: Low risk	778'875	112'015	0	890'890
Categories 1, 8: Higher risk	0	3'400	23'651	27'051
Categories 2–7: Doubtful receivables	0	0	177'463	177'463
TOTAL GROSS RECEIVABLES ITALY	**778'875**	**115'415**	**201'114**	**1'095'404**
OTHER COUNTRIES				
Categories 0, 8: Low risk	1'743'636	115'523	0	1'859'159
Categories 1, 8: Higher risk	0	23'172	48'860	72'032
Categories 2–7: Doubtful receivables	0	0	210'046	210'046
TOTAL GROSS RECEIVABLES OTHER COUNTRIES	**1'743'636**	**138'695**	**258'906**	**2'141'237**
TOTAL CONSOLIDATED GROUP				
Categories 0, 8: Low risk	4'658'798	337'876	0	4'996'674
Categories 1, 8: Higher risk	0	41'588	103'331	144'919
Categories 2–7: Doubtful receivables	0	0	516'055	516'055
TOTAL GROSS RECEIVABLES CONSOLIDATED GROUP	**4'658'798**	**379'464**	**619'386**	**5'657'648**
Impairment	45'416	51'070	442'190	538'676
CARRYING AMOUNT	**4'613'382**	**328'394**	**177'196**	**5'118'972**

The following table shows an overview of changes in impairment for current and non-current lease receivables for financial years 2022 and 2021:

EURk	Level 1	Level 2	Level 3	Total
IMPAIRMENT AS OF JAN. 1, 2022	**45'416**	**51'070**	**442'190**	**538'676**
Newly extended or acquired financial assets*	28'274	12'539	23'343	64'156
Reclassifications				
to Level 1	3'268	–1'892	–1'376	0
to Level 2	–2'583	9'018	–6'435	0
to Level 3	–1'711	–5'977	7'688	0
Change in risk provision due to change in level	–2'731	3'696	51'633	52'598
Mutual contract dissolution or payment for financial assets (without derecognition)	–14'666	–10'755	–24'580	–50'001
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	12'042	12'042
Change in models/risk parameters used in ECL calculation	12'931	–9'880	–8'777	–5'726
Derecognition of financial assets	–30	–178	–135'759	–135'967
Currency translation and other differences	–84	–71	1'722	1'567
Accrued interest	3'212	2'342	1'685	7'239
IMPAIRMENT AS OF DEC. 31, 2022	**71'296**	**49'912**	**363'376**	**484'584**
thereof impairment on non-performing lease receivables	0	0	336'783	336'783
thereof impairment on performing lease receivables	71'296	49'912	26'593	147'801

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

The risk provision for lease receivables fell by EUR 54,092k, or 10.0 percent, in the 2022 financial year. The decrease resulted primarily from IFRS 9 Level 3 and, to a lesser extent, IFRS 9 Level 2. Level 2 risk provisioning decreased by EUR 1,158k (2.3 percent) and Level 3 risk provisioning decreased by EUR 78,814k (17.8 percent). The risk provision on IFRS 9 Level 1 increased by EUR 25,880k (57 percent) in the current financial year. The development of risk provisioning thus essentially corresponds to the development of gross lease receivables. The above-average increase in risk provisioning in IFRS 9 Level 1 was mainly due to the post-model adjustment on formerly deferred contracts, as explained in Note 3.18.2.

EURk	Level 1	Level 2	Level 3	Total
IMPAIRMENT AS OF JAN. 1, 2021	**65'728**	**53'835**	**384'523**	**504'086**
Newly extended or acquired financial assets*	16'203	5'291	10'285	31'779
Reclassifications				
to Level 1	6'284	–3'677	–2'607	0
to Level 2	–2'340	18'136	–15'796	0
to Level 3	–2'226	–10'128	12'354	0
Change in risk provision due to change in level	–5'336	–7'893	53'590	40'361
Mutual contract dissolution or payment for financial assets (without derecognition)	–23'020	–16'385	–28'776	–68'181
Change in contractual cash flows due to modification (no derecognition)	–19'303	–12'533	–9'670	–41'506
Change in category in processing losses	0	0	43'552	43'552
Change in models/risk parameters used in ECL calculation	5'297	21'098	57'094	83'489
Derecognition of financial assets	–37	–235	–67'821	–68'093
Currency translation and other differences	338	196	1'121	1'655
Accrued interest	3'828	3'365	4'341	11'534
IMPAIRMENT AS OF DEC. 31, 2021	**45'416**	**51'070**	**442'190**	**538'676**
thereof impairment on non-performing lease receivables	0	0	421'704	421'704
thereof impairment on performing lease receivables	45'416	51'070	20'486	116'972

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

Sensitivity analysis

The calculation of impairment losses on financial assets is based on assumptions and estimates regarding the risk of default and the expected loss rates. The Consolidated Group exercises judgement in determining these assumptions and in selecting the inputs to the impairment calculation. The most important assumptions and input factors used are presented under accounting policies.

To determine the risk provision in accordance with IFRS 9, expected credit defaults of various macroeconomic scenarios are weighted. GRENKE calculates a negative, a positive and a baseline scenario for this purpose.

The assumed developments of the gross domestic product are shown in the following table for each scenario:

Gross domestic product (in % vs. Reporting date)

	Jan. 1, 2023–Dec. 31, 2023			Jan. 1, 2024–Dec. 31, 2024			Jan. 1, 2025–Dec. 31, 2025		
	Negative	Baseline	Positive	Negative	Baseline	Positive	Negative	Baseline	Positive
Eurozone	–6.3%	0.1%	2.1%	0.1%	1.6%	2.1%	1.6%	1.6%	2.1%
Germany	–3.7%	– 0.3%	2.2%	– 0.3%	1.5%	2.2%	1.5%	2.2%	2.2%
France	–7.9%	0.7%	2.3%	0.7%	1.6%	2.3%	1.6%	1.8%	2.3%
Italy	–9.0%	– 0.2%	1.8%	– 0.2%	1.3%	1.8%	1.3%	1.1%	1.8%
Spain	–10.8%	1.2%	3.5%	1.2%	2.6%	3.5%	2.6%	2.7%	3.5%
United Kingdom	–9.3%	0.3%	2.6%	0.3%	0.6%	2.6%	0.6%	2.3%	2.6%

The amount of risk provisioning for current lease receivables per scenario is shown in the following table:

	Scenarios		
EURk	Negative	Baseline	Positive
Risk provision	135'232	113'174	94'219

In the baseline scenario, recurring but not permanent shortages of Russian gas supplies are assumed. The assumption is also that the Russia-Ukraine war continues and that inflation remains at an elevated level (well above 2 percent). As a result of second- and third-round effects, increased credit losses occur globally. The increase in default rates is about a quarter of the increase at the beginning of the COVID-19 pandemic. The magnitude of the increase is derived from historical default rates in the wake of the recent financial and sovereign debt crisis.

The negative scenario assumes further significant shortages in the economies heavily dependent on Russian gas and the continuation of the Russian war of aggression against Ukraine. This leads to a further increase in the price of imported energy raw materials. At the same time, the central banks continue to tighten monetary policy in order to combat ever-rising inflation rates. This leads to a sharp drop in the willingness to undertake industrial investment as well as to a considerable loss in purchasing power among private households. Second- and third-round effects are assumed to result in substantially increased credit losses globally. The increase in default rates roughly corresponds to what was seen at the beginning of the COVID-19 pandemic.

In the positive scenario, the Russia-Ukraine war is assumed to continue. However, the lack of Russian gas supplies can be compensated for by energy-saving measures and the import of liquefied natural gas. Inflation is assumed to decrease moderately. Political measures support the loss of purchasing power in private households and prevent a sharp drop in the willingness to invest in industry. Accordingly, default rates return to pre-Covid-19 levels.

Various minimum default rates (floors) are taken into account in all scenarios. Significantly declining default rates can currently be observed in the GRENKE portfolio, especially compared to the pre-Covid-19 level. Notwithstanding this, the increase in default rates to the default rate level before the Covid-19 pandemic is applied in all scenarios. The effect of the current significant decline in default rates is therefore not taken into account.

The probabilities of occurrence of the macro scenarios are determined on a country-specific basis in order to take into account the different economic and political circumstances of the respective countries. These scenario weightings are derived from public data published by the ECB. By means of a survey among various analysts, the ECB establishes a probability distribution for the GDP of the years 2022 to 2024. Probabilities of occurrence for individual scenarios can be calculated from these probability distributions. The publicly available GDP expectations as well as the historical GDP observations of the IMF are also used for the country-specific determination of the probabilities of occurrence.

As of December 31, 2022, the scenarios in the core markets of the GRENKE Group were weighted as follows:

Scenario weighting	Jan. 1, 2023–Dec. 31, 2023			Jan. 1, 2024–Dec. 31, 2024			Jan. 1, 2025–Dec. 31, 2025		
	Negative	Baseline	Positive	Negative	Baseline	Positive	Negative	Baseline	Positive
Germany	66.0%	33.0%	1.0%	10.0%	73.0%	17.0%	5.0%	48.0%	47.0%
France	37.0%	59.0%	4.0%	9.0%	76.0%	15.0%	7.0%	66.0%	27.0%
Italy	63.0%	34.0%	3.0%	11.0%	63.0%	26.0%	14.0%	67.0%	19.0%
Spain	11.0%	87.0%	2.0%	2.0%	88.0%	10.0%	2.0%	84.0%	14.0%
United Kingdom	49.0%	49.0%	2.0%	31.0%	68.0%	1.0%	4.0%	58.0%	38.0%

Due to the increased economic uncertainty, various sensitivity analyses were also carried out. In these sensitivity analyses, the effects on risk provisioning were analysed by shifting various input parameters. Specifically, the probability of default (PD) was shifted up or down by 15 percent; the positive macro scenario was shifted up by 20 percent and the negative macro scenario was shifted down by 20 percent. An average reduction in PD of 15 percent and a shift in the positive scenario of 20 percent would result in a decline in the risk provision of EUR 16,931k as of the reporting date. An increase in the average PD by 15 percent and a shift in the negative scenario would result in a higher risk provision of EUR 17,503k. The post-model adjustments recognised take into account the increased economic uncertainties on the basis of these sensitivity analyses.

Presentation of lease receivables in the cash flow statement

For the purposes of the statement of cash flows, lease receivables are composed as follows:

EURk	2022	2021
Payments by lessees	2'319'543	2'329'150
Interest and similar income from the leasing business	–397'665	–410'932
Additions of lease receivables/ net investments	–2'363'799	–1'705'340
SUBTOTAL	**–441'921**	**212'878**
Disposals/Reclassifications of lease receivables at residual carrying amounts	237'756	340'243
Decrease/Increase in other receivables from lessees	66'164	–3'303
Currency translation differences	13'029	–32'498
CHANGE IN LEASE RECEIVABLES	**–124'972**	**517'320**

5.3 Other financial assets

EURk	Dec. 31, 2022	Dec. 31, 2021
OTHER CURRENT FINANCIAL ASSETS		
Instalments collected before end of month	617	300
Receivables from factoring business	81'466	67'072
Receivables from refinancers*	5'169	56'622
Loans (bank)	37'580	45'125
TOTAL OTHER CURRENT FINANCIAL ASSETS	**124'832**	**169'119**
OTHER NON-CURRENT FINANCIAL ASSETS		
Loans (bank)	84'865	92'338
Receivables from refinancers*	0	4'661
Other	0	60
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**84'865**	**97'059**
TOTAL FINANCIAL ASSETS	**209'697**	**266'178**

* This position also includes the loans related to ABCP. There is no separate identification of the position.

Factoring receivables contain traditional factoring services focused on small-ticket factoring. Deductibles amounting to EUR 610k (previous year: EUR 689k) serve as collateral that is agreed upon with individual factoring clients at the beginning of each year. Collateral as of December 31, 2022 was utilised in the amount of EUR 27k (previous year: EUR 40k).

As of the reporting date, the gross receivables from the lending business of GRENKE BANK AG include receivables from granting business start-up loans in the amount of EUR 17,417k (previous year: EUR 24,146k). Total receivables from the lending business also include receivables from granting microcredits in the amount of EUR 94,365k (previous year: EUR 76,109k), promotion loans of EUR 9,598k (previous year: EUR 17,746k) and other commercial loans of EUR 6,628k (previous year: EUR 15,147k). Interest income is recognised as such under net interest income.

The other investments under non-current financial assets contain the interest in Finanzchef24 GmbH at fair value of EUR 0k (previous year: EUR 0k). This investment was fully impaired in the 2021 financial year. Finanzchef24 GmbH did not pay a dividend in the 2022 financial year.

The maximum credit risk without taking into account collateral, credit deterioration systems and other tools is limited to the carrying amount of the other financial assets.

The following overview shows the gross receivables broken down into the credit risk rating categories of other financial assets as defined in the GRENKE Group and the impairment for other financial assets for each IFRS 9 impairment level. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

Dec. 31, 2022

EURk	Level 1	Level 2	Level 3	Simplified method	Total
Low risk	113'519	10'667	0	76'925	201'111
Doubtful receivables	0	0	40'269	0	40'269
TOTAL GROSS RECEIVABLES	**113'519**	**10'667**	**40'269**	**76'925**	**241'380**
Impairment	4'963	9'462	17'000	258	31'683
CARRYING AMOUNT	**108'556**	**1'205**	**23'269**	**76'667**	**209'697**

Dec. 31, 2021

EURk	Level 1	Level 2	Level 3	Simplified method	Total
Low risk	174'831	13'877	0	64'338	253'046
Doubtful receivables	0	0	31'170	0	31'170
TOTAL GROSS RECEIVABLES	**174'831**	**13'877**	**31'170**	**64'338**	**284'216**
Impairment	575	3'586	13'662	215	18'038
CARRYING AMOUNT	**174'256**	**10'291**	**17'508**	**64'123**	**266'178**

The following overview shows changes in impairment for other financial assets:

EURk	Level 1	Level 2	Level 3	Simplified method	Total
IMPAIRMENT AS OF JAN. 1, 2022	**575**	**3'586**	**13'662**	**215**	**18'038**
Newly extended or acquired financial assets*	27	7	512	119	665
Reclassifications					
to Level 1	44	–18	–26	0	0
to Level 2	–87	270	–183	0	0
to Level 3	–31	–684	715	0	0
Change in risk provision due to change in level	–73	–1	1'593	0	1'519
Payments for financial assets (without derecognition)	–149	–185	–826	–61	–1'221
Change due to changed status in legal proceedings	0	0	–26	0	–26
Change in models/risk parameters used in ECL calculation	4'657	6'488	2'279	–17	13'407
Derecognition of financial assets	0	0	–716	0	–716
Currency translation and other differences	0	0	15	2	17
IMPAIRMENT AS OF DEC. 31, 2022	**4'963**	**9'463**	**16'999**	**258**	**31'683**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

The risk provision for other financial assets increased by EUR 13,645k (76 percent) in the 2022 financial year. The increase mainly results from a higher risk provision for receivables from the lending business by EUR 14,166k (101 percent) compared to the previous year. The risk provision for receivables from the factoring business decreased by EUR 521k (13 percent).

In this context, the risk provision for receivables from the lending business in IFRS 9 Level 1 increased by EUR 4,388k, the risk provision for Level 2 increased by EUR 5,876k, and in Level 3 by EUR 3,902k. The increase in Level 1 and Level 2 was mainly due to additional risk provisioning due to uncertainties in the area of corporate loans. The increase in risk provisioning in Level 3 results from a higher portfolio of receivables in this level.

The decrease in risk provisioning for receivables from the factoring business results from IFRS 9 Level 3. The risk provisioning from the simplified procedure increased by EUR 44k (20 percent). The increase is due to a higher volume of receivables in this level. The risk provision in Level 3 decreased by EUR 565k (15 percent) despite an increased volume of receivables in this level. This is essentially due to the risk structure of the receivables in Level 3. In the 2022 financial year, there are more contracts in Level 3 that are only overdue for a short time and are currently still being handled by our own collection processing (Processing Category 2). See also Note 3.18.3.

EURk	Level 1	Level 2	Level 3	Simplified method	Total
IMPAIRMENT AS OF JAN. 1, 2021	**4'421**	**973**	**10'216**	**259**	**15'869**
Newly extended or acquired financial assets*	3	104	769	60	936
Reclassifications					
to Level 1	112	−102	−10	0	0
to Level 2	−979	989	−10	0	0
to Level 3	−103	−303	406	0	0
Change in risk provision due to change in level	15	2'327	1'826	0	4'168
Payments for financial assets (without derecognition)	−358	−138	−1'656	−122	−2'274
Change due to changed status in legal proceedings	0	0	202	0	202
Change in models/risk parameters used in ECL calculation	−2'536	−264	2'357	17	−426
Derecognition of financial assets	0	0	−406	0	−406
Currency translation and other differences	0	0	−32	1	−31
IMPAIRMENT AS OF DEC. 31, 2021	**575**	**3'586**	**13'662**	**215**	**18'038**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but were reallocated to another level during the financial year.

5.4 Trade receivables

Trade receivables of EUR 6,531 (previous year: EUR 6,050k) mainly relate to receivables from resellers and third parties resulting from the disposal of lease assets, of which EUR 3,597k (previous year: EUR 633k) was more than three months past due. Of total trade receivables, an amount of EUR 3,905k (previous year: EUR 3,698k) is impaired.

The maximum credit risk without taking into account collateral, credit assessment systems and other tools are limited to the carrying amount of the trade receivables.

The following overview shows the gross receivables broken down into the default risk rating categories for trade receivables and risk provisions for trade receivables as defined in the GRENKE Group. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

Dec. 31, 2022

EURk	Simplified method	Level 3	Total
Low risk	3'053	0	3'053
Doubtful receivables	0	7'383	7'383
TOTAL GROSS RECEIVABLES	**3'053**	**7'383**	**10'436**
Impairment	119	3'786	3'905
CARRYING AMOUNT	**2'934**	**3'597**	**6'531**

Dec. 31, 2021

EURk	Simplified method	Level 3	Total
Low risk	5'528	0	5'528
Doubtful receivables	0	4'220	4'220
TOTAL GROSS RECEIVABLES	**5'528**	**4'220**	**9'748**
Impairment	111	3'587	3'698
CARRYING AMOUNT	**5'417**	**633**	**6'050**

5.5 Other current assets

EURk	Dec. 31, 2022	Dec. 31, 2021
VAT receivables	185'021	138'615
Orders in progress	7'991	2'506
Prepaid expenses	8'026	6'439
Prepayments	6'342	1'892
PAYMENT CLEARING ACCOUNTS	8'869	5'263
Amounts in transit	2'502	1'032
Insurance claims	528	763
Creditors with debit balances	892	778
Merchandise	503	441
Other items	12'696	11'592
TOTAL	**233'370**	**169'321**

Other items mainly include advance purchase price payments made to franchise shareholders in the amount of EUR 10,534k (previous year: EUR 10,534k).

5.6 Property, plant and equipment

5.6.1 Overview for the 2022 financial year

EURk	Land and buildings	Assets under construction	Operating and office equipment	Leased assets from operating leases	Total
ACQUISITION COSTS JAN. 1, 2022	**36'711**	**0**	**55'518**	**80'228**	**172'457**
Currency translation differences	0	0	–8	–4'348	–4'356
Additions	386	12	3'079	31'075	34'552
Disposals	0	0	2'404	15'072	17'476
Reclassifications	0	0	0	0	0
Effect of hyperinflation	0	0	0	11'889	11'889
ACQUISITION COSTS DEC. 31, 2022	**37'097**	**12**	**56'185**	**103'772**	**197'066**
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2022	**11'255**	**0**	**41'421**	**37'699**	**90'375**
Currency translation differences	0	0	–21	–2'002	–2'023
Additions to depreciation	1'157	0	4'817	22'874	28'848
Disposals of depreciation	0	0	1'978	14'285	16'263
Reclassifications	0	0	0	0	0
Effect of hyperinflation	0	0	0	8'095	8'095
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2022	**12'412**	**0**	**44'239**	**52'381**	**109'032**
NET CARRYING AMOUNTS DEC. 31, 2022	**24'685**	**12**	**11'946**	**51'391**	**88'034**

5.6.2 Overview for the 2021 financial year

EURk	Land and buildings	Assets under construction	Operating and office equipment	Leased assets from operating leases	Total
ACQUISITION COSTS JAN. 1, 2021	**30'560**	**5'649**	**53'643**	**77'645**	**167'497**
Currency translation differences	0	0	274	–8'461	–8'187
Additions	185	317	2'040	27'254	29'796
Disposals	0	0	439	16'210	16'649
Reclassifications	5'966	–5'966	0	0	0
ACQUISITION COSTS DEC. 31, 2021	**36'711**	**0**	**55'518**	**80'228**	**172'457**
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2021	**10'194**	**0**	**35'990**	**34'667**	**80'851**
Currency translation differences	0	0	163	–3'631	–3'468
Additions to depreciation	1'061	0	5'523	21'470	28'054
Disposals of depreciation	0	0	255	15'473	15'728
Reclassifications	0	0	0	666	666
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2021	**11'255**	**0**	**41'421**	**37'699**	**90'375**
NET CARRYING AMOUNTS DEC. 31, 2021	**25'456**	**0**	**14'097**	**42'529**	**82'082**

Pursuant to the GRENKE Group's business model, lease assets from operating leases consisted mainly of operating and office equipment.

Depreciation on lease assets is recorded in the line items profit from service business (see Note 4.3) and settlement of claims and risk provision (see Note 4.2).

The following table shows the maturities of the non-discounted lease payments from leases that were classified as operating leases:

EURk	Dec. 31, 2022	Dec. 31, 2021
LEASE PAYMENTS OUTSTANDING UNDER OPERATING LEASES AS OF THE REPORTING DATE		
Up to 1 year	23'399	23'194
1 to 2 years	14'976	16'287
2 to 3 years	7'958	7'670
3 to 4 years	4'473	3'323
4 to 5 years	1'558	1'190
More than 5 years	98	143
TOTAL	**52'462**	**51'807**

5.7 Goodwill

5.7.1 Overview and development

EURk	2022	2021
ACQUISITION COST		
As of Jan. 1	51'214	51'114
Foreign currency translation effects	–168	100
As of Dec. 31	51'046	51'214
ACCUMULATED AMORTISATION FROM IMPAIRMENT		
As of Jan. 1	10'183	7'485
Impairment loss of the fiscal year	5'923	2'698
As of Dec. 31	16'106	10'183
CARRYING AMOUNTS		
As of Jan. 1	41'031	43'629
AS OF DEC. 31	**34'940**	**41'031**

In the 2022 financial year, there were no additions to goodwill due to acquisitions. The carrying amounts of goodwill as of December 31, 2022 are allocated to the following cash-generating units:

EURk	Dec. 31, 2022	Dec. 31, 2021
Portugal (PT)	21'272	26'472
Spain (ES)	5'015	5'015
Finland (FI)	3'410	3'410
United Kingdom (UK)	1'911	2'017
Medical technology (DE)	1'229	1'229
Romania (RO)	1'220	1'220
Italy (IT)	504	504
GRENKE Service (DE)	379	379
Hungary (HU)	0	785

With the exception of GRENKE Service (Germany), which is allocated to the "Other" segment, the other cash-generating units operate within the Leasing segment.

5.7.2 Recoverability

5.7.2.1 Scheduled impairment test

GRENKE tests goodwill for impairment at least once a year. The key parameters for determining the recoverable amount based on the value in use are the future expectations with regard to the development of new business and profitability. The scheduled impairment test was carried out as of October 1, 2022.

The basic assumptions in the Leasing segment, which were used to determine the recoverable cash flows in the respective units in the five-year detailed planning phase, were based on calendar-year growth rates in new business in the individual cash-generating units of between 8.0 percent and 41.9 percent (previous year, including Covid-19-related catch-up effects: between –6.9 percent and 88.2 percent). The forecast parameters available on the market do not offer suitable forecast quality due to the special business orientation in the Consolidated Group, as these are only based on the entire leasing market and the overall leasing market is massively influenced by real estate, capital goods and vehicle leasing. Therefore, the forecasts for new business development in the detailed planning phase are based on internal Consolidated Group experience and estimates of the future economic development of the respective cash-generating units. For cash flows after the detailed planning phase, a growth rate of 50 percent of the country-specific inflation expectation was applied. In line with the planning horizon, long-term inflation forecasts were used, so that no higher long-term growth expectations are applied due to short-term elevated inflation rates. A growth rate of at least 1.0 percent (previous year: 1.0 percent) was used for cash-generating units in the euro area.

On October 1, 2022, the discount rates of the cash-generating units were between 10.8 percent and 16.3 percent (previous year: between 9.0 percent and 12.3 percent). The discount rate shown reflects the cost of equity after taxes. The calculation of the discount factors is based on the CAPM (capital asset pricing model), taking into account a risk-free interest rate of 2.1 percent (previous year: 0.2 percent), a market risk premium of 7.0 percent (previous year: 7.0 percent) and a beta factor of 1.25 (previous year: 1.25) for the cash-generating units in the Leasing segment.

5.7.2.2 Event-driven impairment tests

In addition to the scheduled impairment test described in the previous section, the GRENKE Group performed further event-driven impairment tests in the 2022 financial year. This was due to the dynamic interest rate environment, which led to a significant increase in the discount rates used in the valuation models for discounting cash flows. In this context, the GRENKE Group had already reported on the event-related impairment test for the goodwill of the Portugal cash-generating unit in the third quarter of 2022 financial year. In addition, an event-driven impairment test was performed for all cash-generating units as of December 31, 2022, as the discount rate continued to increase during the fourth quarter. The discount factors of the cash-generating units as of December 31, 2022 were between 11.1 and 16.6 percent, with a risk-free interest rate of 2.4 percent. There were no significant changes in the other valuation parameters compared to the values estimated as of October 1, 2022.

5.7.2.3 Impairments in the financial year

The goodwill of the Portugal cash-generating unit was impaired by a total of EUR 5,200k in the 2022 financial year. Of this, an impairment loss of EUR 4,000k is attributable to the event-driven impairment test already carried out in the third quarter. In the fourth quarter, the impairment increased by a further EUR 1,200k. The impairment loss was determined on the basis of the value in use and is included in the item “Depreciation, amortisation and impairment” in the consolidated income statement. Overall, goodwill decreased from EUR 26,472k to EUR 21,272k as a result of the impairment.

The reason for the impairment of the goodwill of the cash-generating unit Portugal of EUR 4,000k in the third quarter of 2022 was the increase in the discount rate to be used for discounting the cash flows from 10.8 percent in the previous year to 13.5 percent as of the reporting date. In particular, the base rate to be included in the calculation of the discount rate increased from 0.2 percent to 2.1 percent. The recoverable amount of the cash-generating unit Portugal, which represents the Portuguese leasing business, was EUR 35,334k (previous year: EUR 47,670k). The valuation was based on new business growth rates based on calendar years in the five-year detailed planning phase of between 8.0 and 14.4 percent (previous year, including Covid-19-related catch-up effects: between 10.0 and 15.0 percent) and a growth rate in the ramp-up phase and perpetuity of 1.0 percent (previous year: 1.0 percent).

In the fourth quarter of 2022, the impairment of goodwill of the cash-generating unit Portugal increased by a further EUR 1,200k due to the further increase in the discount rate. This was due to the increase in the discount rate to 13.8 percent, caused by the increase in the base rate to 2.4 percent as of December 31, 2022. The recoverable amount was EUR 33,980k, with new business growth rates based on calendar years of between 8.0 and 14.7 percent and a growth rate in the ramp-up phase and perpetuity of 1.0 percent. No intangible assets with indefinite useful lives are allocated to the Portugal cash-generating unit. The impairment loss was allocated to the Leasing segment.

In addition, the GRENKE Group identified an impairment of the goodwill of the Hungary cash-generating unit in the course of the scheduled annual impairment test as of October 1, 2022. The impairment of EUR 723k was determined on the basis of the value in use and resulted in a full impairment of the goodwill of the Hungary cash-generating unit. The Hungary cash-generating unit represents the Hungarian leasing business. The recoverable amount of EUR –10,410k was determined using a discount rate of 16.3 percent (previous year: 12.3 percent). The reasons for the impairment were the significant increase in the discount rate used to discount the cash flows and an increase in the borrowing costs to be allocated to the cash-generating unit due to a change in Consolidated Group’s internal refinancing form. No intangible assets with indefinite useful lives are allocated to the Hungary cash-generating unit. The impairment loss was allocated to the Leasing segment.

5.7.3 Significant goodwill

The goodwill of the cash-generating units Portugal (EUR 21,272k), Spain (EUR 5,015k) and Finland (EUR 3,410k) is significant compared to the total carrying amount of goodwill. The recoverable amount of these cash-generating units, to each of which no intangible assets with indefinite useful lives are allocated, was determined on the basis of the value in use. The main assumptions of the parameters used and their calculation approach correspond to the procedure explained in Note 5.7.2, which is valid for all cash-generating units operating in the Leasing segment. Cash flows are planned in accordance with the procedure described in Note 3.8.

The measurement of the cash-generating unit Portugal as of October 1, 2022 was based on a discount rate of 13.5 percent (previous year: 10.8 percent), new business growth rates based on calendar years in the five-year detailed planning phase of between 8.0 percent and 14.7 percent (previous year: between 10.0 percent and 15.0 percent) and a growth rate in the ramp-up phase and perpetuity of 1.0 percent (previous year: 1.0 percent). As of December 31, 2022, the discount rate increased to 13.8 percent.

The measurement of the cash-generating unit Spain as of October 1, 2022 was based on a discount rate of 13.1 percent (previous year: 10.3 percent), new business growth rates based on calendar years in the five-year detailed planning phase of between 9.3 and 22.0 percent (previous year: between –6.9 and 18.6 percent) and a growth rate in the ramp-up phase and perpetuity of 1.0 percent (previous year: 1.0 percent). As of December 31, 2022, the discount rate increased to 13.3 percent.

The measurement of the cash-generating unit Finland as of October 1, 2022 was based on a discount rate of 11.4 percent (previous year: 9.3 percent), new business growth rates based on calendar years in the five-year detailed planning phase of between 10.7 and 41.9 percent (previous year: between 15.5 and 37.7 percent) and a growth rate in the ramp-up phase and perpetuity of 1.0 percent (previous year: 1.0 percent). As of December 31, 2022, the discount rate increased to 11.7 percent.

5.7.4 Sensitivity of assumptions

The recoverable amount of a cash-generating unit, where the major value drivers are cash flows and the discount rate, is sensitive to changes in the discount rate. The discount rate is largely determined by the risk-free interest rate, a market risk premium and a beta factor for systematic risk. Specific features with regard to countries, financial structure and currencies were taken into consideration. These parameters are based on external sources of information. Therefore, fluctuations in the components stated above may affect the discount rate.

As part of the validation of the recoverable amounts determined for the cash-generating units, the significant value drivers of each unit are reviewed annually. In this context, the relevant determinants used for discounted cash flow modelling – discount rate, new business growth and default risk – were subjected to a sensitivity test. The changes in the parameters between the impairment tests had an impact on the recoverability of individual cash-generating units (see Note 5.7.2). The overall economic environment and the resulting estimates regarding the further new business and return developments continue to be associated with elevated uncertainties. In addition to the resulting estimation uncertainties with regard to the projected cash flows, there is above all increased uncertainty regarding the expected development of the discount rates to be used. Further increases in discount rates could lead to further impairments recognised in profit or loss in future reporting periods.

5.8 Other intangible assets

5.8.1 Overview for the 2022 financial year

EURk	Development costs	Software licences	Customer relations/ Non-competi-tive clauses	Total
ACQUISITION COSTS AS OF JAN. 1, 2022	**34'295**	**15'203**	**23'544**	**73'042**
Currency translation differences	0	–7	0	–7
Additions	4'385	352	0	4'737
Disposals	0	243	0	243
Reclassifications	0	0	0	0
ACQUISITION COSTS AS OF DEC. 31, 2022	**38'680**	**15'305**	**23'544**	**77'529**
ACCUMULATED AMORTISATION AS OF JAN. 1, 2022	**20'367**	**12'858**	**20'539**	**53'764**
Currency translation differences	0	–7	0	–7
Additions	4'675	1'120	1'503	7'298
Disposals	0	40	0	40
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS OF DEC. 31, 2022	**25'042**	**13'931**	**22'042**	**61'015**
NET CARRYING AMOUNTS AS OF DEC. 31, 2022	**13'638**	**1'374**	**1'502**	**16'514**

5.8.2 Overview for the 2021 financial year

EURk	Development costs	Software licences	Customer relations/ Non-competitive clauses	Total
ACQUISITION COSTS AS PER JAN. 1, 2021	**30'575**	**14'348**	**23'544**	**68'467**
Currency translation differences	0	–10	0	–10
Additions	3'720	865	0	4'585
Disposals	0	0	0	0
Reclassifications	0	0	0	0
ACQUISITION COSTS AS PER DEC. 31, 2021	**34'295**	**15'203**	**23'544**	**73'042**
ACCUMULATED AMORTISATION AS PER JAN. 1, 2021	**14'091**	**11'511**	**19'036**	**44'638**
Currency translation differences	0	–13	0	–13
Additions	6'276	1'360	1'503	9'139
Disposals	0	0	0	0
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS PER DEC. 31, 2021	**20'367**	**12'858**	**20'539**	**53'764**
NET CARRYING AMOUNTS DEC. 31, 2021	**13'928**	**2'345**	**3'005**	**19'278**

Amortisation of capitalised development costs amounted to EUR 4,675k (previous year: EUR 6,276k). The previous year's figure included an impairment of EUR 1,488k resulting from the realignment of the technology for a contract management software solution in the Leasing segment. Comparability is therefore limited.

5.9 Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities are distributed over the following items:

	Statement of financial position		Income statement	
EURk	Dec. 31, 2022	Dec. 31, 2021	2022	2021
DEFERRED TAX ASSETS				
Tax-loss carryforwards	18'568	14'768	–3'924	2'110
Lease receivables	4'159	7'208	–1'059	233
Liabilities	8'855	27'278	15'425	–7'885
Pensions	293	782	87	–7
Others	20'713	25'316	11'887	1'073
TOTAL	**52'588**	**75'352**	**22'416**	**–4'476**
DEFERRED TAX LIABILITIES				
Lease receivables	49'599	48'613	1'944	5'722
Intangible assets	4'086	5'057	–971	–1'210
Liabilities	10'251	15'418	–1'687	4'875
Others	30'336	40'814	–16'994	–4'432
TOTAL	**94'272**	**109'902**	**–17'708**	**4'955**
DEFERRED TAX EXPENSE/INCOME			**4'708**	**479**
DEFERRED TAX LIABILITIES, NET	**41'684**	**34'550**		
REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS AFTER OFFSETTING:				
DEFERRED TAX ASSETS	**18'761**	**20'032**		
DEFERRED TAX LIABILITIES	**60'445**	**54'582**		

In 2022 financial year, deferred tax liabilities of EUR 2,294k were recognised directly in equity (previous year: reversal of deferred tax liabilities of EUR 437k). These resulted on the one hand from the cash flow hedge reserve recognised. On the other hand, they resulted from the recognition of actuarial losses and gains that will not be offset in profit or loss in the future.

The tax rate increased from 22.93 percent to 24.36 percent, mainly due to tax rate differences on foreign income.

No deferred tax assets were recognised for tax-loss carryforwards of EUR 155,399k (previous year: EUR 91,694k). Of the unrecognised tax-loss carryforwards, EUR 17,281k will expire in the period up to 2042. In the reporting period, EUR 15k (previous year: EUR 0k) of tax-loss carryforwards were written off through profit or loss. Expenses decreased by EUR 46k (previous year: EUR 0k) due to the recognition of previously unrecognised tax losses, EUR 937k (previous year: EUR 1,331k) were due to changes in the tax rate and EUR 0k (previous year: EUR 0k) to the derecognition of previously recognised temporary differences and capitalised tax-loss carryforwards. No deferred tax liabilities had to be recognised for accumulated results of subsidiaries in the 2022 or 2021 financial years. The distribution of dividends by the

Consolidated Group to the shareholders did not have any income tax consequences in 2022 or 2021.

5.10 Leases – the Consolidated Group as lessee

In its role as lessee, the GRENKE Group accounts for numerous lease contracts.

5.10.1 Rights of use

In the consolidated statement of financial position, the GRENKE Group capitalised the rights of use granted to it under the underlying leases. The following overview shows the categorisation and development of the rights of use.

Overview for the 2022 financial year

EURk	Properties	Vehicles	Other	Total
Acquisition costs as of Dec. 31, 2022	74'005	8'641	1'049	83'695
thereof additions in 2022	5'828	1'509	216	7'553
Accumulated depreciation as of Dec. 31, 2022	44'534	5'513	675	50'722
thereof additions in 2022	10'020	2'945	147	13'112
NET CARRYING AMOUNTS AS OF DEC. 31, 2022	**29'471**	**3'128**	**374**	**32'973**

Overview for the 2021 financial year

EURk	Properties	Vehicles	Other	Total
Acquisition costs as of Dec. 31, 2021	79'321	9'994	758	90'073
thereof additions in 2021	432	2'007	0	2'439
Accumulated depreciation as of Dec. 31, 2021	41'730	5'840	524	48'094
thereof additions in 2021	9'652	3'314	97	13'063
NET CARRYING AMOUNTS AS OF DEC. 31, 2021	**37'591**	**4'154**	**234**	**41'979**

The lease contracts in the “Properties” category consist of office and parking space rental contracts from the sales and administrative branches. The “Vehicles” category includes vehicle lease contracts for employees of the GRENKE Group. The rights of use in the “Other” segment concern advertising space contracts, an IT computer centre and franking machines.

Most of the vehicle leases have a term of 3-4 years (previous year: 3 years), while the office leases have contractually fixed terms of between 3 and 12 years (previous year: between 3 and 12 years). There are also extension options for the office rental agreements of between 1 and 8 years (previous year: between 1 and 6 years). Please refer to Note 3.17.5 for information on the GRENKE Group’s discretionary power to include these extension options when determining the lease term in accordance with IFRS 16. The structure and terms of office lease contracts are based on the individually negotiated contractual agreements. Generally, there are no special restrictions or commitments outside of the extension and termination options mentioned.

5.10.2 Lease liabilities

As of December 31, 2022, lease liabilities amounted to EUR 33,213k (previous year: EUR 42,947k).

Interest expenses for the recognised lease liabilities for the GRENKE Group as lessee amounted to EUR 602k in the reporting year (previous year: EUR 595k). The repayment volume of lease liabilities in the reporting year totalled EUR 13,258k (previous year: EUR 13,515k). For a maturity analysis of the expected cash outflows from lease liabilities carried as liabilities, please refer to Note 7.2 “Maturity of Financial Obligations”.

5.10.3 Additional information and effects

The additional effects of IFRS 16 on the GRENKE Group as the lessee are summarised in the following table:

EURk	2022	2021
Expenses for short-term leases	19	34
Expenses for low-value leases	41	1
Expenses for variable lease payments not included in the measurement of lease liabilities	0	0
Income from the subleasing of rights of use	100	118
Gains or losses from sale and leaseback transactions	0	0

The total cash outflow for leases in the current financial year amounted to EUR 13,860k (previous year: EUR 14,110k).

Leases that the GRENKE Group had already entered into as a lessee but have not yet commenced could lead to future cash outflows of EUR 4,164k (previous year: EUR 3,039k). From extension and termination options not included in the measurement of the lease liabilities, future cash outflows could increase by EUR 6,551k (previous year: EUR 5,419k) compared to the current assumptions used in the calculation of lease liabilities.

5.11 Current and non-current financial liabilities

5.11.1 Overview

The GRENKE Group's financial liabilities consist of current and non-current financial liabilities.

EURk	Dec. 31, 2022	Dec. 31, 2021
CURRENT FINANCIAL LIABILITIES		
Asset-backed	417'318	355'795
Senior unsecured	941'402	764'470
Committed development loans	61'069	74'753
Liabilities from deposit business	827'638	878'364
Other bank liabilities	239	111
thereof current account liabilities	239	111
TOTAL CURRENT FINANCIAL LIABILITIES	**2'247'666**	**2'073'493**
NON-CURRENT FINANCIAL LIABILITIES		
Asset-backed	554'792	353'664
Senior unsecured	1'644'798	2'044'017
Committed development loans	24'421	72'384
Liabilities from deposit business	323'041	533'605
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**2'547'052**	**3'003'670**
TOTAL FINANCIAL LIABILITIES	**4'794'718**	**5'077'163**

The GRENKE Group structures the split of its financial liabilities in the same manner as reported to bond and capital market participants to ensure a uniform presentation. Asset-backed financial liabilities include liabilities in connection with ABCP programmes and sales of receivables to external credit institutions. Senior unsecured financial liabilities include primary unsecured debt instruments.

Liabilities from the deposit business comprise deposits of customers of GRENKE BANK AG. The total current liabilities totalling EUR 827,638k (previous year: EUR 878,364k) include an amount of EUR 225,336k (previous year: EUR 342,915k) of deposits payable on demand. For the other deposits consisting of restricted and fixed term deposits, corresponding terms have been arranged.

Bank liabilities are the liabilities arising from the use of operating credit lines (overdraft borrowings). As of the reporting date, these credit lines were utilised in the amount of EUR 239k (previous year: EUR 111k).

Current and non-current lease receivables totalling EUR 1,047,691k (previous year: EUR 846,750k) have been assigned to the refinancing institutions to secure the liabilities stemming from the refinancing of the leasing business. Each item of collateral is assigned until the outstanding receivable on the lease has been settled. The collateral is then reassigned. The items of collateral for assigned receivables are marked so that they may be clearly distinguished from non-assigned receivables.

The volume of non-current financial liabilities with remaining maturities of 1 to 5 years or more as of December 31, 2022 is as follows:

EURk	Year	Total amount	1 to 5 years	More than 5 years	Secured amount
TYPE OF LIABILITY					
ASSET-BACKED	2022	554'792	552'195	2'597	554'792
	Previous year	353'664	351'943	1'721	353'664
SENIOR UNSECURED	2022	1'644'798	1'452'702	192'096	0
	Previous year	2'044'017	1'845'264	198'753	0
COMMITTED DEVELOPMENT LOANS	2022	24'421	23'718	703	24'421
	Previous year	72'384	71'352	1'032	72'384
LIABILITIES FROM DEPOSIT BUSINESS	2022	323'041	310'524	12'517	0
	Previous year	533'605	526'572	7'033	0

The refinancing sources and thus the main categories of financial liabilities are explained in more detail below.

5.11.2 Asset-backed financial liabilities

5.11.2.1 Structured entities

The following consolidated structured entities were in place as of the reporting date: Opusalpha Purchaser II Limited (HeLaBa), Kebnekaise Funding Limited (SEB AB), CORAL PURCHASING (IRELAND) 2 DAC (DZ-Bank), FCT "GK" COMPARTMENT "G 2" (UniCredit), Elektra Purchase No 25 DAC, FCT "GK" COMPARTMENT "G 4" (HeLaBa) and FCT "GK" COMPARTMENT "G 5" (DZ-Bank). In the following, the consolidated structured entities initiated as asset-backed commercial paper (ABCP) programmes are further explained.

5.11.2.2 ABCP programmes

The GRENKE Group had several asset-backed commercial paper programmes (ABCPs) with the following volumes as of the end of the reporting period.

EURk	Dec. 31, 2022	Dec. 31, 2021
Programme volume in local currency		
EURk	927'414	947'802
GBPk	150'000	150'000
Programme volume in EURk	1'096'536	1'126'314
Utilisation in EURk	992'002	692'243
Carrying amount in EURk	844'032	602'451
thereof current	366'168	296'539
thereof non-current	477'864	305'912

The ABCP programmes grant GRENKE FINANCE PLC, Dublin/Ireland, Grenke Investitionen Verwaltungs KGaA, Baden-Baden/Germany and GRENKE LEASING LIMITED, Guildford/United Kingdom, the right to refinance or to sell receivables to the respective programmes for a certain period of time. The cap on the purchase volume is determined by the volume of the programme, which is normally backed by the organising bank in the form of a liquidity commitment in the corresponding amount. The carrying amount is calculated using the effective interest method, whereby incurred transaction costs are amortised over the term of the underlying refinancing package.

The structured entities are refinanced by issuing commercial papers, usually with a term of one month, on a revolving basis. The interest on the commercial papers is based on one-month Euribor. This is a floating interest rate. The structured entities manage the interest rate risk (fixed-rate lease receivables versus floating-rate refinancing) with interest rate hedges (interest rate swaps).

There is no currency risk in ABCP refinancing as only euro transactions and euro-based leases – and for the United Kingdom, GBP transactions and GBP-based leases – are involved.

The maturities of the individual ABCP programmes can be found in the following table:

ABCP programmes	Sponsor	Term until
Opusalpha Purchaser II Limited	HeLaBa	December 2024
Kebnekaise Funding Limited	SEB AB	October 2023
Kebnekaise Funding Limited	SEB AB	June 2023
CORAL PURCHASING (IRE-LAND) 2 DAC	DZ-Bank	December 2023
FCT ,,GK“ COMPARTMENT „G2”	UniCredit	April 2025
FCT „GK“ COMPARTMENT „G4”	HeLaBa	December 2024
FCT „GK“ COMPARTMENT „G5”	DZ-Bank	March 2024

5.11.2.3 Sale of receivables agreements

Sale of receivables agreements are currently in place with Stadtsparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, the Commerzbank subsidiary mBank S.A., DEUTSCHE BANK S.A., Brazil, as well as with Norddeutsche Landesbank for receivables in the United Kingdom.

All such agreements represent refinancing of lease contracts with matching maturities. For this purpose, individual lease contracts with similar maturities are grouped together, and lease receivables for the same maturities are sold.

Derecognition of receivables does not take place because the sale of the receivables is not without recourse. The present value of the related liabilities as of the end of the reporting period was EUR 135,219k (previous year: EUR 106,955k) and generally coincided with the value of the receivables sold.

EURk	Dec. 31, 2022	Dec. 31, 2021
Programme volume in local currency		
EURk	16'500	16'500
GBPk	90'000	90'000
BRLk	210'000	210'000
Programme volume in EURk	155'217	156'887
Utilisation in EURk	135'219	106'955
Carrying amount in EURk	128'078	106'955
thereof current	51'150	59'222
thereof non-current	76'928	47'733

5.11.2.4 Residual loans

Since the acquisition of Europa Leasing GmbH, the Consolidated Group had residual loans. The residual loans served in part to finance the residual amounts of lease contracts for which the payment instalments were sold in the context of the sale of receivables. The residual value loans were repaid in full in the 2022 financial year.

EURk	Dec. 31, 2022	Dec. 31, 2021
Carrying amount	0	53
thereof current	0	34
thereof non-current	0	19

5.11.3 Senior unsecured financial liabilities

The following table provides an overview of the carrying amounts of the individual refinancing instruments:

EURk	Dec. 31, 2022	Dec. 31, 2021
Bonds	2'145'406	2'459'008
thereof current	571'144	527'645
thereof non-current	1'574'262	1'931'363
Promissory notes	131'017	131'944
thereof current	67'418	32'738
thereof non-current	63'599	99'206
Commercial paper	25'000	0
Revolving credit facility	212'548	175'110
thereof current	205'611	161'662
thereof non-current	6'937	13'448
Money market trading	40'000	0
thereof current	40'000	0
Overdrafts	11'420	20'205
Accrued interest	20'809	22'220

The following table shows the refinancing framework of the individual instruments:

EURk	Dec. 31, 2022	Dec. 31, 2021
Bonds EURk	5'000'000	5'000'000
Commercial paper EURk	750'000	750'000
Syndicated revolving credit facility EURk	250'000	250'000
Revolving credit facility EURk	30'000	30'000
Revolving credit facility PLNk	150'000	150'000
Revolving Credit Facility CLPk	20'250'000	20'250'000
Revolving credit facility HRKk	125'000	125'000
Revolving credit facility HUFk	540'000	0
Revolving credit facility BRLk	100'000	0
Money market trading EURk	40'000	0

5.11.3.1 Bonds

In principle, all debentures are bullet debt securities and are subject to the condition of a stable rating. In the event of a rating downgrade by Standard & Poor's, the agreed interest rate would be contractually adjusted (increased). As a downgrade is not expected, no hedge has been concluded to date.

The discounts and the initial expenses directly corresponding to the transaction concerned are reversed over the term using the effective interest method.

5.11.3.2 Debt issuance programme

The GRENKE Group had euro-denominated bonds outstanding with a nominal volume of EUR 2,006,000k (previous year: EUR 2,306,000k) as of the reporting date.

The relevant terms and conditions for bonds denominated in euro and issued through the debt issuance programme are as follows:

	Term		Interest coupon	Carrying amount Dec. 31, 2022	Carrying amount Dec. 31, 2021	Nominal amount Dec. 31, 2022	Nominal amount Dec. 31, 2021
Description	From	To	Percent p.a.	EURk	EURk	EURk	EURk
Euro bond	Jan. 21, 2016	Jan. 21, 2026	2.616	25'954	25'948	26'000	26'000
Euro bond	Nov. 29, 2016	Feb. 2, 2022	1.125	0	280'000	0	280'000
Euro bond	Mar. 3, 2017	Mar. 3, 2022	1.041	0	19'999	0	20'000
Euro bond	Sep. 7, 2017	Oct. 7, 2022	0.875	0	199'752	0	200'000
Euro bond	Dec. 5, 2017	Dec. 5, 2024	0.97	14'988	14'987	15'000	15'000
Euro bond	Mar. 28, 2018	Apr. 5, 2023	1	266'959	266'742	267'000	267'000
Euro bond	May 15, 2018	May 15, 2025	1.423	54'958	54'936	55'000	55'000
Euro bond	Aug. 28, 2018	Aug. 28, 2024	1.048	29'972	29'968	30'000	30'000
Euro bond	Nov. 16, 2018	Oct. 5, 2023	1.5	299'713	299'380	300'000	300'000
Euro bond	Jan. 28, 2019	Jan. 28, 2022	0.957	0	10'000	0	10'000
Euro bond	Jan. 29, 2019	Jan. 29, 2029	2.237	11'474	11'476	11'500	11'500
Euro bond	Feb. 26, 2019	Apr. 5, 2024	1.625	299'636	299'410	300'000	300'000
Euro bond	Apr. 16, 2019	Apr. 16, 2029	2.04	19'959	19'964	20'000	20'000
Euro bond	Apr. 25, 2019	Apr. 25, 2024	1.131	19'985	19'982	20'000	20'000
Euro bond	May 15, 2019	May 15, 2026	1.287	29'946	29'944	30'000	30'000
Euro bond	May 27, 2019	Nov. 27, 2024	1.015	49'943	49'936	50'000	50'000
Euro bond	Oct. 9, 2019	Oct. 9, 2026	0.681	26'457	26'460	26'500	26'500
Euro bond	Oct. 10, 2019	Oct. 10, 2022	0.244	0	9'997	0	10'000
Euro bond	Nov. 12, 2019	Jan. 9, 2025	0.625	342'483	299'197	350'000	300'000
Euro bond	Mar. 4, 2020	Feb. 15, 2030	0.819	9'966	9'967	10'000	10'000
Euro bond	Apr. 09, 2020	Jul. 9, 2025	3.95	328'191	329'474	325'000	325'000
Euro bond	Apr. 14, 2022	Oct. 14, 2024	4.125	149'187	0	150'000	0
Euro bond	Oct. 13, 2022	Oct. 13, 2025	6.3	19'733	0	20'000	0

In 2022, two new euro-denominated bonds with a total nominal volume of EUR 170,000k were issued and an existing bond was increased by EUR 50,000k. The conditions of the bonds issued in euro are shown in the table above.

Five bonds with a total nominal volume of EUR 520,000k were repaid on schedule in the financial year.

In addition, existing bonds in foreign currency are presented in table form below. The JPY bond with a nominal amount of JPY 1,000,000k was repaid on schedule in the reporting year.

	Term		Interest coupon	Carrying amount Dec. 31, 2022	Carrying amount Dec. 31, 2021	Nominal amount Dec. 31, 2022	Nominal amount Dec. 31, 2021
Description	From	To	Percent p.a.	EURk	EURk	In foreign currency	In foreign currency
JPY bond	Jul. 2, 2019	Jul. 2, 2029	0.95	49'743	53'528	7'000'000'000	7'000'000'000
HKD bond	Sep. 13, 2019	Sep. 13, 2029	2.844	60'100	56'430	500'000'000	500'000'000
JPY bond	Sep. 20, 2019	Sep. 20, 2022	0.5	0	7'666	0	1'000'000'000
HKD bond	Mar. 11, 2020	Mar. 11, 2030	2.5	36'059	33'865	300'000'000	300'000'000

5.11.3.3 Promissory notes (PN)

The total volume of promissory notes outstanding in euro as of December 31, 2022 was EUR 60,000k (previous year: EUR 70,000k). The terms and conditions for the promissory notes denominated in euro are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2022	Carrying amount Dec. 31, 2021	Nominal amount Dec. 31, 2022	Nominal amount Dec. 31, 2021
Description	From	To	Percent p.a.	EURk	EURk	EURk	EURk
EUR PN	Jan. 24, 2017	Jan. 24, 2022	1.058	0	10'000	0	10'000
EUR PN	Feb. 14, 2018	Feb. 14, 2028	2	4'993	4'992	5'000	5'000
EUR PN	Feb. 14, 2018	Feb. 14, 2028	1.979	998	998	1'000	1'000
EUR PN	Jul. 6, 2018	Jul. 6, 2023	0.82	9'997	9'991	10'000	10'000
EUR PN	Jul. 6, 2018	Dec. 15, 2027	1.773	1'996	1'995	2'000	2'000
EUR PN	Aug. 15, 2018	Aug. 15, 2023	0.92	8'000	8'000	8'000	8'000
EUR PN	Jan. 25, 2019	Jan. 25, 2029	2.282	4'988	4'986	5'000	5'000
EUR PN	Mar. 29, 2019	Mar. 29, 2022	0.78	0	10'000	0	10'000
EUR PN	Mar. 19, 2020	Jan. 5, 2023	0.96	19'000	19'000	19'000	19'000
EUR PN	Sep. 23, 2022	Sep. 23, 2025	4.945	10'000	0	10'000	0

In 2022, one new promissory note with a nominal volume of EUR 10,000k was issued. Scheduled repayments were made for two promissory notes with a total volume of EUR 20,000k.

The total volume of foreign currency promissory notes outstanding as of December 31, 2022 was CHF 70,000k. The terms and conditions for the promissory notes denominated in foreign currencies are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2022	Carrying amount Dec. 31, 2021	Nominal amount Dec. 31, 2022	Nominal amount Dec. 31, 2021
Description	From	To	Percent p.a.	EURk	EURk	In foreign currency	In foreign currency
CHF-PN	Mar. 7, 2017	Mar. 7, 2022	0.81	0	9'679	0	10'000'000
DKK-PN	Apr. 8, 2019	Apr. 8, 2022	0.88	0	2'689	0	20'000'000
CHF-PN	Sep. 17, 2019	Sep. 17, 2024	0.275	10'152	9'674	10'000'000	10'000'000
CHF-PN	Sep. 7, 2020	Sep. 7, 2023	0.8975	30'451	29'003	30'000'000	30'000'000
CHF-PN	Sep. 9, 2020	Sep. 9, 2025	0.97	10'150	9'673	10'000'000	10'000'000
BRL-PN	Mar. 17, 2021	Mar. 10, 2025	2.74	0	1'264	0	7'977'449
CHF-PN	Aug. 31, 2022	Aug. 31, 2027	2.643	20'292	0	20'000'000	0

In 2022, a new CHF-denominated promissory note with a total nominal volume of CHF 20,000k was issued.

All due repayments of the promissory notes in foreign currency were made as scheduled in the financial year. In addition, there was an unscheduled repayment of the BRL promissory note in the amount of EUR 6,025k.

5.11.3.4 Commercial paper

The GRENKE Group has the option of issuing commercial paper of up to a total volume of EUR 750,000k with a term of between 1 and 364 days. As of December 31, 2022, EUR 25,000k (previous year: EUR 0k) of the commercial paper programme was utilised.

5.11.3.5 Revolving credit facility

The GRENKE Group has the option of borrowing short-term funds from Landesbank Hessen-Thüringen at any time for a term of up to three years as part of a revolving credit facility with a total volume of EUR 30,000k. Drawings can also be made partly in Swiss francs, Danish krona, Swedish krona and British pounds) and is available to GRENKE FINANCE PLC, Dublin/Ireland, and partly to GRENKELEASING AG, Zurich/Switzerland, GRENKELEASING AB Stockholm/Sweden, GRENKELEASING ApS, Herlev/Denmark, and GRENKE LEASING LIMITED, Guildford/United Kingdom.

In addition, there is a syndicated revolving credit facility with a volume of EUR 250,000k (drawdowns can also be partially in Swiss francs and British pounds), which is available to GRENKE FINANCE PLC, Dublin/Ireland, GRENKELEASING AG, Zurich/Switzerland, and GRENKE LEASING LIMITED, Guildford/United Kingdom, to borrow short-term funds for a term of up to six months. The lenders are Deutsche Bank AG, DZ

BANK AG, HSBC Trinkaus & Burkhardt AG, Landesbank Hessen-Thüringen, Crédit Lyonnais, Norddeutsche Landesbank and SEB AB Frankfurt Branch.

There are additional facilities at SEB AB and Norddeutsche Landesbank, which offer GRENKELEASING Sp.z.o.o., Poznan/Poland, the opportunity to borrow funds at short notice at any time up to a volume of PLN 150,000k for fixed terms of up to three years and up to six months, respectively.

GRENKE Hrvatska d.o.o., Zagreb/Croatia has a facility with Raiffeisenbank Austria with a volume of up to HRK 125,000k and a fixed term of two and a half or three years.

GC Rent Chile SpA, Santiago de Chile/Chile, has a framework agreement of CLP 20,250,000k for revolving credit facilities with HSBC Bank (Chile).

In the financial year, new facilities in the amount of HUF 540,000k were concluded with Deutsche Bank AG Hungary Branch, which offers GF Faktor Zrt., Budapest/Hungary, the option of borrowing funds at short notice at any time for a term of up to six months.

In addition, GC Locação de Equipamentos LTDA, São Paulo/Brazil, has a new framework agreement of BRL 100,000k for loan facilities with Itaú Unibanco Holding S.A. at its disposal.

As of December 31, 2022, the utilised volume of the revolving credit facilities amounted to EUR 130,000k, PLN 110,000k, HRK 85,000k, CLP 16,467,200k BRL 48,885k and CHF 21,000k (previous year: EUR 50,000k, PLN 147,500k GBP 33,000k, DKK 7,000k, HRK 50,000k, CLP 16,567,200k and CHF 31,000k).

5.11.3.6 Money market trading

In the 2022 financial year, new money market trading lines were concluded with Landesbank Hessen-Thüringen and DZ Bank AG in the total amount of EUR 40,000k. The money market trading lines are available to GRENKE FINANCE PLC, Dublin/Ireland.

As of December 31, 2022, the utilised volume of the credit lines amounted to EUR 40,000k (previous year: EUR 0k).

5.11.4 Committed development loans

There are various collaborations in the form of global loans between the GRENKE BANK AG and the development banks Kreditanstalt für Wiederaufbau (KfW), NRW Bank, Thüringer Aufbaubank. Landeskreditbank Baden-Württemberg and the ILB Investitionsbank des Landes Brandenburg. There is also a development loan between GRENKE FINANCE PLC and the European Investment Bank. These collaborations facilitate the integration of public funding in GRENKE AG's lease financing. The funding is available to regional investment projects of commercial enterprises and self-employed professionals with an annual turnover of up to EUR 500 million.

The total volume of GRENKE BANK AG's global loans, which are used to refinance the development loans brokered, amounted to EUR 555,000k as of the reporting date of December 31, 2022 (previous year: EUR 705,000k).

The following table shows the carrying amounts of the development loans utilised at the individual development banks:

EURk	Dec. 31, 2022	Dec. 31, 2021
European Investment Bank	9'910	9'846
NRW Bank	22'037	29'029
Thüringer Aufbaubank	980	2'112
Investitionsbank des Landes Brandenburg	0	417
KfW	51'963	104'842
Landeskreditbank Baden-Württemberg	537	891
Accrued interest	63	0
TOTAL DEVELOPMENT LOANS	**85'490**	**147'137**

5.11.5 Supplementary information on financial liabilities in the statement of cash flows

For the purposes of the statement of cash flows, financial liabilities are composed as follows:

EURk	2022	2021
FINANCIAL LIABILITIES		
Additions of liabilities/ assumption of new liabilities from refinancing	1'984'500	656'354
Interest expenses from refinancing	61'569	47'461
Payment/Repayment of liabilities to refinancers	–2'065'359	–1'328'446
Currency translation differences	–1'993	20'982
CHANGE IN LIABILITIES FROM REFINANCING	**–21'283**	**–603'649**
Additions/Repayment of liabilities from the deposit business	–268'721	–139'908
Interest expenses from the deposit business	7'431	10'568
CHANGE IN LIABILITIES FROM THE DEPOSIT BUSINESS	**–261'290**	**–129'340**
CHANGE IN FINANCIAL LIABILITIES	**–282'573**	**–732'989**

5.12 Other current liabilities

EURk	Dec. 31, 2022	Dec. 31, 2021
Value-added tax	12'878	13'723
Debtors with credit	17'422	18'884
Clearing accounts with companies	6'722	7'054
Liabilities for salaries	1'912	1'364
Outstanding charges from refinancers	16'387	83
Contributions to social security	2'899	1'574
Wages/Church tax	897	738
Customer payments being settled	1'428	925
Liabilities from car leases	314	203
Deferred income	344	196
Liabilities from security deposits	104	165
Amounts in process	2'188	3'824
Liabilities from other taxes	281	438
Other	3'464	6'430
TOTAL	**67'240**	**55'601**

The increase in liabilities from outstanding debits to refinancers mainly results in the amount of EUR 16,290k (previous year: EUR 0k) from collaterals received due to the positive market valuation of the interest rate swaps issued on the reporting date.

5.13 Deferred lease payments

The line item deferred lease payments contains contractual liabilities of EUR 7,347k (previous year: EUR 6,431k). These liabilities are the result of payments received for services in the service and protection business for the subsequent year. The contractual liabilities recorded as of December 31, 2022 will be recognised as revenue in the following year.

5.14 Deferred liabilities

The following items are shown under the item deferred liabilities:

EURk	Dec. 31, 2022	Dec. 31, 2021
Consulting services	3'307	3'664
Personnel services	12'171	7'633
Other costs	24'180	17'437
TOTAL	**39'658**	**28'734**

Other costs consist largely of deferred liabilities for outstanding invoices and reseller bonuses. All deferred liabilities are short term in nature.

5.15 Pensions

5.15.1 Defined benefit plans

The provisions for pensions relate to the compulsory funded retirement benefit plans (endowment insurance) with supplementary payment obligation on the part of the employers in Switzerland for GRENKE-LEASING AG, Zurich, and GRENKEFACTORING AG, Basel, and the pension obligations from final salary and flat salary pension plans in Germany for GRENKE BANK AG, Baden-Baden. A total net pension expense of EUR 588k (previous year: EUR 602k) was recognised for existing pension plans in the 2022 financial year.

The weighted average duration of the predominant share of the pension obligations amounts to 16.4 years (previous year: 19.2 years).

5.15.1.1 Pensions in Germany

The pension obligations of GRENKE BANK AG relate to direct and vesting pension commitments made in the past and predominantly for former employees.

The pension provisions were calculated on the basis of the following parameters:

EURk	Dec. 31, 2022	Dec. 31, 2021
Discount rate	3.90%	1.00%
Estimated future pension increases	2.10%	1.70%
Mortality tables applied	"Heubeck-Richttafeln 2018 G"	"Heubeck-Richttafeln 2018 G"

The development of the defined benefit obligations was as follows:

EURk	2022	2021
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	**1'703**	**1'858**
Interest expense	17	9
Current service cost	0	0
Benefits paid	−82	−85
Actuarial gains and losses recognised in equity	−357	−79
Past service costs resulting from amendments to plan	0	0
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	**1'281**	**1'703**

5.15.1.2 Pensions in Switzerland

According to the Swiss Occupational Pension Act (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG), every employer must grant pensions to entitled employees after termination of employment. The GRENKE Group maintains defined benefit plans (capital-based) in Switzerland that are managed by trusts and independent of the Company.

The external expert opinion is based on the following actuarial assumptions:

EURk	Dec. 31, 2022	Dec. 31, 2021
Discount rate	2.25%	0.40%
Estimated future salary increases	2.00%	1.50%
Estimated future pension increases	0.00%	0.00%
Mortality tables applied	BVG 2020	BVG 2020

* A pension adjustment of 0 percent is assumed, as no pensions are currently paid to employees.

Based on the actuarial report, the following income and expenses were recognised:

EURk	Dec. 31, 2022	Dec. 31, 2021
Service cost	588	602
Interest expense	31	15
Income from interest on plan assets	18	8

The assets are invested in a collective insurance agreement with a life insurance company by way of a follow-up agreement with the BVG pension fund. With this form of full insurance, the life insurer assumes the risk, meaning a shortfall in coverage cannot occur.

As of December 31, 2022, the provision for pensions recognised under non-current liabilities amounted to EUR 1,795k (previous year: EUR 3,163k). The amount consists of a calculated present value of defined benefit obligations (DBO) of EUR 7,066k (previous year: EUR 7,252k), a fair value of plan assets of EUR 5,271k (previous year: EUR 4,088k) and an actuarial gain of EUR 1,793k (previous year: EUR 1,160k).

EURk	2022	2021
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	**7'252**	**7'762**
Interest expense	31	15
Current service cost	588	602
Benefits paid	204	205
Contributions of the participants of the plan	609	–420
Actuarial gains and losses recognised in equity	–1'962	–1'228
Past service cost	0	0
Currency translation differences from foreign plans	344	316
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	**7'066**	**7'252**
CHANGE IN PLAN ASSETS	0	0
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**4'088**	**3'884**
Expected return	18	8
Employer's contributions	301	301
Contributions of the participants of the plan	204	205
Benefits paid	609	–420
Actuarial gains and losses recognised in equity	–169	–68
Currency translation differences from foreign plans	220	178
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5'271**	**4'088**

The actuarial gains and losses included in the revaluation of defined benefit obligations result from the following:

EURk	Dec. 31, 2022	Dec. 31, 2021
Changes in demographic assumptions	0	–510
Changes in financial assumptions	–2'097	–334
Experience-based gains/losses	135	–384
TOTAL	**–1'962**	**–1'228**

Experience-based adjustments to plan assets amounted to EUR –169k (previous year: EUR –68k). Employer contributions for the subsequent period are estimated at EUR 333k.

5.15.1.3 Sensitivity analysis

A change in the assumptions above applied to determine the DBO as of December 31, 2022 and December 31, 2021 would increase or decrease the DBO as follows:

	Change in assumptions in percentage points	Increase in assumptions Change in DBO in EURk	Decrease in assumptions Change in DBO in EURk
DEC. 31, 2022			
Discount rate	0.25	–335	358
Future salary increases	0.25	99	–94
Future pension increases	0.25	29	–28
DEC. 31, 2021			
Discount rate	0.25	–415	447
Future salary increases	0.25	65	–63
Future pension increases	0.25	54	–52

In calculating the sensitivity of the DBO for the relevant actuarial assumptions, the same method was used for the calculation of the recognised obligation.

5.15.2 Defined contribution plans

Defined contribution plans represent an additional part of the occupational pension schemes within the Consolidated Group. Under defined contribution plans, the entity pays contributions to public or private pension insurance schemes voluntarily or on the basis of statutory or contractual requirements. The entity does not have any other benefit obligations beyond the contribution payments.

The current contribution payments are recognised as an expense for the respective year. In 2022, they amounted to a total of EUR 5,665k (previous year: EUR 5,536k) and had mainly comprised contributions to the statutory pension insurance scheme in Germany. Going forward, the level of expenses primarily depends on the development of the underlying pension insurance schemes.

5.16 Equity

5.16.1 Share capital

For the details on changes in equity, please refer to the consolidated statement of changes in equity.

GRENKE AG's share capital is unchanged compared to December 31, 2021 and amounts to EUR 46,495,573 divided into 46,495,573 no-par value shares. Each ordinary share has a notional interest in the share capital of EUR 1. All shares are fully paid in and have the same rights and obligations. Each share is entitled to one vote at the Annual General Meeting and accounts for the shareholders' proportionate share in the Consolidated Group's earnings.

5.16.2 Authorised Capital

On May 3, 2018, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions up to a nominal amount of EUR 4,400k (Authorised Capital). Authorised Capital amounted to EUR 2,218k as of December 31, 2022.

5.16.3 Contingent Capital

On May 14, 2019, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital up to a nominal amount of EUR 4,500k (Contingent Capital) until May 13, 2024 by issuing new shares against contribution in cash or in kind. The creation of Contingent Capital is linked to the authorisation of the Board of Directors, with the consent of the Supervisory Board, to issue on one or more occasions bearer and/or registered bonds with warrants and/or convertible bonds up to a total nominal amount of EUR 500,000k. No bonds with warrants and/or convertible bonds have been issued from Contingent Capital to date.

5.16.4 Authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 AktG

The Company was granted authorisation to acquire treasury shares until August 5, 2025 by the Annual General Meeting of August 6, 2020 in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act (Aktiengesetz – AktG). The Company has not made use of this authorisation.

5.16.5 Unappropriated surplus

On May 25, 2022, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for financial year 2021 in the amount of EUR 117,859,593.76. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

	EUR
2021 unappropriated surplus	117'859'593.76
Distribution of a dividend of EUR 0.51 per share for a total of 46,495,573 shares	23'712'742.23
Profit carried forward (to new account)	94'146'851.53

For the past financial year 2022, the Board of Directors will propose to the Annual General Meeting the distribution of a dividend of EUR 0.45 per share. This distribution is not recognised as a liability as of December 31, 2022.

5.16.6 Reserves

The capital reserves of EUR 298,019k (previous year: EUR 298,019k) result primarily from GRENKE AG's IPO in April 2000 and the capital increases in February 2013, May 2014, May 2016, June 2018 and September 2020. In addition to GRENKE AG's retained earnings, retained earnings include the retained earnings and results of the subsidiaries and consolidated structured entities included in the consolidated financial statements.

5.16.7 Additional equity components

On July 22, 2015, GRENKE AG issued an unsecured, subordinated hybrid bond (non-cumulative, indefinite Additional Tier 1, known as an AT1 bond or hybrid capital) with a nominal volume of EUR 30,000k and an interest coupon of 8.25 percent. The interest payments for this bond are based on the bond's nominal value and are fixed for the period from the day of issuance until the first possible early redemption day. Thereafter, the interest rate will be redetermined for periods of five years each. Interest payments can be omitted in full or in part, are non-cumulative and at the issuer's discretion. Interest payments in subsequent years will not be increased to make up for any omitted interest payments occurring in prior years. The bonds have an indefinite maturity and are therefore not subject to a limited term. The bonds can be called by GRENKE AG with effect as of the first possible early redemption day and thereafter at five-year intervals. The first possible date for early redemption was March 31, 2021. The bonds can also be called prematurely, subject to certain conditions. The investors' right to call the bonds is excluded. The bonds are subject to the terms and conditions detailed in the respective prospectus, which include – among others – that GRENKE AG can call the bonds only in full and not in part, to the extent certain regulatory or tax reasons exist. Any premature call of the bonds requires the prior approval of the relevant regulatory authority. The redemption and nominal amount of the bonds may be reduced upon the occurrence of a triggering event. Should GRENKE Group's Tier 1 core capital ratio fall below 5.125 percent, this would constitute such a triggering event. In the case of a triggering event, the bonds may be appreciated, subject to certain conditions. On December 20, 2016, the bond with an unchanged coupon of 8.25 percent was increased by a nominal EUR 20,000k. The change in market interest rates since the first issue resulted in an additional premium of EUR 600k. The entire hybrid bond in the amount of EUR 50,000k was not called on the first possible date of March 31, 2021. Therefore, the AT1 bond is extended by a further five years until March 31, 2026. The new interest coupon is 7.33 percent.

On September 27, 2018, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 7.0 percent. The terms are otherwise identical to the AT1 bond issued on July 22, 2015. The first possible early redemption date is March 31, 2023. Transaction costs of EUR 1,425k were offset directly against retained earnings.

On December 5, 2019, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 5.375 percent. The terms are otherwise identical to the AT1 bonds issued on July 22, 2015 and September 27, 2018. The first possible early redemption date is March 31, 2026. Transaction costs of EUR 1,286k were offset directly against retained earnings.

On March 30, 2022, GRENKE AG made a scheduled payment of EUR 12,946,250 to the hybrid capital investors (previous year: EUR 13,406,250).

5.16.8 Other components of equity

Other components of equity include the hedge reserve, in which the recognition directly in equity of derivatives designated as hedges is shown; the reserve for actuarial gains/losses, in which the change in value directly recognised in equity of the defined benefit plans is shown; the currency translation from the translation of the financial statements of entities in foreign currency; as well as the revaluation reserve from equity instruments (IFRS 9), in which the change in value directly in equity of other investments recognised at fair value is shown (FVTOCI).

5.16.9 Non-controlling interests in equity

Non-controlling interests are reported in the consolidated statement of financial position as an equity component but separately from equity attributable to GRENKE shareholders. Consolidated net profit or loss attributable to non-controlling interests is presented separately in the consolidated income statement. Changes in the ownership interest in subsidiaries without loss of control are recognised as transactions between equity providers and recognised directly in retained earnings.

6. Changes in the scope of consolidation

6.1 FCT “GK” COMPARTMENT “G5” (FCT GK 5)

In the second quarter of 2022, FCT “GK” COMPARTMENT “G5” (FCT GK 5), with its registered office in Saint-Denis, France, was included in the scope of consolidation for the first time. This is a structured entity. The GRENKE Group holds 100 percent of the voting rights.

6.2 FCT “GK” COMPARTMENT “G3” (FCT GK 3)

On December 15, 2022, FCT “GK” COMPARTMENT “G3” (FCT GK 3), based in Saint-Denis, France, was fully liquidated and deconsolidated. This structured entity is therefore no longer included in the scope of consolidation as of December 31, 2022 due to lack of control in accordance with IFRS 10.

6.3 GC Leasing AZ LLC and GC Lease Singapore Pte Ltd

GRENKE AG also acquired 58 percent of the capital and voting shares in GC Leasing AZ LLC (Phoenix/United States of America) and GC Lease Singapore Pte Ltd (Singapore/Singapore) in the second quarter of 2022. The cash outflows of EUR 273k (United States of America) and EUR 1k (Singapore) agreed in the purchase contract are shown in the cash flow statement under the item “Payments for the acquisition of subsidiaries”. Both franchise companies operating in the Leasing segment were already fully consolidated before the acquisition of the shares.

6.4 finux GmbH

In the fourth quarter of 2022, GRENKE digital GmbH’s minority interest of 30.04 percent in finux GmbH was sold. The investment reported in the consolidated statement of financial position was fully impaired to EUR 0k in the second quarter of 2022. The expenses recognised in the consolidated income statement are allocated to the items “Result from investments accounted for using the equity method” (EUR 4k) and “Depreciation, amortisation and impairment” (EUR 158k).

6.5 GC Locação de Equipamentos LTDA and GRENKE Locação de Equipamentos LTDA

In the fourth quarter of 2022, GRENKE Locação de Equipamentos LTDA was merged into GC Locação de Equipamentos LTDA with retroactive effect as of September 30, 2022. This has no effect on the consolidated financial statements.

6.6 Further changes and information

There were no other changes in the financial year.

7. Disclosures on financial instruments

7.1 Additional information on financial instruments

EURk	Measurement category	Carrying amount Dec. 31, 2022	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL ASSETS						
Cash and cash equivalents	AC	448'844			448'844	
Derivative financial instruments with positive fair value without hedging relationship	FVTPL	16'806		16'806		
Derivative financial instruments with positive fair value with hedging relationship	n.a.	21'153	21'153			
Lease receivables	n.a.	5'243'944				5'243'944
Trade receivables	AC	6'531			6'531	
Other investments	FVTOCI					
Other financial assets						
thereof receivables from the factoring business	AC	81'466			81'466	
thereof receivables from the lending business	AC	122'445			122'445	
thereof other financial assets	AC	5'786			5'786	
AGGREGATED CATEGORIES						
	AC				665'072	
	FVTPL			16'806		
	FVTOCI					
	n.a.		21'153			5'243'944

EURk	Measurement category	Carrying amount Dec. 31, 2022	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL LIABILITIES						
Financial debt						
thereof liabilities from the refinancing of lease receivables	AC	3'643'800			3'643'800	
thereof liabilities from the deposit business	AC	1'150'679			1'150'679	
thereof bank liabilities	AC	239			239	
Trade payables	AC	36'112			36'112	
Derivative financial instruments with negative fair value without hedging relationship	FVTPL	3'978		3'978		
Derivative financial instruments with negative fair value with hedging relationship	n.a.	2'941	2'941			
AGGREGATED CATEGORIES						
	AC				4'830'830	
	FVTPL			3'978		
	n.a.		2'941			

Abbreviations

FVTPL: Fair value through profit or loss

FVTOCI: Fair value through other comprehensive income

AC: Amortised cost

n.a: Not applicable/No category according to IFRS 7.8

EURk	Measurement category	Carrying amount Dec. 31, 2021	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL ASSETS						
Cash and cash equivalents	AC	853'071			853'071	
Derivative financial instruments with positive fair value without hedging relationship	FVTPL	8'890		8'890		
Derivative financial instruments with positive fair value with hedging relationship	n.a.	1'319	1'319			
Lease receivables	n.a.	5'118'972				5'118'972
Trade receivables	AC	6'050			6'050	
Other investments	FVTOCI					
Other financial assets						
thereof receivables from the factoring business	AC	67'072			67'072	
thereof receivables from the lending business	AC	137'463			137'463	
thereof other financial assets	AC	61'643			61'643	
AGGREGATED CATEGORIES						
	AC				1'125'299	
	FVTPL			8'890		
	FVTOCI					
	n.a.		1'319			5'118'972

EURk	Measurement category	Carrying amount Dec. 31, 2021	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit and loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL LIABILITIES						
Financial debt						
thereof liabilities from the refinancing of lease receivables	AC	3'665'083			3'665'083	
thereof liabilities from the deposit business	AC	1'411'969			1'411'969	
thereof bank liabilities	AC	111			111	
Trade payables	AC	43'725			43'725	
Derivative financial instruments with negative fair value without hedging relationship	FVTPL	4'403		4'403		
Derivative financial instruments with negative fair value with hedging relationship	n.a.	16'381	16'381			
AGGREGATED CATEGORIES						
	AC				5'120'888	
	FVTPL			4'403		
	n.a.		16'381			

Abbreviations

FVTPL: Fair value through profit or loss

FVTOCI: Fair value through other comprehensive income

AC: Amortised cost

n.a: Not applicable/No category according to IFRS 7.8

Net gains and losses as of Dec. 31, 2022

EURk	Currency translation	Interest	Impairment	From disposal	Net profit
Financial assets (at amortised cost)	–8'401	0	39'614	–146'165	–114'952
At fair value through profit and loss	–2'021	12'206	0	–16'267	–6'082
Financial liabilities (at amortised cost)	2'449	0	0	0	2'449

Net gains and losses as of Dec. 31, 2021

EURk	Currency translation	Interest	Impairment	From disposal	Net profit
Financial assets (at amortised cost)	–16	0	–36'781	–81'168	–117'965
At fair value through profit and loss	–3'861	1'777	0	–9'315	–11'399
Financial liabilities (at amortised cost)	2'816	0	0	0	2'816

Total interest income calculated according to the effective interest method amounted to EUR 7,855k (previous year: EUR 7,118k). Total interest expenses for financial assets and financial liabilities not measured at fair value through profit and loss was EUR 8,705k (previous year: EUR 13,067k). For equity instruments classified as FVTOCI, the loss recognised in other comprehensive income amounted to EUR 0k (previous year: gain of EUR 5,339k).

Net gains from lease receivables are comprised of interest income, profit from new business, and profit from disposals. They amount to EUR 435,218k (previous year: EUR 441,797k). Net gains and losses from financial instruments recognised at fair value through profit and loss include not only the changes in fair value (for forward exchange contracts shown as the effect from the currency translation and interest hedges as interest effect) but also the results from accrued interest and from the early disposal resulting from an early sale.

7.1.1 Financial risk strategy

For qualitative and quantitative information on default, liquidity and market risks, please refer to the combined management report.

7.2 Maturity of financial obligations

The table below shows the maturities of the earliest possible non-discounted contractual cash flows of the financial obligations at the end of the reporting period of the most recent and the previous financial years. Some amounts do not match the amounts shown in the statement of financial position as they relate to undiscounted cash flows.

As of Dec. 31, 2022

EURk	Due on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
TYPE OF LIABILITY					
Refinancing liabilities	0	342'273	1'100'319	2'294'166	215'208
Liabilities from deposit business	225'336	133'717	468'585	310'524	12'517
Bank liabilities	239	0	0	0	0
Lease liabilities	0	2'812	7'452	20'460	4'030
Other liabilities	0	67'240	0	0	0
Trade payables	0	36'112	0	0	0
Irrevocable credit commitments	6'392	0	0	0	0
Derivative financial liabilities	0	1'140	2'337	2'184	1'258
TOTAL	**231'967**	**583'294**	**1'578'693**	**2'627'334**	**233'013**

As of Dec. 31, 2021

EURk	Due on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
TYPE OF LIABILITY					
Refinancing liabilities	0	552'848	586'580	2'425'854	220'013
Liabilities from deposit business	342'915	147'584	387'865	526'572	7'033
Bank liabilities	111	0	0	0	0
Lease liabilities	0	3'352	9'228	25'840	6'660
Other liabilities	0	55'570	31	2	0
Trade payables	0	43'725	0	0	0
Irrevocable credit commitments	6'892	0	0	0	0
Derivative financial liabilities	0	3'269	7'854	2'207	7'454
TOTAL	**349'918**	**806'348**	**991'558**	**2'980'475**	**241'160**

With respect to the disclosures on liquidity risk management, please refer to the explanations in the combined management report.

7.3 Derivative financial instruments

7.3.1 Fair value and nominal volume

The nominal volumes and fair values of the derivative financial instruments are shown in the following tables. In accordance with internal guidelines, the nominal volumes of the derivative financial instruments correspond to the volume of the underlying transactions hedged with the derivative financial instruments.

Derivative financial instruments with positive fair value

EURk	Dec. 31, 2022		Dec. 31, 2021	
	Nominal volume	Fair value	Nominal volume	Fair value
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Interest rate derivatives	435'000	4'761	0	0
Cross-Currency-Swaps	99'622	8'402	62'239	851
Foreign currency forward contracts	276'699	7'990	57'058	468
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	**811'321**	**21'153**	**119'297**	**1'319**
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	365'265	12'748	244'770	1'130
Foreign currency forward contracts	43'860	4'058	10'121	7'760
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	**409'125**	**16'806**	**254'891**	**8'890**
TOTAL	**1'220'446**	**37'959**	**374'188**	**10'209**

Derivative financial instruments with negative fair value

EURk	Dec. 31, 2022		Dec. 31, 2021	
	Nominal volume	Fair value	Nominal volume	Fair value
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross-Currency-Swaps	64'273	1'257	111'968	7'987
Foreign currency forward contracts	144'326	1'684	283'353	8'394
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	208'599	2'941	395'321	16'381
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDG-ING RELATIONSHIP				
Interest rate derivatives	0	0	464'414	387
Foreign currency forward contracts	81'354	3'978	97'234	4'016
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	81'354	3'978	561'648	4'403
TOTAL	289'953	6'919	956'969	20'784

7.3.2 Components of the hedging reserve in the consolidated statement of comprehensive income

The following table shows the hedging gains and losses that were recognised in the hedging reserve within the consolidated statement of comprehensive income in the reporting period. The amounts reclassified to the income statement are also shown.

EURk	2022	2021
PROFITS/LOSSES IN THE FINANCIAL YEAR		
Cross-Currency-Swaps	14'281	4'723
Foreign currency forward contracts	13'924	309
Interest rate derivatives	4'856	0
RECLASSIFIED TO THE INCOME STATEMENT		
Cross-Currency-Swaps	–2'449	–2'816
Foreign currency forward contracts	–15'481	–327
TOTAL GAINS/LOSSES RECOGNISED IN HEDGING RESERVE	15'131	1'889

The amounts reclassified are reported under “other operating expenses” or “other operating income” in the item “currency translation differences”. The reclassifications relate, on the one hand, to the change in the fair value of the hedged item. This change would affect profit or loss without the reclassification. On the other hand, the costs of the hedge are reclassified to the income statement on a time-proportion basis. The cumulative change of the hedged bonds in foreign currency (cross currency swap) amounted to EUR –4,578k. The cumulative change of the hedged foreign currency loans (foreign currency forward contracts) amounted to EUR 9,635k.

7.3.3 Use and measurement

7.3.3.1 Business model

As a small-ticket IT leasing company, GRENKE Group offers lease contracts to B2B customers for mobile IT assets, among others. The lease portfolio, i.e. all lease contracts in their entirety, has fixed contractual terms over the duration of each individual contract. Upon conclusion of the contract, both the periodical payments as well as the interest rate used to calculate the payments are set out. Neither of the parties can subsequently amend these terms. GRENKE Group only dissolves or agrees to dissolve contracts prematurely (repurchase, exchange option, termination, etc.) if the lessee bears the potential loss (i.e. due to lost interest). Each derivative contract has an underlying economic transaction with a corresponding contrarian risk position. Contracts are only concluded with credit institutions having an investment grade rating. Therefore, and due to the diversification of our contract partners, the maximum credit risk is of minor importance and is limited to the carrying amount. Please refer to the combined management report, and particularly to the risk report and the report on the financial position and net assets for qualitative and quantitative disclosures regarding default risk, liquidity risk and market risks. Please refer to the Notes to the Consolidated Statement of Financial Position for more information.

7.3.3.2 Hedging policy

Derivatives are used when, and only when, underlying contracts must be hedged. Underlying contracts are the contractual obligations entered into by GRENKE Group in order to achieve its objectives. The Treasury department is not a separate profit centre. The use of derivatives is limited to hedging the profits of GRENKE Group to the extent stipulated in the Company's Articles of Association.

Items are largely hedged in terms of volume or amount, with various instruments being used. The choice of instrument is always a management decision based on the risk profile, i.e. the potential income associated with the risk in question.

7.3.3.3 Measurement

Since the derivatives used are OTC derivatives rather than standardised, listed financial instruments, recognised measurement models are used for calculating fair values. The necessary parameters for measurement, such as interest rates, yield curves, and foreign exchange spot and forward rates, can be observed on the market at all times and may be accessed via external sources of information.

7.3.4 Currency risk management

GRENKE Group is exposed to currency risks as a result of its international activities and the growing significance of its international markets. Derivatives are used to mitigate or eliminate these risks. Forward exchange contracts were and are used to hedge the cash flows from the refinancing of the international subsidiaries. The GRENKE Group finances the lease receivables generated by the subsidiaries in the corresponding foreign currencies and receives payments in those currencies over the term of the underlying lease contracts. GRENKE BANK and GRENKE FINANCE PLC also granted foreign currency loans to subsidiaries. The fair values of the forward exchange contracts are recorded under financial instruments with positive fair value and financial instruments with negative fair value. As of the end of the reporting period, there were asset and liability forward exchange contracts, leading to their disclosure as assets as well as liabilities (see Note 7.3.1). Some of the forward exchange transactions are designated as hedging instruments as defined by IFRS 9.

The following table provides information on the maturity of the nominal volumes and the hedged average rate for the forward exchange transactions with a hedging relationship as defined by IFRS 9.

EURk	Maturity of the nominal volumes as of Dec. 31, 2022			
EUR purchase	Up to 1 year	1 to 5 years	More than 5 years	Hedged average rate
AED	4'705	0	-	3.89
AUD	73'594	0	-	1.56
CAD	61'672	0	-	1.40
CHF	11'802	0	-	0.98
CLP	8'800	0	-	1'022.74
DKK	28'907	50'733	-	7.44
GBP	30'705	0	-	0.87
PLN	15'076	7'826	-	5.02
SEK	40'110	61'350	-	10.65
SGD	23'195	0	-	1.44
USD	2'550	0	-	1.08

Cross currency swaps were used to hedge the foreign currency risk of foreign currency bonds as well as the resulting interest payments. The hedged item is reported under current and non-current financial liabilities (see Note 5.11.3.2). The cross currency swaps are designated as hedging relationships within the meaning of IFRS 9. The existing cross currency swaps have proven to be effective.

The changes in fair value were recognised in other comprehensive income. Exchange gains and losses from the translation of the foreign currency bonds at the spot rate as of December 31, 2022 were recognised in the income statement. The corresponding amount of these gains and losses was reversed from other comprehensive income to the income statement in order to offset the gains and losses from the translation of the foreign currency bonds at the spot rate as of December 31, 2022 (see Note 7.3.2).

The following table provides information on the maturity of the nominal volumes, the hedged average rate and the hedged average interest rates (arithmetic mean):

EUR purchase	Maturity of the nominal volumes as of Dec. 31, 2022 Up to 1 year	1 to 5 years	More than 5 years
CROSS-CURRENCY-SWAPS (EUR : HKD)			
Nominal volume	902	3'598	95'123
Hedged average rate	8.6	8.6	8.6
Average interest rate	0.97%	0.97%	0.97%
CROSS-CURRENCY-SWAPS (EUR : JPY)			
Nominal volume	959	3'838	59'475
Hedged average rate	121.62	121.62	121.62
Average interest rate	1.67%	1.67%	1.67%

For information on exchange rate sensitivity, please refer to the detailed explanations on market price risk in the risk report contained in the combined management report.

7.3.5 Interest rate risk management

The interest rate risk for GRENKE Group's operations results mainly from the sensitivity of its financial liabilities to changes in market interest rates. GRENKE Group endeavours to limit the impact of such risks on interest expense and net interest income by employing appropriate derivatives.

Issuing bonds and contracting interest rate swaps are elements of implementing a financing strategy under which GRENKE Group separates refinancing from interest rate hedging in order to obtain maximum flexibility for optimising its refinancing activities. The risks (variable cash flows) which may result are hedged by appropriate interest rate derivatives.

The variable refinancing of the ABCP transaction is economically hedged by the employment of interest rate swaps. From the perspective of the GRENKE Group, these are receiver swaps. A fixed interest rate is exchanged for a floating-rate interest.

Some of the interest rate derivatives are designated as hedging instruments as defined by IFRS 9. For interest rate derivatives with a hedging relationship as defined by IFRS 9, the following table provides information on the maturity of the nominal volumes and the hedged average interest rate.

EUR purchase	Maturity of the nominal volumes as of Dec. 31, 2022 Up to 1 year	1 to 5 years	More than 5 years
INTEREST RATE DERIVATIVES			
Nominal volume	210'000	225'000	
Average interest rate	1.30%	2.19%	

For information on sensitivities, please refer to the statements on market price risks, which are explained in detail in the risk report of the combined management report.

7.3.6 Effectiveness of the hedging relationship

IFRS accounting requires documentation and risk assessment when using derivative financial instruments. In particular, the appropriation and the critical term match between the hedged item and the hedging instrument form the basis for a successful hedging relationship in terms of effectiveness. By using derivatives to hedge foreign currency bonds and loans to Consolidated Group companies in foreign currencies, the GRENKE Group applies hedge accounting in accordance with IFRS 9. The efficiency of hedging relationships required by IFRS is in line with the GRENKE Group's intention that only risks from designated underlying transactions are hedged by derivatives and that derivatives are not entered into at any time for speculative reasons.

The effectiveness tests for the individual financial derivatives, insofar as a hedging relationship is accounted for in accordance with IFRS 9, are performed prospectively on the basis of the critical term match method when the hedge is designated for the first time and at the end of each quarter. The documentation of each hedging relationship describes the underlying transaction, the hedged risk, the hedging relationship, the strategy, the hedging instrument, as well as the effectiveness assessment, and names the contract partner.

Foreign currency cash flows are the basis for the forward currency contracts and cross currency swaps. These foreign currency cash flows are determined by contractually fixed payment dates in foreign currency. The foreign currency denominated cash flows form the basis for the forward currency contracts and the cross currency swaps. The hedging can be categorised as highly effective, as only the actual cash flows are hedged and never a higher amount. The dates of the funding and the currency hedging coincide to ensure the best possible economic hedge of the cash flow risk.

The hedging relationships between the cross currency swaps and the foreign currency bonds have proven to be highly effective. The material contractual terms of the hedging instrument and the hedged item match. The hedging relationships between the foreign currency loans to Consolidated Group companies and the forward exchange contracts with a hedging relationship have proven to be highly effective.

For all derivatives for which hedge accounting has been applied, the material contractual terms between the hedged item and the hedging instrument match. The credit risk of the counterparty to the hedging instrument is not dominant, so the hedge is prospectively considered to be highly effective.

7.4 Fair value of financial instruments

7.4.1 Fair value of primary financial instruments

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. The table does not contain information on the fair value of financial assets and financial liabilities if the carrying amount represents an appropriate approximation to the fair value.

EURk	Fair value Dec. 31, 2022	Carrying amount Dec. 31, 2022	Fair value Dec. 31, 2021	Carrying amount Dec. 31, 2021
FINANCIAL ASSETS				
Lease receivables	5'841'004	5'243'944	5'714'078	5'118'972
Other financial assets	213'371	209'697	277'904	266'178
thereof receivables from the lending business	126'119	122'445	149'189	137'463
FINANCIAL LIABILITIES				
Financial liabilities	4'648'125	4'794'718	5'067'695	5'077'163
thereof refinancing liabilities	3'507'752	3'643'800	3'635'882	3'665'083
thereof liabilities from the deposit business	1'140'134	1'150'679	1'431'702	1'411'969

This includes the following line items in the statement of financial position: cash and cash equivalents, trade receivables and trade payables. All primary financial instruments are assigned to Level 2 of the fair value hierarchy except for exchange-listed bonds that are included in refinancing liabilities and assigned to level 1 of the fair value hierarchy and the other investment that is assigned to Level 3 of the fair value hierarchy. As of the reporting date, the carrying amount of exchange-listed bonds was EUR 2,145,406k (previous year: EUR 2,459,008k), and their fair value amounted to EUR 1,975,233k (previous year: EUR 2,427,015k). All primary financial assets are measured at amortised cost (AC) except for lease receivables, which are measured in accordance with IFRS 16, and other investments, which are allocated to the FVTOCI measurement category and are therefore measured at fair value. Financial liabilities are also measured at (amortised) cost.

7.4.2 Fair value of derivative financial instruments

At the end of the reporting period, all derivative financial instruments, which include interest rate derivatives (interest rate swaps), forward exchange contracts and cross currency swaps, are recognised at fair value in the GRENKE Group. All derivative financial instruments are assigned to Level 2 of the fair value hierarchy.

EURk	Fair value Dec. 31, 2022	Fair value Dec. 31, 2021
FINANCIAL ASSETS		
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP		
Interest rate derivatives	4'761	0
Cross currency swaps	8'402	851
Forward exchange derivatives	7'990	468
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP		
Interest rate derivatives	12'748	1'130
Forward exchange derivatives	4'058	7'760
TOTAL	37'959	10'209
FINANCIAL LIABILITIES		
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP		
Cross currency swaps	1'257	7'987
Forward exchange derivatives	1'684	8'394
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP		
Interest rate derivatives	0	387
Forward exchange derivatives	3'978	4'016
TOTAL	6'919	20'784

The GRENKE Group uses OTC ("over-the-counter") derivatives. These are directly concluded with counterparties having at least investment grade status. Thus, there are no quoted market prices available.

Fair values are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a mark-to-model valuation model. The fair value of interest rate derivatives is determined on the basis of the net present value method. The input parameters applied in the valuation models are derived from market quotes. Interest rates with matching maturities in the traded currencies are used for forward exchange contracts, and interest rates are used for interest rate derivatives. To obtain the fair value of such OTC derivatives, the determined amounts are multiplied with the counterparty's credit default swaps (CDS) with matching maturities that are observable on the market or their own credit risk using what is known as the "add-on method", including the coupons.

7.4.3 Measurement methods and input parameters used

The following table presents the measurement methods used and the input parameters and assumptions applied to determine the fair values.

Category and level		Input factors
FAIR VALUE HIERARCHY LEVEL 1		
Listed bonds	n.a.	Market price quoted in active markets as of the reporting date
FAIR VALUE HIERARCHY LEVEL 2		
Other financial assets	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities arising from refinancing of lease receivables, promissory notes and bank liabilities)	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using own credit risk (debt value adjustment [DVA])
Forward currency contracts/Cross-Currency-Swaps	Mark-to-model Present value of estimated future cash flows	Available interest rates at the end of the term in the traded currencies using own counterparty risk (debt value adjustment [DVA]) or the counterparty's credit risk (credit value adjustment [CVA]) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using own counterparty risk DVA (debt value adjustment) or the counterparty's credit risk CVA (credit value adjustment) derived from available credit default swap (CDS) quotes
FAIR VALUE HIERARCHY LEVEL 3		
Other investments (investment in Finanzchef24 GmbH)	Discounted cash flow model Present value of estimated future cash flows	Businessplan of Finanzchef24 GmbH to determine future cash flows; sustainable growth rate of future cash flows; parameters to determine the discount rate (in particular, risk-free interest rate, market risk premium, beta factor, adjustment factors)

The development of the fair value of the investment in Finanzchef24 GmbH assigned to Level 3 of the fair value hierarchy is shown in the following table.

The scheduled valuation process of the investment, which is allocated to the category fair value through other comprehensive income (FVTOCI) without recycling, is carried out annually on the basis of the updated business plan submitted by Finanzchef24 GmbH.

EURk	2022	2021
Fair value at start of period (Jan. 1)	0	5'264
Gains and losses recognised in profit and loss for the period	0	0
Gains and losses recognised in other comprehensive income for the period	0	−5'264
Fair value at end of period (Dec. 31)	0	0

A discount rate (weighted average cost of capital, WACC) of between 19.7 and 23.5 percent (previous year: between 16.4 and 19.6 percent) and a sustainable growth rate of future cash flows of 1 percent (previous year: 1 percent) were used as significant unobservable input factors in determining the fair value of the investment in Finanzchef24 GmbH. A change in the significant unobservable input factors within realistic ranges would not lead to a material change in the estimates underlying the measurement of the fair value of the investment in Finanzchef24 GmbH.

7.5 Transfers of financial assets

The following table lists transferred financial assets not derecognised and the corresponding liabilities at their respective carrying amount and fair value for which the contractual right to cash flows from these financial assets was transferred.

EURk	Carrying amount	Carrying amount of corresponding liability	Fair value	Fair value of corresponding liability	Net position
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2022	**156'028**	**128'078**	**170'853**	**125'914**	**27'950**
From sale of receivable agreements	156'028	128'078	170'853	125'914	27'950
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2021	**118'768**	**106'954**	**129'520**	**107'286**	**11'814**
From sale of receivable agreements	118'768	106'954	129'520	107'286	11'814

For more information, please see the explanations on sales of receivables agreements under Note 5.11.2.3.

8. Segment reporting

8.1 Description of reportable segments

GRENKE Group's reporting on the development of its segments is aligned with its prevailing organisational structure within the GRENKE Group ("management approach"). Thus, operating segments are divided into Leasing, Banking and Factoring based on the management of the Company's segments, which enables the key decision-maker, the Board of Directors of GRENKE AG, to assess the performance of the segments and make decisions about the allocation of resources to the segments. Separate financial information is available for the three operating segments.

Intra-group transactions between the segments are eliminated in the segment reporting in the column "Consolidation and other".

8.1.1 Leasing

The Leasing segment comprises all of the activities that are related to the Consolidated Group's business as a lessor. The services offered consist of the provision of financing to commercial lessees, rental, service, protection and maintenance offerings, as well as the disposal of used equipment.

The GRENKE Group's leasing business focuses primarily on the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors, peripheral devices, software, telecommunication and copier equipment, medical devices as well as other IT products. Nearly all leases concluded provide for full cost recovery.

8.1.2 Banking

The Banking segment comprises the activities of GRENKE BANK AG (GRENKE BANK) as a financing partner, particularly to small and medium-sized companies (SMEs). In the context of cooperating with a variety of federal government and state development banks, GRENKE BANK offers business start-up financing. In addition, GRENKE BANK provides development loans to SMEs and self-employed professionals who want to finance new business purchases through lease financing. GRENKE BANK also offers investment products such as fixed deposit products to private and business customers via its website. The bank's business is focused primarily on German customers. In addition to business with external customers, GRENKE BANK AG's activities also include the internal refinancing of the GRENKE Group's Leasing segment through the purchase of receivables and the issuance of loans.

8.1.3 Factoring

In the Factoring segment, GRENKE offers traditional factoring services with a focus on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. In addition, the segment also offers receivables management without a financing function (non-recourse factoring), where the customer continues to bear the credit risk. Internal operating income results above all from internal refinancing.

8.2 Segment data

The accounting policies employed to gather segment information are the same as those used for the consolidated financial statements (see Note 3). Intra-group transactions are performed at standard market prices.

The Board of Directors of GRENKE AG is the responsible body for assessing the performance of the GRENKE Group. In addition to the growth of new business in the Leasing segment (total acquisition costs of newly acquired leased assets), the Board of Directors has determined the deposit volume for GRENKE BANK and the gross margin for the Factoring segment as key performance indicators. The performance components of the segments are presented in the combined management report. The other measures include, above all, segment operating income, non-interest expenses, segment result before other financial result, as well as staff costs, selling and administrative expenses and depreciation and amortisation. Other financial result and tax expense/income are the main components of the consolidated statement of income that are not included in the individual segment information.

The segment income of the individual segments is composed as follows:

- Leasing – Net interest income after settlement of claims and risk provision, profit from service business, profit from new business and gains/losses from disposals
- Banking – Net interest income after settlement of claims and risk provision
- Factoring – Net interest income after settlement of claims and risk provision
- The non-cash items represent impairment losses

The segment assets include the assets required for operations. Segment liabilities correspond to liabilities attributable to the respective segment.

Segment assets and liabilities do not take into account tax positions.

EURk	Leasing segment		Banking segment		Factoring segment		Consolidation & Other		Consolidated Group	
January to December	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
OPERATING INCOME										
External operating income	393'899	376'671	–17'054	–9'650	8'814	7'010	0	0	385'659	374'031
Internal operating income	–51'248	–55'805	53'476	57'017	–2'228	–1'212	0	0	0	0
TOTAL OPERATING INCOME	**342'651**	**320'866**	**36'422**	**47'367**	**6'586**	**5'798**	**0**	**0**	**385'659**	**374'031**
thereof non-cash items	–53'252	35'016	14'166	2'125	–528	–360	0	0	–39'614	36'781
NON-INTEREST EXPENSES										
Staff costs	136'080	116'662	7'518	5'738	5'680	5'451	–211	–321	149'067	127'530
Depreciation/Amortisation and impairment	31'663	27'877	1'341	921	635	3'639	–1'174	–953	32'465	31'484
Selling and administrative expenses	85'854	86'840	12'041	10'283	3'034	2'287	–3'266	–2'254	97'663	97'156
SEGMENT RESULT	**100'162**	**98'635**	**–142**	**39'744**	**–2'128**	**–5'763**	**86**	**–106**	**97'978**	**132'510**
Result from companies accounted for using the equity method	–4	–160	0	–259	0	0	0	0	–4	–419
Other financial result							13'059	–8'591	13'059	–8'591
GROUP EARNINGS BEFORE TAXES	**100'158**	**98'475**	**–142**	**39'485**	**–2'128**	**–5'763**	**13'145**	**–8'697**	**111'033**	**123'500**
As of December 31										
SEGMENT ASSETS	**6'088'976**	**6'009'505**	**1'667'264**	**2'031'998**	**100'816**	**84'235**	**–1'488'545**	**–1'501'645**	**6'368'511**	**6'624'093**
thereof investments accounted for using the equity method	0	162	0	0	0	0	0	0	0	162
SEGMENT LIABILITIES	**4'928'263**	**4'924'312**	**1'393'172**	**1'747'474**	**99'909**	**86'990**	**–1'406'544**	**–1'426'092**	**5'014'800**	**5'332'684**

In the previous year, a significant effect on the segment result and Consolidated Group earnings before taxes in the Banking segment was due to the sale of viafintech GmbH.

8.3 Information on regional segments

The main geographical areas at a country level in which operating income is generated with external customers are Germany, France and Italy. All other countries are summarised in “Other countries”. Operating income and non-current assets are presented for the countries shown. Operating income includes net interest income and non-interest income, the geographical breakdown of which is based on the customer contracts in the subsidiary’s location. Non-current assets include other intangible assets, property, plant and equipment, rights of use and other assets based on the location of the subsidiary.

EURk	Germany		France		Italy		Other countries		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
EXTERNAL OPERATING INCOME (JANUARY TO DECEMBER)	68'381	81'983	105'273	107'153	70'550	51'581	141'455	133'314	385'659	374'031
NON-CURRENT ASSETS (AS OF DECEMBER 31)	42'675	48'561	15'611	16'986	9'084	11'035	73'397	70'086	140'767	146'668

9. Other disclosures

9.1 Capital management

9.1.1 Economic capital

The primary goal of the GRENKE Group's capital management is to ensure that its credit rating is maintained in order to support its operations and safeguard liquidity, as well as to maintain risk-bearing capacity at all times within the requirements placed on the Consolidated Group by the Minimum Requirements for Risk Management.

The GRENKE Group monitors its capital, among other things, using the equity ratio, i.e. the ratio of its equity according to the statement of financial position to total assets. In accordance with the Consolidated Group guidelines, we aim for an equity ratio of a minimum of 16 percent, as in the previous year. In addition, the Consolidated Group's determination of maximum risk-bearing capacity and its risk-limiting system through the limiting of risk positions, the safeguarding and monitoring of economic capital is guaranteed.

Operating income consists of the same items as those explained above for operating segment income. Non-current assets comprise non-current lease receivables, property, plant and equipment, rights of use, goodwill, other intangible assets and other non-current assets.

9.1.2 Regulatory capital

As a financial services provider and parent company of the banking group, GRENKE AG must meet the equity requirements of banking groups under Section 10a KWG in conjunction with Section 25ff of EU Regulation No. 575/2013 (Capital Requirement Regulation – CRR).

The regulatory scope of consolidated companies of GRENKE AG is determined by the Consolidated Group's scope of consolidation. The solvency of the banking group is also measured based on the affiliation with the Consolidated Group. Equity is calculated in the context of the COREP reporting (Common Solvency Ratio Reporting) under Section 72ff CRR.

For the presentation of equity, please refer to the combined management report. The return on capital in accordance with Section 26a (1) sentence 4 KWG is 1.3 percent.

9.2 Contingent liabilities and other financial obligations

Irrevocable credit commitments from the loan business amounted to EUR 6,392k (previous year: EUR 6,892k) and included unutilised limited overdrafts and unutilised loan commitments for the risk concentration country of Germany. This amount also represents the maximal credit risk.

Obligations for the construction of office buildings amounted to EUR 123k as of December 31, 2022 (previous year: EUR 123k).

The Company has financial obligations related to rent, building maintenance and lease contracts. Lease contracts for leased branch offices and company vehicles are generally recognised as rights of use and lease liabilities in the statement of financial position.

The following table contains the other financial obligations that were not recognised as lease liabilities under IFRS 16 because the underlying contracts did not contain a lease as defined by IFRS 16 or the exemptions were utilised for short-term leases and low-value leases. The presentation also includes obligations from leases that the GRENKE Group had already entered into as lessee as of the reporting date but have not yet started.

EURk	Dec. 31, 2022	Dec. 31, 2021
RENT, MAINTENANCE AND LEASE OBLIGATIONS NOT RECOGNISED AS LEASE LIABILITIES IN STATEMENT OF FINANCIAL POSITION		
Due in subsequent year	4'494	6'765
Due in 1 to 5 years	4'947	6'426
Due after 5 years	0	0
TOTAL	**9'441**	**13'191**

Under three agreements on the sale of receivables of Grenke Investitionen Verwaltungs KGaA to secure all receivables of the holding company (Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien) from the operating company, the operating company (GRENKE AG) assigns to the holding company the following from lease contracts with end lessees (sublease contract) for leasing assets which are the subject of a purchase agreement between the operating company and the holding company:

All receivables, claims and rights arising from these sublease contracts, including any claims from extended leases following the expiry of the original lease term, any claims for compensation payments, residual values and payment of a purchase price from the sale of the respective lease asset. Claims from credit and property insurance from the sublease contract are also assigned, as are any claims from repurchase obligations on the part of suppliers of lease assets or of third parties. The buyer of the receivables acquires the equitable lien on the lease assets underlying the receivables purchase agreement.

With the notice of July 27, 2009, GRENKE AG submitted a letter of commitment in accordance with Section 5 (10) of the Statute of the Deposit Protection Fund to the Association of German Banks (Bundesverband deutscher Banken e.V.). With this notification, GRENKE AG has waived any claim against the Association of German Banks that would be in favour of GRENKE BANK AG.

GRENKE AG has issued a letter of comfort as of the December 31, 2022 reporting date for the following entities:

- Grenkeleasing Magyarország Kft., Hungary
- GRENKELEASING Sp.z.o.o., Poland
- GRENKELEASING ApS, Denmark
- Grenkeleasing Oy, Finland
- GRENKELEASING s.r.o., Czech Republic
- GRENKE Renting Ltd., Malta
- GC Leasing Middle East FZCO, United Arab Emirates (UAE)
- GRENKEFACTORING AG, Switzerland
- GC LEASING SYDNEY PTY LTD, Australia
- GC LEASING MELBOURNE PTY LTD, Australia
- GC Lease Singapore Pte. Ltd., Singapore
- Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien, Germany
- GRENKEFACTORING GmbH, Germany

The purpose of the letter of comfort provided by GRENKE AG for Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien and GRENKEFACTORING GmbH is the use of the waiver rule pursuant to Section 2 a (1) KWG in conjunction with Article 7 CRR and with Section 2 a (5) KWG by the respective subsidiary.

9.3 Tax audits

The tax audit for Grenke Investitionen Verwaltungs KGaA for the financial years 2005 through 2009 was completed in 2018. As of the reporting date, there is still one disputed matter in which GRENKE and the tax authorities have a difference of opinion. For the measurement of uncertain tax positions from the disputed matter, the most probable value was recognised as a tax receivable.

In April 2018, an audit order was issued for GRENKE BANK AG for the period from January 2011 to December 2014. In February 2021, a further audit order was issued for GRENKE BANK AG for the period from January 2015 to December 2020. The tax audits covered insurance taxes. As of the reporting date, the findings are available in the form of notices. As the facts of the case are disputed and GRENKE takes a different position vis-à-vis the tax authorities, objections were filed promptly and in due form and a suspension of execution was applied for. The suspension of execution was granted accordingly. Appeal decisions have not yet been issued as of the reporting date.

In July 2018, an audit order was issued for GRENKE AG for the period from January 2012 to December 2017. In February 2021, another audit order was issued for GRENKE AG for the period from January 2018 to December 2020. The tax audits covered insurance taxes. As of the reporting date, the findings are available in the form of notices. As the facts are disputed and GRENKE takes a different position vis-à-vis the tax authorities, objections were filed promptly and in due form and a suspension of execution was applied for. The suspension of execution was granted accordingly. Appeal decisions are not yet available as of the reporting date.

The tax audit for GRENKE AG and its subsidiaries for the years 2015 to 2019, which began in the previous year, was not yet completed as of the reporting date. There are also no final audit findings yet.

In addition, the tax audits initiated in previous years and in the current year in Switzerland, Italy and Belgium, among others, were partially completed. In some cases, matters are in dispute where GRENKE has taken a different position vis-à-vis the tax authorities and has lodged corresponding appeals. As of the reporting date, no final findings were available for the tax audit that began in France in the previous year. To the extent that final findings are available or uncertain tax positions from disputed matters are to be measured, these were recognised in the consolidated financial statements at the most probable values.

9.4 Consulting and audit fees

The expenses related to the audit fee are comprised as follows:

EURk	2022	2021
Audit services	1'648	1'236
Other assurance services	136	190
TOTAL	**1'784**	**1'426**

In the 2022 financial year, expenses related to prior periods amounted to EUR 253k (previous year: EUR 1,980k) in connection with the 2021 audit.

9.5 Related party disclosures

Third parties are considered to be related when one party controls GRENKE AG, has joint control over GRENKE AG, or has the power to exercise considerable influence over its business or operating decisions. Related parties of the GRENKE Group include persons in key positions and persons closely related to them, and entities controlled by these persons, subsidiaries and associated companies of GRENKE

AG, as well as entities that exercise a considerable influence. In the case of their interim entry or exit during the year, the transactions are shown as of or up to this date in time.

Transactions with other associated companies and subsidiaries

Transactions of GRENKE AG with its subsidiaries are related party transactions. In the event that the transaction is eliminated in the course of consolidation, no disclosure is required. Transactions of the GRENKE Group with associated companies are to be disclosed as related party transactions.

Liabilities to associated companies result from the deposit business and current account balances of GRENKE BANK AG. As of the December 31, 2022 reporting date, GRENKE BANK AG had received deposits and credit balances on current accounts of EUR 12k (previous year: EUR 5,178k) from associated companies. In addition, there are receivables from loans in the amount of EUR 0k (previous year: EUR 1,807k). Interest expenses of EUR 0k (previous year: EUR 0k) and interest income of EUR 0k (previous year: EUR 45k) were incurred. Furthermore, the GRENKE Group has another loan to an associated company in the amount of EUR 0k (previous year: EUR 60k). An impairment loss of EUR 30k (previous year: EUR 0k) was incurred.

There were no reportable transactions with subsidiaries in financial year 2022 or 2021.

Transactions with persons in key positions

Persons in key positions are people who have direct or indirect authority and responsibility for planning, directing and overseeing the activities of the GRENKE Group. Persons in key positions were exclusively sitting members of the Board of Directors and Supervisory Board of GRENKE AG and persons closely related to them such as family members. The comparability of the information is limited due to the departure of Wolfgang Grenke from the Supervisory Board in 2021. Please refer to Note 9.6 of the notes to the consolidated financial statements as of December 31, 2021.

In the course of its ordinary business activities, GRENKE BANK AG provides services to persons in key positions and persons closely related to them. As of the reporting date, GRENKE BANK AG received deposits and credit balances on current accounts of EUR 0k (previous year: EUR 16,918k) from persons in key positions and persons closely related to them. The related interest expense amounted to EUR 0k (previous year: EUR 16k). Credit card accounts not yet settled showed a balance of EUR 0k (previous year: EUR 39k) with a credit card limit of EUR 0k (previous year: EUR 316k) to related persons in key positions as of the reporting date. No further loans were extended to this group of persons during the reporting period. Income of EUR 0k (previous year: EUR 6k) arose with persons in key positions. The prior-year income resulted from the on-charging of data line costs, vehicle costs and other costs. As of the reporting date, there are receivables of EUR 0k (previous year: EUR 1k) from these transactions.

Board of Directors

The following table presents the total remuneration of the members of the Board of Directors in accordance with Section 314 (1) No. 6 and IAS 24.17. A detailed description of the basic features of the remuneration system for the members of the Board of Directors and the Supervisory Board and an individualised presentation of the remuneration in accordance with the provisions of DRS 17 is presented in the remuneration report (www.grenke.com/investor-relations/reports-and-presentations/). Short-term benefits include, among other things, customary benefits in kind.

EURk	2022	2021
Short-term benefits	2'639	2'247
Pension benefits	40	9
Other long-term benefits	0	0
Termination benefits	0	2'193
Share-based remuneration	0	0
TOTAL	**2'679**	**4'449**

Supervisory Board

The remuneration (including fringe benefits) of the Supervisory Board of GRENKE AG at the Consolidated Group level totalled EUR 555k (previous year: EUR 408k). Remuneration for Supervisory Board activities is set out in GRENKE AG's Articles of Association. The remuneration is categorised as a short-term benefit in accordance with IAS 24.17.

Transactions with other related parties

Other related parties include subsidiaries and joint ventures of persons in key positions and persons closely related to them. The comparability of the information is limited due to the departure of Wolfgang Grenke from the Supervisory Board in 2021. Please refer to Note 9.6 of the notes to the consolidated financial statements as of December 31, 2021. Other related parties include persons who have been declared as related parties due to the economic content of the relationship in accordance with IAS 24.10.

Liabilities to other related parties result from GRENKE BANK AG's deposit business and current account balances. As of the December 31, 2022 reporting date, GRENKE BANK AG had received deposits and current account balances of EUR 0k (previous year: EUR 3,477k) from other related parties. Credit lines for current accounts were utilised in the amount of EUR 802k (previous year: EUR 793k) with a current account credit limit of EUR 840k (previous year: EUR 840k). The resulting interest expense amounted to EUR 0k (previous year: EUR 17k) and interest income to EUR 31k (previous year: EUR 31k). Income from other related parties in the amount of EUR 4k (previous year: EUR 433k) resulted from leasing contracts and employee loans in the financial year. In the previous year, income from other related parties mainly resulted from rental income and the on-charging of data line costs, licence costs and other costs. In addition, the GRENKE Group incurred expenses with other related parties in the amount of EUR 0k (previous year: EUR 421k). The expenses in the prior year were mainly interest expenses from loans and commissions. Liabilities in this context, which mainly result from loans, amount to EUR 0k as of the reporting date (previous year: EUR 6,153k). Receivables from other related parties, which mainly consist of collateral payments to other related parties, amount to EUR 4,518k as of December 31, 2022 (previous year: EUR 11,007k).

9.6 Board of Directors and Supervisory Board

The Board of Directors of GRENKE AG consisted of the following members in the 2022 financial year:

- Michael Bücker, graduate business administration, Berg, Germany, Chair of the Board of Directors (until November 21, 2022)
- Dr Sebastian Hirsch, Sinzheim, Germany, interim Chair of the Board of Directors (as of December 1, 2022) and Deputy Chair of the Board of Directors (until November 30, 2022)
- Gilles Christ, MBA, Wissembourg/France
- Isabel Rösler, graduate business administration (BA), Stuttgart, Germany

On November 21, 2022, the Supervisory Board of GRENKE AG revoked the appointment of the Chairman of the Board of Directors, Michael Bücker, at his own request for a limited period until February 28, 2023 due to illness. For further details, please refer to Note 9.8.

Michael Bücker's tasks as CEO have been assumed by the Deputy Chairman of the Board of Directors, Dr Sebastian Hirsch, thus ensuring continuity in the Board of Directors. Michael Bücker's areas of responsibility will continue within the framework of the scheduled rules of representation.

The members of the Board of Directors represent GRENKE AG jointly with another member of the Board of Directors or with an authorised signatory.

Memberships in other statutory supervisory boards and memberships in comparable domestic and foreign supervisory bodies are listed below:

Michael Bücker is a member of the Supervisory Board of GRENKE Service AG, Baden-Baden.

Dr Sebastian Hirsch is a member of the Supervisory Board of GRENKE Service AG, Baden-Baden.

Gilles Christ is a member of the Supervisory Board of GRENKE Service AG, Baden-Baden.

Isabel Rösler is a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden (until December 31, 2022), and GRENKE Service AG, Baden-Baden.

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In the 2022 financial year, the Supervisory Board comprised the following members:

- Prof Dr Ernst-Moritz Lipp, Baden-Baden, Germany, Chairman, Professor of International Finance and Managing Director of ODEWALD & COMPAGNIE Gesellschaft für Beteiligungen mbH, Berlin
- Jens Rönnberg, Mainz, Germany, Deputy Chairman, self-employed auditor/tax consultant, Managing Director of Roennberg UG (limited liability), Mainz
- Norbert Freisleben, Unterschleißheim, Germany, graduate economist and Certified Public Accountant (CPA), Managing Director of NUFA GmbH, Böblingen and Karl Häge Verwaltungs GmbH, Langenau
- Nils Kröber, Neuss, Germany, lawyer, Managing Director of DeaDia Ventures GmbH, Cologne
- Dr Konstantin Nikolaus Maria Mettenheimer, Königstein, Germany, lawyer and tax advisor, Executive Chairman of the Board of Directors of PMB Capital Limited, London, United Kingdom
- Dr Ljiljana Mitic, Munich, Germany, independent management consultant, Managing Director of Venture Value Partners GmbH

The term of office of Prof Dr Ernst-Moritz Lipp ends at the end of the Annual General Meeting that decides on his discharge for the 2022 financial year. The term of office of Nils Kröber ends at the end of the Annual General Meeting that decides on his discharge for the 2022 financial year. The terms of office of Dr Konstantin Nikolaus, Maria Mettenheimer and Dr Ljiljana Mitic end at the end of the Annual General Meeting that decides on their discharge for the 2023 financial year. The terms of office of Jens Rönnberg and Norbert Freisleben end with the end of the Annual General Meeting that decides on their discharge for the 2026 financial year.

Memberships in other statutory supervisory boards and memberships in comparable domestic and foreign supervisory bodies are listed below:

Jens Rönnberg is Chairman of the Supervisory Board of GRENKE BANK AG.

Norbert Freisleben is Chairman of the Supervisory Board of GANÉ AG, Aschaffenburg, and Deputy Chairman of GANÉ Investment AG, Frankfurt am Main.

Dr Konstantin Nikolaus Maria Mettenheimer is a member of the Supervisory Boards of HQ Holding GmbH & Co. KG, Bad Homburg vor der Höhe, HQ Direct GmbH & Co. KG, Bad Homburg vor der Höhe, and TTTech Computertechnik AG, Vienna, as well as Chairman of the Board of Directors of Brunneria Foundation, Liechtenstein, Blue Seas Trust Company Ltd., George Town, Cayman Islands, and Eastwest Trust Company Ltd., George Town, Cayman Islands.

Dr Ljiljana Mitic is a Non-Executive Director of Computacenter plc, London/United Kingdom and Deputy Chairman of the Supervisory Board of GRENKE BANK AG.

9.7 Disclosures on Notifications pursuant to Section 33 (1) WpHG

As part of our investor relations work, we provide comprehensive information on developments in the Company. GRENKE also makes extensive use of the Internet for reporting purposes; the voting rights notifications that have been received are published at www.grenke.com/investor-relations/grenke-share/voting-rights in accordance with Section 40 of the German Securities Trading Act (WpHG).

The following table shows the notifiable shareholdings as of the reporting date. The information relates in each case to the last notification received from a reporting party.

Notifier	Date of notification	Threshold	Threshold met, exceeded or fallen below	Date threshold was met, exceeded or fallen below	Share of voting rights in percent	Share of voting rights	Attribution to WpHG
Universal Investment GmbH, Frankfurt am Main, Germany	December 6, 2022	3%	Exceeded	December 2, 2022	3.02%	1'402'786	Sections 33, 34
Union Investment Privatfonds GmbH, Frankfurt am Main, Germany	November 16, 2022	3%	Fallen below	November 15, 2022	2.98%	1'387'631	Sections 33, 34
Moritz Grenke[1]	May 11, 2022	3%	Exceeded	December 17, 2018	3.05%	1'413'700	Sections 33, 34, 35
Wolfgang Dieter Grenke[2]	May 9, 2022	3%, 5%, 10%, 15%, 20%, 25%, 30%	Fallen below	December 17, 2018	0.04%	16'400	Sections 33, 34
Morgan Stanley, Wilmington, United States of America	March 18, 2022	5%	Fallen below	March 15, 2022	4.95%	2'299'745	Sections 33, 34
Allianz Global Investors GmbH, Frankfurt/Main, Germany	February 16, 2022	3%	Fallen below	February 15, 2022	2.99%	1'395'809	Sections 33, 34

[1] Attribution due to controlling influence on GRENKE Stiftung Verwaltungs GmbH

[2] Discontinuation of attribution due to controlling influence. Mr Wolfgang Grenke no longer has a controlling influence over Grenke Vermögensverwaltung GmbH

9.8 Events after the reporting date

GRENKE AG has announced the conclusion of the purchase agreements for the majority acquisition of 58 percent of the factoring franchise companies in the United Kingdom (GC Factoring Limited), Ireland (GC Factoring Ireland Limited), Poland (GC Faktoring Polska Sp.z.o.o.) and Hungary (GF Faktor Zrt.) on December 29, 2022.

The acquisition of the factoring franchise companies in the United Kingdom, Ireland and Poland took effect in January 2023. In the case of the factoring franchise company in Hungary, the approval of an authority is still pending for the legally effective transfer. In addition, the acquisition of the remaining 42 percent of the shares in the factoring franchise company in Ireland took effect in January 2023.

The purchase price paid for the factoring franchise company in the United Kingdom amounted to EUR 178k (58 percent), EUR 100k (100 percent) for the factoring franchise company in Ireland, EUR 54k (58 percent) for the factoring franchise company in Poland and EUR 3,190k (58 percent) for the factoring franchise company in Hungary.

On January 17, 2023, an existing bond with a coupon of 0.625 percent (interest rate of increase 7.5 percent) was increased by EUR 50,000k.

A new promissory note with a nominal volume of CHF 20,000k and a coupon of 2.25 percent was issued on January 23, 2023.

On January 31, 2023, the GRENKE Group increased the programme volume of the Kebnekaise Funding Limited (SEB AB) ABCP programme by EUR 20,000k. This now gives Grenke Investitionen Verwaltungs KGaA the opportunity to sell receivables up to a total volume of EUR 150,000k.

On February 16, 2023, a further bond with a coupon of 3.95 percent (interest rate of increase 7.218 percent) was increased by EUR 50,000k. Further increases of this bond were made on February 28, 2023 and March 1, 2023 by EUR 49,250k and EUR 25,000k, respectively. The coupon (interest rate of the increases) is also 3.95 percent (7.218 percent).

On February 16, 2023, the GRENKE Group increased the programme volume of the CORAL PURCHASING (IRELAND) 2 DAC (DZ Bank) ABCP programme by EUR 40,198k. This now provides Grenke Investitionen Verwaltungs KGaA with the option to sell receivables up to a total volume of EUR 165,198k.

In addition, a floating-rate bond with a nominal volume of EUR 10,000k was issued on February 23, 2023. The reference interest rate is the 3-month Euribor plus 2.92 percent.

GRENKE AG announced on February 16, 2023 that the former Chairman of the Board of Directors, Michael Bücker would leave the Company on February 28, 2023. His appointment had been revoked on November 21, 2022 until February 28 due to illness.

The Supervisory Board of GRENKE AG appointed interim CEO Dr Sebastian Hirsch as Chairman of the Board of Directors effective February 16, 2023. Dr. Hirsch will continue his duties as Chief Financial Officer on an interim basis.

Dr. Martin Paal, who has been VP Controlling at GRENKE AG since June 2022, is to take over the management of the finance department after a transition and familiarisation phase. With effect from February 16, 2023, he will act as deputy to Dr Hirsch for the finance department.

On February 28, 2023, GRENKE AG acquired 100 percent of the shares in each of the leasing franchise companies in Australia (GC LEASING MELBOURNE PTY LTD and GC LEASING SYDNEY PTY LTD).

There were no other significant events after the reporting date.

9.9 Declaration pursuant to Section 161 AktG

The Board of Directors and the Supervisory Board of GRENKE AG issued the declaration pursuant to Section 161 AktG and made it permanently available to shareholders on the Company's website (www.grenke.com/investor-relations/corporate-governance/).

10. Overview of the GRENKE Group's schedule of shareholdings pursuant to Section 313 (2) HGB

	Registered office	Equity interest Dec. 31, 2022 in %[1]
GERMANY		
GRENKE Service AG	Baden-Baden	100
Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien	Baden-Baden	100
GRENKE BANK AG	Baden-Baden	100
GRENKEFACTORING GmbH	Baden-Baden	100
GRENKE BUSINESS SOLUTIONS GmbH & Co. KG	Baden-Baden	100
GRENKE MANAGEMENT SERVICES GmbH	Baden-Baden	100
GRENKE digital GmbH	Karlsruhe	100
INTERNATIONAL		
GRENKELEASING s.r.o.	Prague/Czech Republic	100
GRENKE ALQUILER S.L.	Barcelona/Spain	100
Grenkefinance N.V.	Vianen/Netherlands	100
GRENKE RENT S.L.	Madrid/Spain	100
GRENKELEASING AG	Zurich/Switzerland	100
GRENKELEASING GmbH	Vienna/Austria	100
GRENKELEASING ApS	Herlev/Denmark	100
GRENKE LIMITED	Dublin/Ireland	100
GRENKE FINANCE PLC	Dublin/Ireland	100
GRENKE LOCATION SAS	Schiltigheim/France	100
GRENKE Locazione S.r.l.	Milan/Italy	100
GRENKELEASING AB	Stockholm/Sweden	100
GRENKE LEASE SRL	Brussels/Belgium	100
GRENKE LEASING LIMITED	Guildford/United Kingdom	100
GRENKELEASING Sp.z o.o.	Poznan/Poland	100
Grenkeleasing Magyarország Kft.	Budapest/Hungary	100
Grenke Renting S.R.L	Bucharest/Romania	100
GRENKE RENTING S.A.	Lisbon/Portugal	100
GRENKELEASING s.r.o.	Bratislava/Slovakia	100
Grenkeleasing Oy	Vantaa/Finland	100
GRENKELOCATION SARL	Munsbach/Luxembourg	100
GRENKEFACTORING AG	Basel/Switzerland	100
GRENKELEASING d.o.o.	Ljubljana/Slovenia	100
GRENKE Kiralama Ltd. Şti.	Istanbul/Turkey	100
GRENKE Renting Ltd.	Sliema/Malta	100
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100
GC Leasing Middle East FZCO	Dubai/UAE	100
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100
GC Lease Singapore Pte. Ltd.	Singapore/Singapore	58
GC Leasing AZ LLC	Phoenix/USA	58
FCT „GK"-COMPARTMENT „G2"	Saint-Denis/France	100[2]
FCT „GK"-COMPARTMENT „G4"	Saint-Denis/France	100[2]
FCT „GK"-COMPARTMENT „G5"	Saint-Denis/France	100[2]
Elektra Purchase No 25 DAC	Dublin/Ireland	0[2]
Opusalpha Purchaser II Limited	Dublin/Ireland	0[2]
Kebnekaise Funding Limited	St Helier/Jersey	0[2]
CORAL PURCHASING (IRELAND) 2 DAC	Dublin/Ireland	0[2]
GF Faktor Zrt.	Budapest/Hungary	0[2]
GC Factoring Limited	London/United Kingdom	0[2]
GC Crédit-Bail Québec Inc.	Montréal/Canada	0[2]
GC Leasing Ontario Inc.	Toronto/Canada	0[2]

GL Leasing British Columbia Inc.	Vancouver/Canada	0[2]
GC Rent Chile SpA	Santiago de Chile/Chile	0[2]
GC Factoring Ireland Limited	Dublin/Ireland	0[2]
GC LEASING MELBOURNE PTY LTD	Melbourne/Australia	0[2]
GC LEASING SYDNEY PTY LTD	Sydney/Australia	0[2]
GC Faktoring Polska Sp.z.o.o.	Poznan/Poland	0[2]
SIA GC Leasing Baltic	Riga/Latvia	0[2]

	Registered office	Equity interest Dec. 31, 2022 in %	Net profit in EURk	Equity in EURk
OTHER INVESTMENTS				
Finanzchef24 GmbH	Munich	13.71	–2.747[3]	–1.880[3]

1 Control is based on a majority of voting rights unless otherwise stated.

2 Control is based on contractual agreements to steer main business activities.

3 Figures are according to most recently available financial statements (under local GAAP).

Country-by-Country-Reporting 2022

Foreword

In accordance with Article 89 of the 2013/36/EU Directive (CRD IV), which was transposed into German law in the form of Section 26a KWG in conjunction with Section 64r (15) sentence 1 KWG, the GRENKE AG Consolidated Group ("GRENKE Group") is required to provide a county-by-country breakdown of information on the company names, type of business activity, geographical location, revenue, number of employees in full-time equivalents, profit or loss before taxes, taxes on profit or loss and public subsidies received.

Disclosures

In this report, the GRENKE Group is publishing the required disclosures as of December 31, 2022. This includes the disclosures required as of the reporting date for all companies included in the scope of consolidation in the context of full consolidation under commercial law, which is identical to the regulatory scope of consolidation. The geographical allocation is based on the legal domicile of the companies.

The management and actions of the GRENKE Group are based on the standards of the German Corporate Governance Code. Additional principles of proper management of the Consolidated Group are set out in detail in the annual financial report. This report distinguishes between leasing, factoring and banking/refinancing activities within the Consolidated Group. The Leasing segment represents the most significant segment for the GRENKE Group and includes all transactions related to the Consolidated Group's leasing activities. Depending on local circumstances, this may also include the leasing of movable goods. Commercial customers primarily lease IT products such as printers, copiers, telecommunications products and software with a net purchase value of EUR 500 or more. The Factoring segment includes traditional factoring services, such as the purchase of receivables for immediate payment. The focus of this segment is on small receivable amounts. The Banking segment includes the activities of GRENKE BANK AG, which primarily contributes to the Consolidated Group's refinancing through the bank's deposit business and purchase of receivables. In cooperation with development banks, it also provides and processes loans for business start-up financing and microcredits for small and medium-sized enterprises (SMEs). In addition, GRENKE BANK AG operates its own leasing business through a branch in Norway, as well as its own factoring business in Italy and Portugal. In the refinancing area, a broad range of refinancing instruments is also provided by subsidiaries and securitisation companies that are consolidated without capital participation under supervisory and commercial law.

The definition of revenue is based on the following items on the income statement in accordance with IFRS:

- Net interest income, excluding the settlement of claims and risk provision
- Profit from service business
- Profit from new business
- Gains (+) and losses (-) from disposals
- Other operating income, including intra-group income
- Other interest result, including intra-group interest result

Reporting

The following overview lists all domestic and foreign companies, including the company name, registered office and type of business activity in accordance with Section 26a (1) sentence 2 point 1 KWG.

Country	Entity	Registered Office	Business activity/ segment
EU COUNTRIES			
Belgium	GRENKE LEASE SRL	Brussels	Leasing
Denmark	GRENKELEASING ApS	Herlev	Leasing
Germany	GRENKE BANK AG	Baden-Baden	Bank/Refinancing
	GRENKEFACTORING GmbH	Baden-Baden	Factoring
	GRENKE Investitionen Verwaltungs Kommanditgesellschaft auf Aktien	Baden-Baden	Leasing/Refinancing
	GRENKE AG	Baden-Baden	Leasing
	GRENKE Service AG	Baden-Baden	Sonstiges
	GRENKE digital GmbH	Karlsruhe	Sonstiges
	GRENKE BUSINESS SOLUTIONS GmbH & Co. KG	Baden-Baden	Leasing
	GRENKE MANAGEMENT SERVICES GmbH	Baden-Baden	Leasing
Finland	Grenkeleasing Oy	Vantaa	Leasing
France	GRENKE LOCATION SAS	Schiltigheim	Leasing
	FCT „GK“-COMPARTMENT „G2“	Saint-Denis	Refinancing
	FCT „GK“-COMPARTMENT „G4“	Saint-Denis	Refinancing
	FCT „GK“-COMPARTMENT „G5“	Saint-Denis	Refinancing
Ireland	GRENKE LIMITED	Dublin	Leasing
	GRENKE FINANCE PLC	Dublin	Leasing/Refinancing
	GC Factoring Ireland Limited	Dublin	Factoring
	Opusalpha Purchaser II Limited	Dublin	Refinancing
	CORAL PURCHASING (IRELAND) 2 DAC	Dublin	Refinancing
	Elektra Purchase No 25 DAC	Dublin	Refinancing
Italy	GRENKE Locazione S.r.l.	Milan	Leasing
	GRENKE BANK AG Branch Italy	Milan	Factoring
Croatia	GRENKE Hrvatska d.o.o.	Zagreb	Leasing
Latvia	SIA GC Leasing Baltic	Riga	Leasing
Luxembourg	GRENKELOCATION SARL	Munsbach	Leasing
Malta	GRENKE Renting Ltd.	Sliema	Leasing
Netherlands	Grenkefinance N.V.	Vianen	Leasing
Austria	GRENKELEASING GmbH	Vienna	Leasing
Poland	GRENKELEASING Sp.z.o.o.	Poznan	Leasing
	GC Faktoring Polska Sp.z.o.o.	Poznan	Factoring
Portugal	GRENKE RENTING S.A.	Lisbon	Leasing
	GRENKE BANK AG – Sucursal em Portugal	Lisbon	Factoring
Romania	Grenke Renting S.R.L.	Bucharest	Leasing
Sweden	GRENKELEASING AB	Stockholm	Leasing
Slovakia	GRENKELEASING s.r.o.	Bratislava	Leasing
Slovenia	GRENKELEASING d.o.o.	Ljubljana	Leasing
Spain	GRENKE ALQUILER S.L.	Barcelona	Leasing
	GRENKE RENT S.L.	Madrid	Leasing
Czech Republic	GRENKELEASING s.r.o.	Prague	Leasing
Hungary	Grenkeleasing Magyarország Kft.	Budapest	Leasing
	GF Faktor Zrt.	Budapest	Factoring
THIRD COUNTRIES			
Australia	GC LEASING MELBOURNE PTY LTD	Melbourne	Leasing
	GC LEASING SYDNEY PTY LTD	Sydney	Leasing
Brazil	GC Locação de Equipamentos LTDA	São Paulo	Leasing
Chile	GC Rent Chile SpA	Santiago de Chile	Leasing
Jersey	Kebnekaise Funding Limited	St. Helier	Refinancing

Canada	GL Leasing British Columbia Inc.	Vancouver	Leasing
	GC Leasing Ontario Inc.	Toronto	Leasing
	GC Crédit-Bail Québec Inc.	Montréal	Leasing
Norway	GRENKE BANK AG BRANCH NOR-WAY	Lysaker	Leasing
Switzerland	GRENKELEASING AG	Zurich	Leasing
	GRENKEFACTORING AG	Basel	Factoring
Singapore	GC Lease Singapore Pte. Ltd.	Singapore	Leasing
Turkey	GRENKE Kiralama Ltd. Şti.	Istanbul	Leasing
United Arab Emirates	GC Leasing Middle East FZCO	Dubai	Leasing
United Kingdom	GRENKE LEASING LIMITED	Guildford	Leasing
	GC Factoring Limited	London	Factoring
United States of America	GC Leasing AZ LLC	Phoenix	Leasing

Country-specific disclosures pursuant to Section 26a (1) sentence 2 points 2–6 KWG follow below. Disclosures are provided on a country-by-country basis according to the IFRS conversion and before inter-group transfers.

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
EU COUNTRIES					
Belgium	25	9.9	1.3	0.2	0
Denmark	28	4.4	–3.3	0.6	0
Germany	774	189.6	21.8	–5.0	0
Finland	41	5.8	–0.9	0.1	0
France	176	51.2	19.4	5.1	0
Ireland	55	241.2	73.7	11.1	0
Italy	204	80.3	35.7	4.5	0
Croatia	17	3.1	0.8	0.1	0
Latvia	5	0.6	0.1	0.0	0
Luxembourg	4	0.6	0.0	0.0	0
Malta	4	0.0	–0.5	0.0	0
Netherlands	33	4.5	–0.6	0.0	0
Austria	20	6.6	1.5	0.5	0
Poland	46	3.1	–1.8	0.2	0
Portugal	60	7.3	1.4	0.3	0
Romania	27	2.3	0.4	0.1	0
Sweden	24	4.5	–1.8	1.5	0
Slovakia	10	0.9	–0.2	0.0	0
Slovenia	8	0.8	0.0	0.0	0
Spain	79	16.8	2.9	1.0	0
Czech Republic	7	0.7	–0.4	0.1	0
Hungary	21	1.5	0.0	0.1	0

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
THIRD COUNTRIES					
Australia	19	5.0	–1.1	0.1	0
Brazil	37	7.9	0.4	2.0	0
Chile	13	0.9	–2.5	0.0	0
Jersey		3.1	0.0	0.0	0
Canada	14	2.5	–0.8	0.0	0
Norway	4	3.0	1.8	0.0	0
Switzerland	35	10.3	–2.0	–0.3	0
Singapore	5	–0.5	–0.9	0.3	0
Turkey	12	1.5	–0.3	0.4	0
United Arab Emirates	13	2.1	–0.6	0.0	0
United Kingdom	79	27.2	13.0	3.9	0
United States of America	4	0.1	–0.6	0.0	0

1 Excluding employees on maternity and parental leave but including executives and trainees.

2 Figures include deferred taxes.

The return on capital was 1.3 percent, according to Section 26a KWG (1) sentence 4.

Independent auditor's report

A. Replication of the independent auditor's report

We have included the financial statements and the combined management report of GRENKE AG, Baden-Baden, for the financial year from 1 January 2022 to 31 December 2022 in this report as Appendix I (financial statements) and Appendix III (combined management report) as well as the electronic renderings of the financial statements and of the combined management report prepared for publication purposes in the versions for which the unqualified audit opinion was signed and issued in Frankfurt am Main on 13 March 2023.

The translation of the original German auditor's report states as follows:

Note: This is a convenience translation of the German original. Solely the original text in German is authoritative.

INDEPENDENT AUDITOR'S REPORT

To the GRENKE AG, Baden-Baden

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

AUDIT OPINIONS

We have audited the consolidated financial statements of GRENKE AG, Baden-Baden, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of GENKE AG for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in section "OTHER INFORMATION".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3) sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German

Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We conducted our audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities 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) letter (f) of the EU Audit Regulation, we declare that we have not provided 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 consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We have identified the following matters as key audit matters to be disclosed in our auditor's report:

1. Determination of allowances for non-performing receivables from finance leases

2. Impairment of goodwill

DETERMINATION OF ALLOWANCES FOR NON-PERFORMING RECEIVABLES FROM FINANCE LEASES

Matter

In GRENKE AG's consolidated financial statements, non-performing lease receivables in the amount of EUR 443.5 million (6.9% of total assets) and allowances of EUR 337.7 million on these receivables are recognized from terminated leases classified as finance leases.

GRENKE AG has allocated these non-performing receivables from finance leases to level 3 and recognizes the allowances in the amount of the lifetime expected loss in accordance with IFRS 9.

In determining the allowances for non-performing receivables from finance leases, discretionary decisions must be made by the legal representatives. These include the selection of the model used to determine the loss rates for non-performing lease receivables, the other estimation parameters used in the model, the assumptions made for this purpose, and possible model adjustments based on the findings of model validations. These judgments are subject to uncertainties that are amplified by current macroeconomic factors. In addition, the determination of allowances is highly complex and dependent on a high level of expertise and knowledge of a limited number of employees and decision makers.

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

For information on the accounting policies applied to non-performing lease receivables, please refer to the notes to the consolidated financial statement in section 3.18.2 "Determination of impairment (risk provisions) for lease receivables" and section 5.2 "Lease receivables" in the notes to the consolidated financial statements.

Auditor's Response

As part of our audit approach, we first performed a risk assessment and evaluated the risk of material misstatement of the allowance for non-performing receivables from finance leases.

Based on this risk assessment, we obtained an understanding of the process used to determine the allowance for such receivables as part of our audit procedures on the internal control system. To this end, we assessed the design of methods, procedures, and controls – including over-arching IT controls – based on a review of guidelines and work instructions for the determination of allowances for non-performing receivables from finance leases and verified their implementation. In addition, we performed tests of operating effectiveness.

Based on this, we performed the following substantive audit procedures in particular, with the assistance of valuation specialists.

We analyzed the fundamental suitability of the valuation model for determining the value adjustments and the suitability of the estimation parameters used in the procedures.

In doing so, we examined whether the key estimation parameters used to determine the allowance were determined in a methodologically appropriate and mathematically correct manner and were correctly included in the model used to determine the allowance for non-performing receivables from finance leases. In addition, we verified the annual validation of key estimation parameters.

We sampled the determination of the key estimation parameters and understood how the data relevant for the determination is derived from the cash flows and balances recorded in the accounting records. A reconciliation was performed with the cash flows and balances recorded in accounting for the underlying contract bases. In a risk-oriented sample, we tested the correctness of the allocation to the processing classes of the receivables from finance leases.

Finally, our audit included the mathematical accuracy of the valuation model used with regard to the valuation allowances determined for non-performing receivables from finance leases.

IMPAIRMENT OF GOODWILL

Matter

Goodwill of EUR 34.9 million (0.5% of total assets) is recognized in the consolidated financial statements of GRENKE AG as of December 31, 2022. The goodwill was allocated to cash-generating units.

Cash-generating units with goodwill are subjected to an impairment test by the Company at least once a year and additionally if there are indications of impairment. The valuation is carried out using a valuation model based on the discounted cash flow method. If the carrying amount of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The calculation of the recoverable amount is complex and, with regard to the assumptions made, highly dependent on estimates and judgements of the Company. This applies in particular to the estimation of future cash flows and long-term growth rates, as well as the determination of capitalization interest rates. The valuation is therefore subject to significant uncertainties. Current interest rate developments have a significant influence on market conditions and the discount rates to be used and increase uncertainty with respect to the valuation of cash-generating units and the related recoverability of goodwill.

Against this background, the recoverability of goodwill was a particularly important audit matter in the context of our audit.

For information on the accounting policies applied, please refer to the disclosures in the notes to the consolidated financial statements in section 3.8 "Goodwill"; for related disclosures on the use of judgment made by management and sources of estimation uncertainty, please refer to the disclosures in the notes to the consolidated financial statements in section 3.18 "Use of assumptions and estimates"; and for disclosures on goodwill, please refer to the disclosures in the notes to the consolidated financial statements in section 5.7 "Goodwill".

Auditor's Response

As part of our audit, we assessed the appropriateness of the valuation method used and the significant valuation assumptions used to derive the respective recoverable amounts, as well as the correct and consistent application of the valuation method with the involvement of our valuation specialists.

For this purpose, we first performed a risk assessment with regard to the valuation of the cash-generating units. On the basis of this risk assessment, we obtained an understanding of the valuation process as part of our audit procedures relating to the internal control system. In particular, we considered the model used by the Company for the valuation, the parameters used therein and the assumptions made in this respect, and assessed the precautions and measures taken preparing the business plans.

With the involvement of our valuation specialists, we assessed the appropriateness of the key assumptions and the valuation model of the Company. To this end, we discussed the forecasts of future cash flows, the planning assumptions and the assumed long-term growth rates with the persons responsible for planning and performed a reconciliation with the Group planning approved by the legal representatives. We also assessed the consistency of the planning on the basis of time series analyses. We also assessed the consistency of the assumptions with external market estimates and other external data sources.

Furthermore, we have convinced ourselves of the Company's forecast quality to date by comparing the projections with the actual results for a selection of value drivers and analyzing deviations.

We compared the assumptions and underlying parameters of the capitalization rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take into account the existing forecast uncertainty, especially against the background of the development of macroeconomic factors, we also examined possible changes in key valuation parameters on the fair value (sensitivity analysis) by calculating alternative scenarios and comparing them with the Company's valuation results.

In addition, based on the information obtained in the course of our audit, we assessed the cash-generating units for which a need for write-downs had already been identified and where there were indications of a need for further write-downs.

In order to ensure the mathematical accuracy of the valuation models used, we verified the Company's calculations based on risk-oriented selected elements.

OTHER INFORMATION

The legal representatives respectively the supervisory board are responsible for the other information. The other information comprises:

- The group statement on corporate governance provided in section 8 of the combined management report,
- the non-financial group statement provided in section 3 of the combined management report,
- the information referred to in the cross-reference in the introduction and in chapter 9 of the combined management report: www.grenke.de/unternehmen/investor-relations/berichte-und-praesentationen,
- the information referred to in the cross-reference in section 2.6.4 "Liquidity" of the combined management report: https://www.grenke.de/unternehmen/investor-relations/fremdkapital/emittierte-anleihen,
- the information referred to in the cross-reference in section 8.5 "Directors' dealings" of the combined management report: www.grenke.de/unternehmen/investor-relations/corporate-governance/directors-dealing,
- the information in sections 1.3.2 "Performance indicators" and 1.3.3 "Non-financial performance indicators",
- the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report, or our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the actions taken or safeguards applied to eliminate independence threats.

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT, PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 (3A) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "GRENKE_AG_KA_2022.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.

- evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the consolidated general meeting on May 25, 2022. We were engaged by the supervisory board on 7 July 2022. We have been the group auditor of the GRENKE AG without interruption since the financial year 2021.

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 (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report for the audited entity or its controlled entities:

- Agreed-Upon procedures report pursuant to ISRS 4400

- Review of the condensed interim consolidated financial statements as of June 30, 2022 and of the quarterly financial report as of September 30, 2022 in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf (IDW) (IDW PS 900).

- Audit of the compensation report in accordance with section 162 (3) AktG (IDW PS 870 (08.2021)).

OTHER MATTER — USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format — including the versions to be published in the German Federal Gazette — are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Schölch.

Frankfurt am Main, March 13, 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Grunwald	gez. Schölch
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

We confirm that to the best of our knowledge, and in accordance with the applicable reporting standards, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Consolidated Group and the management report of the Company and the Consolidated Group conveys a true and fair view of business performance, including financial performance and the position of the Consolidated Group, and describes the main opportunities and risks relating to the Consolidated Group's anticipated development.

Baden-Baden, March 13, 2023

Dr. Sebastian Hirsch
Chair of the Board of Directors (CEO)
Chief Financial Officer (CFO)

Gilles Christ
Chief Sales Officer (CSO)

Isabel Rösler
Chief Risk Officer (CRO)

Annual Financial Statements

GRENKE AG´s complete Annual Financial Statements (HGB) are available at www.grenke.com/investor-relations/reports-and-presentations.

Annual Financial Statements 2022

of GRENKE AG (HGB) Excerpts

Annual financial statements of GRENKE AG

for fiscal year 2022

Grenke AG's Income Statement for the period from January 1 to December 31, 2022

	EUR	2022	2021
1.	Income from leases	665'253'748.68	625'595'738.82
2.	Expenses from leases	431'774'143.22	372'184'722.44
3.	Interest income from	7'440'232.07	6'853'972.88
	a) Lending and money market transactions	7'440'232.07	6'853'972.88
	thereof: Negative interest income from lending and money market transactions	220'609.45	954'884.54
4.	Interest expenses	16'485'194.05	16'703'340.60
	thereof: Positive interest income from lending and money market transactions	220'609.45	953'481.87
5.	Current income from	90'616'536.68	120'604'763.23
	c) Investments in associated companies	90'616'536.68	120'604'763.23
6.	Income from profit transfer agreements	230'713.51	27'976'141.83
7.	Commission income	6'241'008.00	5'851'074.00
8.	Commission expenses	22'139'245.54	15'794'247.76
9.	Other operating income	59'288'359.78	56'525'321.72
10.	General and administrative expenses	121'301'831.81	110'885'417.01
	a) Staff costs		
	aa) Wages and salaries	29'060'314.35	26'164'458.12
	ab) Social security contributions and expenses for pensions and other employee benefits, thereof: for pensions EUR 125,283.24 (previous year: EUR 86,540.16)	4'143'529.74	3'583'122.95
	b) other administrative expenses	88'097'987.72	81'137'835.94
11.	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	164'398'589.56	188'707'258.88
	a) on lease assets	161'120'393.21	184'867'895.82
	b) on intangible assets and property, plant and equipment	3'278'196.35	3'839'363.06

	EUR	2022	2021
12.	Other operating expenses	5'813'883.80	15'002'805.77
13.	Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business	4'884'307.97	2'040'287.54
14.	Write-downs and impairments on other investments, investments in associated companies and securities treated as fixed assets	52'387'876.23	14'736'822.40
15.	Income from write-ups of investments, shares in affiliated companies and securities treated as fixed assets	0.00	15'252'224.00
16.	Expenses from the transfer of losses	7'203'903.68	2'779'274.29
17.	**RESULT FROM NORMAL BUSINESS ACTIVITY**	**2'681'622.86**	**119'825'059.79**
18.	Income taxes	144'284.72	121'450.05
19.	Other taxes	1'390'817.38	1'939'458.78
20.	**NET PROFIT**	**1'146'520.76**	**117'764'150.96**
21.	Profit carryforward from previous year	94'146'851.53	95'442.80
22.	**UNAPPROPRIATED SURPLUS**	**95'293'372.29**	**117'859'593.76**

Grenke AG's Statement of financial position as per December 31, 2022

	EUR	31.12.2022	31.12.2021
1.	Cash reserves	80'000'305.02	58'000'342.26
	a) Cash on hand	305.02	342.26
	b) Cash deposit at central banks		
	thereof: at Deutsche Bundesbank EUR 80,000,000.00 (previous year: EUR 58,000,000.00)	80'000'000.00	58'000'000.00
2.	Receivables from credit institutions	114'714'530.43	144'403'315.01
	a) due on demand	5'613'271.20	37'247'779.83
	b) other receivables	109'101'259.23	107'155'535.18
3.	Receivables from customers	52'334'876.50	39'409'676.03
4.	Investments in associated companies	444'054'671.78	488'554'703.77
	a) in banks	237'272'355.82	271'272'355.82
	b) in financial services institutions	4'276'957.59	4'276'957.59
	c) others	202'505'358.37	213'005'390.36
5.	Lease assets	369'092'146.90	443'424'764.68
6.	Intangible assets	1'013'595.00	1'477'245.00
	b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets	1'013'595.00	1'477'245.00
7.	Property, plant and equipment	16'746'963.30	18'259'237.99
8.	Other assets	110'176'523.30	76'346'333.02
9.	Prepaid expenses	7'891'877.93	8'640'894.23
	TOTAL ASSETS	1'196'025'490.16	1'278'516'511.99

Grenke AG's Statement of financial position as per December 31, 2022

EUR	31.12.2022	31.12.2021
1. Liabilities to banks	75'582.89	37'506'123.60
a) repayable on demand	75'582.89	37'453'215.83
b) with agreed term or notice period	0.00	52'907.77
2. Liabilities to customers	48'190'819.48	35'066'795.20
b) other liabilities		
ba) repayable on demand	6'432'281.55	4'019'859.12
bb) with agreed term or notice period thereof: to financial services institutions: EUR 41,758,537.93 (previous year: EUR 31,046,936.08)	41'758'537.93	31'046'936.08
3. Other liabilities	105'673'439.94	86'445'568.18
4. Accruals and deferrals	311'969'107.98	373'684'068.82
5. Provisions	26'948'086.06	20'079'280.91
c) other provisions	26'948'086.06	20'079'280.91
6. Subordinated liabilities	200'000'000.00	200'000'000.00
7. Equity	503'168'453.81	525'734'675.28
a) Subscribed capital	46'495'573.00	46'495'573.00
b) Capital reserves	304'277'711.09	304'277'711.09
c) Retained earnings		
ca) legal reserves	5'089.87	5'089.87
cc) statutory reserves	48'353.78	48'353.78
cd) other retained earnings	57'048'353.78	57'048'353.78
d) Unappropriated surplus	95'293'372.29	117'859'593.76
TOTAL LIABILITIES AND EQUITY	**1'196'025'490.16**	**1'278'516'511.99**
1. Contingent liabilities		
b) Liabilities from guarantees and indemnity agreements	11'125'815'652.38	10'096'905'035.23

Financial calendar

April 5, 2023 // New Business Figures Q1 2023

May 11, 2023 // Quarterly Statement Q1 2023

May 16, 2023 // Annual General Meeting

July 5, 2023 // New Business Figures Q2 2023

August 10, 2023 // Financial Report Q2 and Q1-Q2 2023

October 5, 2023 // New Business Figures Q3 2023

November 9, 2023 // Quarterly Statement Q3 and Q1-Q3 2023

Disclaimer

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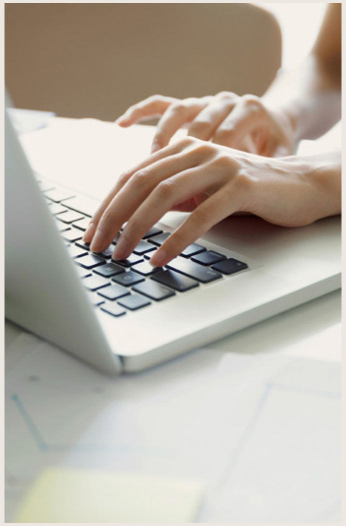
Disclaimer

Figures in this Annual Report are usually presented in EURk and EUR millions. Rounding differences may occur in individual figures compared to the actual EUR amounts. Such differences are not significant in character due to their nature. For reasons of easier readability, gender-specific language is generally avoided, and the respective terms apply equally to all genders to ensure equal treatment.

This Annual Report is published in German and English. The German version shall prevail.



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