2019

ANNUAL REPORT

GRENKE

FAST // FORWARD // FINANCE

KEY FIGURES

GRENKE GROUP

	JAN. 1, 2019 TO DEC. 31, 2019	CHANGE (%)	JAN. 1, 2018 TO DEC. 31, 2018	UNIT
NEW BUSINESS GRENKE GROUP LEASING	2,849,057	18.2	2,409,762	EURK
of which international	2,136,147	18.7	1,799,366	EURk
of which franchise international	82,777	26.9	65,235	EURk
of which DACH*	630,133	15.6	545,161	EURk
Western Europe (without DACH)*	734,483	19.5	614,665	EURk
Southern Europe*	877,797	14.8	764,880	EURk
Northern/Eastern Europe*	481,606	23.0	391,447	EURk
Other regions*	125,038	33.6	93,609	EURk
NEW BUSINESS GRENKE GROUP FACTORING (INCL. COLLECTION SERVICES)	663,432	25.9	526,878	EURK
of which Germany	176,658	2.2	172,852	EURk
of which international	172,436	13.0	152,554	EURk
of which franchise international	314,339	56.0	201,472	EURk
GRENKE BANK				
Deposits	884,151	27.7	692,439	EURk
New business SME lending business incl. business start-up financing	54,124	25.5	43,143	EURk
CONTRIBUTION MARGIN 2 (CM2) ON NEW BUSINESS				
GRENKE GROUP LEASING	485,235	15.4	420,652	EURK
of which international	379,257	15.1	329,522	EURk
of which franchise international	17,542	27.5	13,757	EURk
of which DACH*	88,436	14.3	77,373	EURk
Western Europe (without DACH)*	131,133	18.5	110,658	EURk
Southern Europe*	150,919	7.9	139,923	EURk
Northern/Eastern Europe*	87,368	19.1	73,334	EURk
Other regions*	27,379	41.4	19,364	EURk
FURTHER INFORMATION LEASING BUSINESS				
Number of new contracts	313,818	15.8	271,073	units
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	9.1	2.1	8.9	EURk
Mean term of contract	49	0.0	49	months
Volume of leased assets	8,474	18.7	7,141	EURm
Number of current contracts	937,441	17.9	795,424	units

*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, Hungary, Ireland, Latvia, Norway, Poland, Romania, Sweden, Slovakia, UK/Czech Republic
Other regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE

GRENKE Group = GRENKE Consolidated Group including franchise partners
GRENKE Consolidated Group = GRENKE AG and all consolidated subsidiaries and structured entities according to IFRS

GRENKE CONSOLIDATED GROUP

	JAN. 1, 2019 TO DEC. 31, 2019	CHANGE (%)	JAN. 1, 2018 TO DEC. 31, 2018	UNIT
KEY FIGURES INCOME STATEMENT				
Net interest income	368,938	14.9	321,066	EURk
Settlement of claims and risk provision	125,926	37.2	91,751	EURk
Profit from service business	101,661	18.8	85,582	EURk
Profit from new business	54,253	17.8	46,048	EURk
Gains (+)/losses (–) from disposals	–2,241	13.2	–2,581	EURk
Other operating income	7,596	33.2	5,702	EURk
Cost of new contracts	70,703	18.3	59,750	EURk
Cost of current contracts	21,186	19.1	17,787	EURk
Project costs and basic distribution costs	66,254	4.3	63,513	EURk
Management costs	58,282	6.9	54,519	EURk
Other costs	13,557	31.9	10,281	EURk
Operating result	174,299	10.2	158,216	EURk
Other financial result (income (–)/expense (+))	3,290	94.0	1,696	EURk
Income/expenses from fair value measurement	–309	–535.2	71	EURk
EBT (earnings before taxes)	170,700	9.0	156,591	EURk
NET PROFIT	142,060	8.0	131,494	EURK
EARNINGS PER SHARE (ACCORDING TO IFRS)	2.92	4.7	2.79	EUR
FURTHER INFORMATION				
Dividends	0.88	10.0	0.80	EUR
Embedded value, leasing contract portfolio (excl. equity before taxes)	662	17.6	563	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	1,791	16.4	1,539	EURm
Cost/income ratio	57.3	0.9	56.8	percent
Equity ratio	17.5	–4.9	18.4	percent
Average number of employees in full-time equivalent	1,675	15.0	1,456	employees
Staff costs	115,800	12.8	102,701	EURk
of which total remuneration	95,358	14.3	83,440	EURk
of which fixed remuneration	69,302	12.3	61,714	EURk
of which variable remuneration	26,056	19.9	21,726	EURk

GRENKE Group = GRENKE Consolidated Group including franchise partners
GRENKE Consolidated Group = GRENKE AG and all consolidated subsidiaries and structured entities according to IFRS

AT A GLANCE

OUR COMPANY'S SUCCESS IS BASED ON A PROVEN BUSINESS MODEL THAT PROMOTES STEADY, SUSTAINABLE GROWTH AND A LARGE INTERNATIONAL FOOTPRINT.

STABLE GROWTH

NEW LOCATIONS GRENKE GROUP

4

cell divisions

Belgium, Canada, Spain, United Arab Emirates

GRENKE GROUP NEW BUSINESS

+20%

Volume including franchise partners reaches EUR 3,566.6 million (previous year: EUR 2,979.8 million)

NUMBER OF EMPLOYEES

1,675

Year-on-year increase of 15%
(GRENKE Consolidated Group; previous year: 1,456 employees)

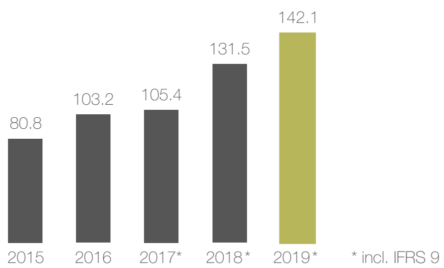
SOLID KEY FIGURES

EQUITY RATIO

17.5 %

The Consolidated Group's equity ratio was above our long-term benchmark of at least 16 percent.

CONSOLIDATED GROUP NET PROFIT

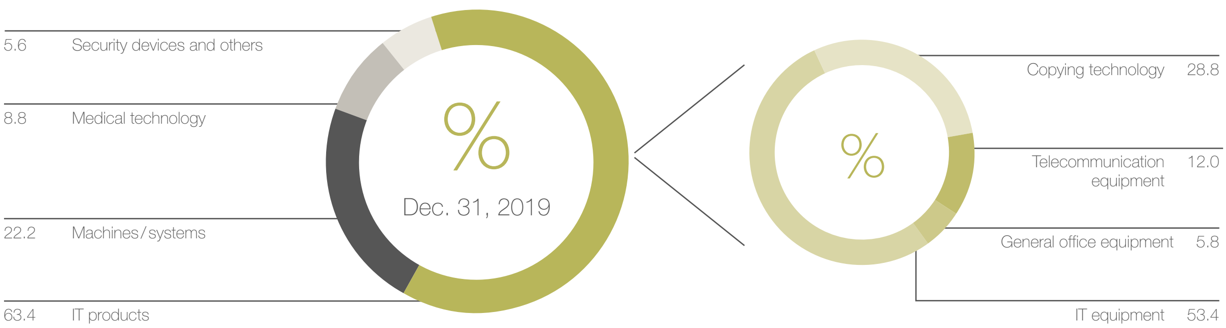


Consolidated Group net profit reached EUR 142.1 million in 2019, placing it within the forecast range of EUR 138 to 148 million, which was revised during the year.

BROADLY DIVERSIFIED

LEASING NEW BUSINESS PORTFOLIO

IT PRODUCTS (IN DETAIL)



GO AHEAD.
WE'LL BACK YOU UP.

From flexible leasing and customised banking solutions to convenient factoring: WITH MORE THAN 40 YEARS OF EXPERIENCE, GRENKE offers tailor-made financing solutions from a single source. And always with a focus on cultivating business relationships based on trust.

We are reinforcing our company's core strengths – "SIMPLE", "FAST", "PERSONAL" and "ENTREPRENEURIAL" – and will always continue developing them.

And in times when change is a constant process, we not only want to react, but to help shape this process successfully.

TOGETHER WE SET OUR SIGHTS ON THE FUTURE.
We are GRENKE.

CONTENT

SIMPLE
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FAST
20

PERSONAL
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ENTREPRENEURIAL
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LETTER FROM THE BOARD OF DIRECTORS

TO OUR SHAREHOLDERS

Sustainability and RELIABILITY as well as the CORPORATE VALUES WE PRACTICE DAILY formed the foundation for our success in the 2019 fiscal year.

MARK KINDERMANN
Member of the Board

GILLES CHRIST
Member of the Board

ANTJE LEMINSKY
Chair of the Board

SEBASTIAN HIRSCH
Member of the Board

DEAR SHAREHOLDERS, EMPLOYEES AND FRIENDS OF THE COMPANY,

The 2019 fiscal year was a challenging year, but also a year of success. We significantly increased our new business and contribution margin, mastered several difficulties and, at the same time, met our high standards for performance. We believe short-term success is important, but even more important is our long-term sustainable growth. We have worked intensely on our strategy this past year. We identified new opportunities and continued to work step-by-step to leverage their potential.

We attracted an even greater number of customers in 2019, among other things, by expanding our international presence. Through cell divisions and intense cooperation throughout our broad network, we expanded this year, particularly in Europe. We also laid the foundation necessary for our further expansion into new markets. Finally, in the first half of 2020, we will strengthen our global presence by opening a new franchise in Arizona (USA). This franchise will give us an opportunity in this leasing market to quickly and successfully establish our business model, which has already enjoyed decades of proven success.

During the 2019 fiscal year, we continued to grow our GRENKE family, with the addition of more than 219 new employees. We invested more than ever in progressive personnel management and a comprehensive range of targeted further education. We are particularly proud of the strong interest expressed in GRENKE as an employer by young people. During the reporting year, we had 78 trainees and students who chose our demanding, professionally diverse, international training programme. We want to expand this programme in the future and make our own contribution to excellent education in as many countries as possible.

In 2019, GRENKE not only positioned itself as an attractive employer but also as an efficient, technologically savvy partner. We increased our digital networking with our partners, among others, by launching a new reseller portal and developing a new interface architecture. We also expanded our eSignature offer, giving even more customers access to an electronic solution to easily conclude financing contracts. These digital solutions include some useful and lasting fringe benefits; namely the ability to save paper and logistics with our partners and customers, which is fully in line with our identity as a responsible and sustainable company.

Sustainability and reliability have shaped our activities for over 40 years and will continue to do so in the future. The key figures from the past fiscal year confirm our ability to grow profitably in the long term while successfully managing risks. With the level of new business at the GRENKE Group exceeding EUR 3.5 billion and an increase in net profit of eight percent to EUR 142.1 million, the Board of Directors and the Supervisory Board are proposing a dividend of EUR 0.88 per share for 2019, which is ten percent higher than in the prior year.

We believe we are well prepared for the future. We are keeping a close eye on the changes in our market environment and intend to seize emerging opportunities. We would like to thank our employees for their tremendous commitment, which allows us to grow together. We would also like to thank our Supervisory Board for always asking the right questions at the right time. And finally, we would like to thank our shareholders for their confidence in us and their commitment.

The Board of Directors of GRENKE AG

A. Leminsky

Antje Leminsky
Chair of the Board

Gilles Christ
Member of the Board

Sebastian Hirsch
Member of the Board

Mark Kindermann
Member of the Board

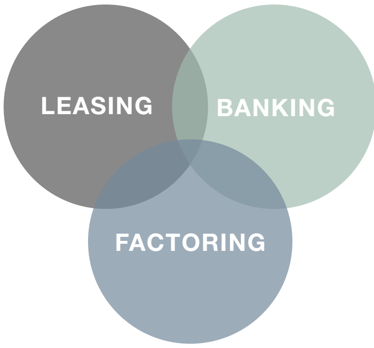
ANTJE LEMINSKY

Chair of the Board of Directors

"We think with you – and then ahead. Always from the perspective of our customers and partners. This makes our solutions SIMPLE."

A ONE-STOP SHOP

Our FINANCIAL solutions



EFFICIENT AND CUSTOMER-FRIENDLY

We build on our longstanding operational experience, digital standardised processes and a lean organisation.

This produces speed, security, maximum cost efficiency and customer value.

A FOCUS ON THE ESSENTIAL / INVESTING IN THE FUTURE

Digital innovations for our customers, partners and employees strengthen our sustainable growth strategy.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The year 2019 for GRENKE AG and the GRENKE Consolidated Group was a challenging year, but we mastered it well. In July, we had to adjust our Consolidated Group net profit forecast for the 2019 fiscal year. Nevertheless, despite difficult economic conditions, we still succeeded in building on the previous years' successes with our proven business model and were able to again achieve a high rate of growth in our new business and net profit. GRENKE, with its outstanding products and processes in the areas of leasing, banking and factoring for small and mediumsized enterprises, and its global presence, continues to look forward to the future with optimism.

The composition of the GRENKE AG Board of Directors also demonstrated its excellent capabilities in 2019. Antje Leminsky, as the successor of Wolfgang Grenke and Chair of the Board of Directors continued to be responsible for the IT, Human Resources Strategy, Consolidated Group Strategy, Risk Controlling and Credit Center divisions. Gilles Christ, as a member of the Board of Directors, continued to be responsible for the areas of Marketing, Sales and Franchise, and Sebastian Hirsch was responsible for the areas of Controlling, M&A, Treasury, Legal, Taxes and Investor Relations during this past fiscal year. Mark Kindermann was again responsible during the fiscal year for Administration, Internal Control Systems (ICS), Human Resources, Accounting, Quality Management, Internal Services, Disposals and Property and Facility Management.

In the 2019 fiscal year, the GRENKE AG Supervisory Board performed the duties assigned to it and worked together constructively and faithfully with the Board of Directors at all times, overseeing the management of business affairs and providing regular advice. The Board of Directors promptly and fully informed the Supervisory Board of all important issues and included the Supervisory Board in all decisions of fundamental significance to the Company.

The Board of Directors and the Supervisory Board coordinated closely, particularly in matters relating to the GRENKE Consolidated Group's strategic direction. The Board of Directors informed the Supervisory Board in detail of all interim developments of the GRENKE Consolidated Group, as well as those of GRENKE BANK AG and GRENKEFACTORING GmbH.

The Supervisory Board carefully reviewed the Board of Directors' reports with regard to their plausibility. The subject and scope of reporting by the Board of Directors fully met the Supervisory Board's requirements at all times. To the extent required by law and the Articles of Association, the Supervisory Board closely examined, discussed and subsequently voted on the Board of Directors' reports and resolution proposals. Matters requiring approval were submitted for resolution in a timely manner.

As the Chair of the Supervisory Board, I also kept myself informed of current business developments outside of the scheduled Supervisory Board meetings, which included developments in the banking business as well as key transactions. I was also thoroughly informed by the Board of Directors of transactions of special significance. The key issues addressed in personal discussions with the Board of Directors included acquisitions and investments, refinancing decisions, compliance issues, internal control and personnel issues.

During the reporting year, the Supervisory Board monitored the Consolidated Group-wide risk management system and the internal control systems in the internal audit, accounting and compliance areas. In the compliance area, this monitoring also included a review of the adequacy of the management procedure applied and the compliance with the relevant provisions of the German Banking Act (KWG compliance). The Supervisory Board also monitored the operating risk control system as well as the appropriateness of the risk management processes, the risk strategy and its implementation. As part of this process, the Supervisory Board received reports from the Board of Directors.

GRENKE Consolidated Group's liquidity and refinancing situation were regular topics of discussion for the Supervisory Board. The Consolidated Group's refinancing was secured throughout the 2019 fiscal year.

The regular topics of the Supervisory Board's discussions included the current business development, the monitoring of the international entities, the discussion of sales development and administrative issues, the status of corporate planning and issues relating to human resource development. With regard to the latter, particular importance was again placed on filling management positions with women. During the reporting year, the decision was made to increase the gender-specific ratio in the 2020 fiscal year to a minimum of 30 percent in each of the two management levels below the Board of Directors. The previous target of 25 percent of management positions filled by women was met in the past fiscal year, and we are confident that the Company and its employees will gain a lasting benefit from this composition. With respect to the proportion of women on the Supervisory Board and Board of Directors, GRENKE is recognised as a leader among the major listed companies in Germany.

Providing a range of digital products and processes is a basic prerequisite for maximising customer value and maintaining cost leadership, which in turn ensure the Consolidated Group's future viability. Our Company has held to this fundamental premise since its foundation. This "digital DNA" is the foundation of our competitive advantage inter-nationally. In order to maintain this competitive edge, in the 2019 reporting year, the Supervisory Board continued to regularly address matters related to the digitisation of the business model, the status and progress of ongoing IT projects, digital forms of distribution, and the GRENKE Consolidated Group's medium-term IT strategy. The medium- and long-term impact of digitisation on the business model was also dealt with in depth. Relevant topics such as the elaboration of GRENKE's IT roadmap were discussed in detail within the scope of the overriding strategy development. The company finux GmbH, founded in 2018 by GRENKE AG and the FinTech company fino digital GmbH, embarked on the next phase of its development during the 2019 fiscal year. The aim of the cooperation is to design a financial cockpit specifically for SMEs to give their decision-makers a product that can assist them with all matters related to finance.

On January 21, 2020, the Board of Directors and the Supervisory Board jointly submitted GRENKE AG's Declaration of Conformity with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act. Barring the exceptions contained in the Declaration, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code". In this 2019 Annual Report, the Board of Directors' report on the corporate governance at GRENKE AG was also submitted on behalf of the Supervisory Board.

The Supervisory Board met on seven occasions in the 2019 fiscal year. The meetings took place on February 1, February 6 (extraordinary meeting), April 3 (extraordinary meeting), May 13, May 14 (extraordinary meeting), July 26 - 28 and November 18. All members were present at the Supervisory Board meetings, except for the meeting on November 18, which one Supervisory Board member did not attend.

The Supervisory Board of GRENKE AG consists of six members, as set in the Articles of Association. At the end of the Annual General Meeting on May 14, 2019, the terms of office of Supervisory Board members Dr Ljiljana Mitic and Florian Schulte, who were reelected, as well as the terms of office of Supervisory Board members Tanja Dreilich and Erwin Staudt, who resigned from the Board, expired. The Supervisory Board would like to thank Tanja Dreilich and Erwin Staudt for their steady commitment and significant contribution to the work of the Supervisory Board. Claudia Krcmar and Heinz Panter were newly elected to the Supervisory Board.

On August 20, 2019, Heinz Panter resigned from the Supervisory Board with immediate effect and left the Supervisory Board. At the request of GRENKE AG, the District Court of Mannheim appointed Jens Rönnberg to the Company's Supervisory Board with effect from November 12, 2019 until the end of the next Annual General Meeting.

During the 2019 fiscal year, the Supervisory Board consisted of the following members:

- Prof Dr Ernst-Moritz Lipp, Chair
- Wolfgang Grenke, Deputy Chair
- Tanja Dreilich (until May 14, 2019)
- Claudia Krcmar (since May 14, 2019)
- Dr Ljiljana Mitic
- Heinz Panter (from May 14 to August 20, 2019)
- Jens Rönnberg (since November 12, 2019)
- Florian Schulte
- Erwin Staudt (until May 14, 2019)

In accordance with its Rules of Procedure, the Supervisory Board formed three committees to allow it to perform its duties efficiently: the Audit Committee, the Personnel Committee and the Strategy Committee. At the Supervisory Board's meetings, the chairs of the committees each reported to the Supervisory Board plenum on the committees' work.

The Audit Committee consists of the following members:

- Tanja Dreilich, Chair (until May 14, 2019)
- Florian Schulte, Chair (since May 14, 2019)
- Prof Dr Ernst-Moritz Lipp
- Wolfgang Grenke

The Audit Committee primarily deals with the issues of internal and external accounting, corporate planning policies, corporate risk man-agement and compliance. Its members have expertise in these areas. The Audit Committee determined the focal points of the audit. The Committee also verified the auditor's independence and concluded the auditor's fee agreement. In the reporting year, the Audit Committee did not learn of any circumstances that would call the independence of the auditor into question.

The Audit Committee prepared the Supervisory Board meeting for the adoption of the annual financial statements and the approval of the 2018 consolidated financial statements. In the presence of the auditor, the annual financial statements were addressed in depth. The Audit Committee and the Board of Directors also thoroughly discussed the quarter-ly financial statements to be published in the reporting year.

The Personnel Committee (Executive Committee) consists of the follow-ing members:

- Wolfgang Grenke, Chair
- Prof Dr Ernst-Moritz Lipp
- Erwin Staudt (until May 14, 2019)
- Heinz Panter (from May 14 to August 20, 2019)

The Personnel Committee is responsible for proposals with regard to the conclusion, amendment and termination of employment contracts with the members of the Board of Directors. Variable remuneration for Consolidated Group executives was also submitted to the Committee for approval.

The Strategy Committee consists of the following two members:

- Prof Dr Ernst-Moritz Lipp
- Wolfgang Grenke

The Strategy Committee was established in 2018 to address fundamental issues concerning business alignment and strategy.

The annual financial statements and the consolidated financial statements of GRENKE AG prepared by the Board of Directors as per December 31, 2019, the combined presentation of the management reports of GRENKE AG and the GRENKE Consolidated Group for the 2019 fiscal year in accordance with Section 315 (5) and Section 298 (2) HGB, and the Board of Directors' proposal on the appropriation of GRENKE AG's unappropriated surplus were all submitted to the Super-visory Board in a timely manner.

The annual financial statements, as well as the condensed financial statements and interim management report for the first six months of the 2019 fiscal year, were reviewed and audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The accounting of the annual financial statements of GRENKE AG was in accordance with the provisions of the German Commercial Code (HGB), taking into consideration the regulations for bank accounting. The HGB annual financial statements as per December 31, 2019, were audited in ac-cordance with the rules and regulations of Section 317 HGB and Ger-man generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

The consolidated financial statements and the group management report for the January 1 through December 31, 2019 fiscal year were prepared in accordance with Section 315e (1) HGB on the basis of the International Reporting Standards as adopted in the EU and in accordance with German Accounting Standard No. 20. The consolidated financial statements were audited in accordance with the rules and regulations of Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW (IDW PS 200). Unqualified audit opinions were issued for both the annual financial statements of GRENKE AG and the consolidated financial statements of the GRENKE Consolidated Group.

The Supervisory Board thoroughly reviewed the financial statements submitted to it by the Board of Directors and the auditor and discussed the result at its meeting on February 3, 2020. The Supervisory Board also reviewed the non-financial statement. The auditor responsible took part and reported on the audit's key findings 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 HGB and the related report. The Supervisory Board has reviewed these disclosures and explanations, which it believes are presented in full in the combined management report, and has thereby adopted them. After completing its own review, the Supervisory Board did not raise any objections to the result of the audit of the annual financial statements by the auditor and adopted GRENKE AG's annual financial statements and approved GRENKE AG's consolidated financial statements on February 3, 2020. The Supervisory Board endorsed the Board of Directors' proposal on the appropriation of GRENKE AG's unappropriated surplus.

On behalf of my colleagues, I would like to extend our sincere appreciation to all employees of the GRENKE Group and its franchise businesses at 148 locations in 32 countries worldwide. The Supervisory Board would also like to thank the members of the Board of Directors for their dedication and service. Their special commitment has made it possible for all of us to look back on successful business performance and important milestones achieved during the past year.

The enthusiasm of our employees for our customer-oriented culture, our digital path and our resilience against crises of all types gives us tremendous confidence in our future. We would especially like to thank the shareholders of GRENKE AG for their loyalty to the Company and would be pleased with their continued support in our promising future.

Baden-Baden, February 3, 2020

On behalf of the Supervisory Board

Prof. Dr. Ernst-Moritz Lipp
Chair

CORPORATE GOVERNANCE REPORT

A sense of responsibility guides all of the GRENKE Consolidated Group's activities. Responsibility and efficiency – also in relation to sustainability – are essential elements of our corporate identity. The Supervisory Board, Board of Directors and our senior executives all identify with the principles of good corporate governance as set out in the German Corporate Governance Code (GCGC). The Supervisory Board, Board of Directors and senior executives are all committed to value-oriented leadership and transparent management and control, as well as to full compliance with the ethical and legal rules of conduct, standards and relevant regulations in the knowledge that good corporate governance is fundamental for building and maintaining trust in the Company. This is especially true with respect to our stakeholders – current and future customers, employees, business partners and investors – who are critical to the Company's long-term success.

GRENKE AG complies with the recommendations of the GCGC in the current version dated February 7, 2017, with only a few justified exceptions. The Board of Directors and the Supervisory Board have thoroughly discussed their compliance with the Code and have adopted the Declaration of Conformity that has been reproduced at the end of this corporate governance report. This declaration is also available on the GRENKE AG website.

1. CONSOLIDATED GROUP MANAGEMENT AND MONITORING

The Board of Directors of GRENKE AG consists of four members, and the Supervisory Board consists of six members. In the opinion of the Supervisory Board, all of its members are independent, with the exception of Wolfgang Grenke. Since March 1, 2018, Mr Grenke has been providing consulting services to GRENKE AG based on a clearly de-fined agreement.

The targets set by the Supervisory Board for a minimum proportion of women of at least 20 percent on the Board of Directors and 33 percent on the Supervisory Board have been met. Roughly half of the Consolidated Group's employees are women. The Supervisory Board considers the current target for female representation as a minimum target that should increase over the long term.

1.1 SUPERVISORY BOARD

During the 2019 fiscal year, the Board of Directors provided the Supervisory Board with regular, detailed and extensive information on the Company's economic situation, the status of corporate planning and current events. In this context, a regular and key component of these reports was the information on new business, sales, digitisation, cost development and the refinancing situation. The Supervisory Board closely coordinated strategic developments with the Board of Directors and discussed issues related to risk management, compliance, risk provisioning and the internal control and internal audit systems.

GRENKE AG's Supervisory Board formed three committees to allow it to perform its duties efficiently. These committees have been given certain authorisations that comply with the Supervisory Boards' Rules of Procedure. The committees prepare the relevant issues and resolutions that are to be discussed in the plenum. The committees' chairpersons report to the Supervisory Board plenum on the work of their individual committees.

1.1.1 AUDIT COMMITTEE

The Audit Committee consists of three members with specific expertise in accounting, corporate planning, risk management and compliance. The Committee primarily deals with external and internal accounting issues, the corporate planning system and risk management. It reviews and monitors the auditor's independence in accordance with Article 7.2.1 GCGC. The Committee also determines the audit's areas of focus and reviews the auditor's fee.

Furthermore, it prepares the Supervisory Board's decision on the adop-tion of the annual financial statements and the approval of the consoli-dated financial statements. In the context of the tasks of the Supervisory Board under the GCGC, the Audit Committee also deals with compli-ance and compliance management issues. The Board of Directors regularly reports to the Audit Committee on the Company's compliance situation, including compliance with the German Banking Act (KWG).

REMUNERATION OF THE BOARD OF DIRECTORS

	FIXED REMUNERATION COMPONENTS		VARIABLE REMUNERATION COMPONENTS				
			ANNUAL REMUNERATION COMPONENTS		LONG-TERM REMUNERATION COMPONENTS	TOTAL	TOTAL
EUR	**Fixed salary and allowances**	**Fringe benefits**	**Performance bonus**	**Bonus**	**Share-based compensation**	**2019**	**2018**
Christ	377,348.72	16,546.93	9,823.92	98,192.40	219,450.00	721,361.97	438,896.95
Hirsch	318,073.80	26,422.95	10,391.08	103,860.82	106,950.00	565,698.65	443,628.25
Kindermann	307,416.24	36,354.38	10,042.91	100,380.82	219,450.00	673,644.35	439,070.49
Leminsky	529,437.72	19,369.87	17,296.05	172,877.62	106,950.00	845,931.26	703,617.30
TOTAL	1,532,276.48	98,694.13	47,553.96	475,311.66	652,800.00	2,806,636.23	2,025,212.99[1]

1 The total amount for 2018 does not include remuneration of EUR 107,380.32 paid to Mr Grenke, who was a member of the Board of Directors until February 28, 2018.

1.1.2 PERSONNEL COMMITTEE (EXECUTIVE COMMITTEE)

The Personnel Committee consisted of three members until August 20, 2019 and two members thereafter. The main task of the Committee is to prepare the Supervisory Board's personnel decisions and submit proposals for concluding, amending, and terminating employment agreements with members of the Board of Directors. The Committee is also responsible for approving the variable remuneration components of the Company's executives.

1.1.3 STRATEGY COMMITTEE

The Strategy Committee consists of two members and concerns itself with fundamental issues related to business alignment and strategy.

1.2 BOARD OF DIRECTORS

The Board of Directors autonomously manages the GRENKE Consolidated Group and is responsible for its operating management, implementing its strategic direction and compliance with the principles of corporate policy. The Board of Directors also prepares the annual financial statements of GRENKE AG, as well as the Consolidated Group's quarterly statements, half-year and annual financial statements. The Board of Directors reports to the Supervisory Board about the Company as a whole, regularly and comprehensively through reports and meeting documents.

Issues relating to strategy and its implementation, planning, business development, risk situation, compliance, financial and earnings situations, strategic and operational business risks and their management are the topic of Supervisory Board meetings and individual discussions with the Chairman of the Supervisory Board. Key decisions, such as those on acquisitions and financing, require the approval of the Supervisory Board. The Board of Directors' rules of procedure contains a list of transactions requiring approval. The Board of Directors and the Supervisory Board are liable to pay damages to the Company in the event of culpable neglect.

2. REMUNERATION REPORT (PART OF THE COMBINED MANAGEMENT REPORT)

2.1 REMUNERATION OF THE BOARD OF DIRECTORS

The principles of the remuneration system for the Board of Directors provide for fixed remuneration components that include non-performance-related fixed remuneration, allowances, fringe benefits such as company cars and the payment of insurance premiums, as well as performance-related remuneration components.

The structure of the remuneration system aims to promote the Consolidated Group's long-term success and create an incentive to assume only those risks that are statistically measurable and controllable and that generate an appropriate return for the respective risk. No incentive is provided for assuming inappropriate risk. GRENKE AG's regulatory capital is neither jeopardised by its remuneration practice nor does it restrict the long-term retention of its equity.

The criteria for the variable remuneration components are defined annually in advance. These criteria are based on the development of the key performance indicators forming part of the GRENKE Balanced Scorecard (BSC) as part of a success bonus and the achievement of a set contribution margin 2, excluding fixed costs (bonus). Upon reaching the relevant value, the bonus is granted in full and amounts to 40 percent of the gross annual fixed salary. If the target is not achieved but falls short of less than 10 percent, the bonus is granted on a pro rata basis. If the level of achievement falls 10 percent or more below the defined contribution margin 2, excluding fixed costs, a bonus is waived completely.

The relevant BSC criteria correspond to the key performance indicators measuring the Consolidated Group's long-term success and thereby the long-term increase in shareholder value. These criteria also include the development in the number of lease contracts, the volume of new business, the contribution margins and the development of losses. The fulfilment of the BSC criteria is assessed retrospectively each quarter, and, based on this assessment, a success bonus is awarded.

The Supervisory Board of GRENKE AG has concluded a phantom stock agreement with all sitting members of the Board of Directors. The value of these phantom stock agreements and, therefore, the obligation of the Company, at the end of this past fiscal year was EUR 632k (December 31, 2018: EUR 0k). There were no payments made under these agree-ments during the fiscal year (2018: EUR 393k).

The maximum possible capital appreciation under all agreements is EUR 450k each based on a virtual number of 15,000 shares each for the lifetime of the respective agreement. The lifetime of the agreements made with Ms Leminsky and Mr Hirsch are fiscal years 2018 – 2020. The lifetime of the agreements with Mr Christ and Mr Kindermann are fiscal years 2019 – 2021, with the latter agreements newly concluded in the 2019 fiscal year.

Under these agreements, members of the Board of Directors are entitled to payments (tranches) for the respective fiscal years equal to the increase in the value of GRENKE AG shares from January 1 to the end of the term of the respective tranche. The increase in value per share corresponds to the difference between the initial value and the target value per tranche during the term of the respective tranches. The initial value is the arithmetic mean of the XETRA closing prices on all trading days from December 1 to December 23 of the respective prior year and at least the value determined in this manner for the first tranche. In the cases of Mr Christ and Mr Kindermann, the initial value for all three tranches was always the mean for the period December 1–23, 2018.

The target value corresponds to the arithmetic mean of the XETRA closing prices on all trading days from December 1 to 23 of the respective fiscal year.

The participants in the programme are required to invest the respective net payment amount in GRENKE AG shares. The Company is entitled, but not required, to render the payment in whole or in part in the form of shares instead of cash for one or more tranches. The shares thus purchased are subject to a vesting period that expires at the end of the second year following the payout of the tranche (approx. three years). In the cases of Ms Leminsky and Mr Hirsch, the vesting period expires at the end of the third year after the payout of the tranche (approx. four years), during which time the shares cannot be freely disposed of.

The payout entitlement is limited to the three tranches (years) in an amount of up to EUR 450k each and is subject to the statutory requirements for appropriate remuneration and the statutory maximum limits for variable remuneration components and specifically to the provisions of the German Banking Act. The payment entitlement for a tranche (and any subsequent tranches) is therefore waived without compensation or replacement when the total of the payment entitlements for previous tranches exceeds EUR 450k.

In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board is entitled to reduce the amount of the payout entitlement, or partially or completely revoke the entitlement to receive a tranche if and to the extent that the increase in value of the share or value inflows are influenced by extraordinary, unforeseeable developments.

GRENKE AG has also taken out a directors' and officers' liability insur-ance policy for members of the Board of Directors. This policy pre-scribes a ten percent deductible per claim for each member of the Board of Directors and is limited to a maximum of one and a half times the annual fixed remuneration for all claims per year. If employment is terminated, the service agreements contain a non-compete clause that provides compensation payments for a period of two years (cap). The amount of the payments is limited to 50 percent of the most recent annual remuneration (cap). Compensation payments are based on the fixed and variable remuneration actually paid in the fiscal year preceding termination. No settlement agreements are in place. During the reporting year, no members of the Board of Directors received benefits or corresponding commitments from third parties based on their position as a member of the Board of Directors.

REMUNERATION OF THE SUPERVISORY BOARD

NAME	POSITION	BASIC REMUNERATION 2019	AUDIT COMMITTEE	PERSONNEL COMMITTEE	STRATEGY COMMITTEE	TRAVEL EXPENSES	TOTAL 2019[1]	TOTAL 2018[2]
EUR								
Prof Dr Lipp	Chair	72,000.00	10,000.00	2,791.66	5,000.00	404.00	90,195.66	52,493.46
Grenke	Vice Chair	60,000.00	10,000.00	3,166.66	5,000.00	0.00	78,166.66	23,800.00
Dreilich	Member (until May 14. 2019)	20,000.00	6,250.00	0.00	0.00	1,133.59	27,383.59	37,268.88
Krcmar	Member (since May 14. 2019)	32,000.00	0.00	0.00	0.00	420.50	32,420.50	0.00
Dr Mitic	Member	48,000.00	0.00	0.00	0.00	1,544.40	49,544.40	30,822.43
Panter	Member (May 14 – Aug, 20. 2019)	16,000.00	0.00	0.00	0.00	0.00	16,000.00	0.00
Rönnberg	Member (since Nov, 12. 2019)	8,000.00	0.00	0.00	0.00	0.00	8,000.00	0.00
Schulte	Member	48,000.00	10,000.00	0.00	0.00	434.00	58,434.00	30,000.00
Staudt	Member (until May 14. 2019)	20,000.00	0.00	833.33	0.00	0.00	20,833.33	32,000.00
TOTAL		**324,000.00**	**36,250.00**	**6,791.65**	**10,000.00**	**3,936.49**	**380,978.14**	**206,384.77[3]**

1 Fixed remuneration (basic remuneration, Audit, Personnel and Strategy Committees) and travel expenses.
2 Fixed remuneration (basic remuneration, Audit and Personnel Committees), variable remuneration and travel expenses.
3 The total amount for 2018 does not include remuneration of EUR 12,983.34 paid to Mr Witt, who was a member of the Supervisory Board until May 3, 2018.

2.2 REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was adjusted by a resolution passed at the Annual General Meeting on May 14, 2019. Previously, the members of the Supervisory Board had received fixed remuneration in addition to variable remuneration that was dependent on the respective dividend payment. In accordance with Section 25d (5) KWG, members of the Supervisory Board of a financial services institution may not receive variable remuneration components.

Consequently, the remuneration of the Supervisory Board was revised and appropriately increased in line with the importance of the office and the tasks associated with it.

The members of the Supervisory Board are to receive fixed remuneration of EUR 48,000; the chair is to receive EUR 72,000 and the vice chair EUR 60,000 for each full fiscal year of membership. Members of the Audit Committee receive an additional EUR 10,000, and the Committee chairpersons receive an additional EUR 15,000. The fixed remuneration of Supervisory Board members who are also members of the Personnel Committee increases by EUR 2,000 and the chair's fixed compensation increases by EUR 3,500. Members of the Strategy Committee receive an additional EUR 5,000 for each fiscal year. The fixed remuneration and the compensation for committee memberships and chairmanships are calculated on a pro rata basis for members who serve on the Supervisory Board for only part of a fiscal year.

GRENKE AG has also taken out a directors' and officers' liability insurance policy for Supervisory Board members. This policy prescribes a ten percent deductible per claim for each member and is limited to a maximum of one and a half times the annual fixed remuneration for all claims per year.

The Company also reimburses the members of the Supervisory Board for their expenses and VAT insofar as they are entitled to invoice the tax separately and exercise this right to do so.

3. ACCOUNTING, FINANCIAL STATEMENT AUDITS AND FINANCIAL REPORTING

GRENKE Consolidated Group's management report and the management report of GRENKE AG are prepared in accordance with Sections 315 (5) and 298 (2) HGB and summarised in a combined section. Information on any arising discrepancies is explained in the manage-ment report for GRENKE AG.

SEE MANAGEMENT REPORT ON PAGES 21–80.

The accounting policies applied in the preparation of the consolidated financial statements for the January 1 to December 31, 2019 fiscal year were applied in accordance with the applicable rules and regulations of International Financial Reporting Standards. In preparing the consolidated financial statements and the group management report, the Company was also subject to and applied the provisions of German commercial law under Section 315a HGB. Further information on the scope and subject matter of the audit of the financial statements in accordance with Section 317 HGB and the duties of the Audit Commit-tee are also contained in the Report of the Supervisory Board.

SEE REPORT OF THE SUPERVISORY BOARD ON PAGES 7–10.

4. TRANSPARENCY AND REPORTING TO SHAREHOLDERS

The Company makes its announcements by publishing them in the Federal Gazette. GRENKE also uses a variety of other channels to provide shareholders and the public with comprehensive information. Further information on this can be found in the section entitled "Shares and Investor Relations".

SEE SHARES AND INVESTOR RELATIONS ON PAGES 17–19.

5. COMPLIANCE

For information about compliance, please refer to the explanations in the non-financial statement.

SEE NON-FINANCIAL STATEMENT ON PAGES 39–51.

6. CONTROLLING AND RISK MANAGEMENT

In the context of risk management, all relevant employees and the Board of Directors should be given the ability to consciously manage risks and seize opportunities. The Minimum Requirements for Risk Management (MaRisk) set out by the Deutsche Bundesbank and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) as well as the Banking Supervisory Requirements for IT (BAIT) all apply. Further details on risk management and responsibilities can be found in the management report.

SEE REPORT ON RISKS, OPPORTUNITIES AND FORECASTS ON PAGES 52–74.

7. DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD ON THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) IN ACCORDANCE WITH SECTION 161 AKTG

On January 21, 2020, the Board of Directors and the Supervisory Board of GRENKE AG issued the following Declaration of Conformity:

"The Board of Directors and the Supervisory Board of GRENKE AG declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that, since the submission of the last Declaration of Conformity on February 1, 2019, the recommendations of the "Government Commission German Corporate Governance Code" set forth in the GCGC as amended on February 7, 2017, have been complied with and will be complied with in the future with the following exceptions:

When determining the total remuneration of the individual members of the Board of Directors, the Supervisory Board ensured that it was commensurate with the performance and tasks of the respective mem-ber of the Board of Directors and the Company's situation. The Supervisory Board regularly reviews the appropriateness of the Board of Direc-tors' remuneration. Nevertheless, by derogation from **Article 4.2.2 (2) of the GCGC**, when assessing the compensation of the Board of Directors, the relationship between the remuneration of the Board of Directors and the remuneration of the senior management and the workforce as a whole is currently not explicitly taken into account, nor its development over time. GRENKE AG is a medium-sized company whose Board of Directors' remuneration is moderate – both in relation to the remuneration of the workforce and its development over time. Therefore, the recommendation aimed at large companies with high Board of Directors' remuneration is unsuitable.

Deviating from the recommendation in **Article 4.2.3 (2) Sentence 6 GCGC**, the Board of Directors' compensation does not stipulate a cap on the overall or variable compensation. GRENKE AG's compensation of the Board of Directors is at a comparable level to other medium-sized businesses of similar size. Here, too, the GCGC's recommendation to provide a cap for the Board of Directors' overall compensation is aimed at large enterprises with high compensation for their Board of Directors. For GRENKE AG as a medium-sized company, this recommendation is unsuitable.

Deviating from the recommendation in **Article 4.2.3 (4) of the GCGC**, the contracts of the sitting members of the Board of Directors do not stipulate a severance payment cap because the Board of Directors' service contracts are generally concluded solely for the duration of the term of appointment and cannot be terminated for cause. Early termina-tion of a Board of Directors' contract without good cause can therefore not be made unilaterally, but only by mutual consent. Board of Directors' contracts do not contain any severance payment rules that are linked to corporate events, particularly to a change of control.

The recommendation set forth in **Article 4.2.5 (3) and (4) of the GCGC** was not complied with. Specifically, the "model tables" of the "German Corporate Governance Code" for reporting the remuneration of the Board of Directors have not been used. The individualised remuneration for each member of the Board of Directors is presented in a transparent manner and pursuant to statutory provisions in the remuneration report, which forms part of the combined management report for the 2019 fiscal year. The Supervisory Board and the Board of Directors are of the opinion that an additional or alternate presentation of the remuneration components of the individual members of the Board of Directors is not necessary for the interests of shareholders or reasons of transparency.

Both the composition of the Board of Directors and the proposals for the election of Supervisory Board members should, according to the rec-ommendations of **Article 5.1.2 and 5.4.1 of the GCGC**, take into account an age limit to be specified, as well as diversity, among other things. The Company is of the opinion that the knowledge, skills and experience required in the respective areas of business or responsibility should be decisive for the selection of a suitable candidate for the composition of the Board of Directors and the proposals for the election of the Supervisory Board. The aforementioned recommendations of the GCGC are observed in the composition of the Board of Directors and in the proposals for the election of Supervisory Board members.

According to **Article 5.3.3 of the GCGC**, the Supervisory Board shall form a nomination committee consisting exclusively of shareholder representatives who propose suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting. The Super-visory Board of GRENKE AG currently consists of a total of six mem-bers to be elected exclusively by the shareholders. The Board of Direc-tors and Supervisory Board do not consider the formation of a further committee necessary. The Company considers the transparency of the selection procedure as desired by the Commission in Article 5.3.3 of the GCGC as guaranteed even without a corresponding committee. The recommendation in Article 5.3.3 is therefore not followed.

According to **Article 5.4.1 of the GCGC**, a limit for the regular length of membership shall be specified for members of the Supervisory Board. As mentioned above, the individual knowledge, skill and experience of Supervisory Board members are decisive for the composition of the Supervisory Board. This expertise of the Supervisory Board members, which is necessary for the proper performance of the Supervisory Board tasks and important for GRENKE AG, shall be maintained in its entirety. For this reason, a limit for the regular length of membership in the Supervisory Board is waived".

Baden-Baden, January 21, 2020

GRENKE AG

On behalf of the Board of Directors **Antje Leminsky**	On behalf of the Supervisory Board **Prof. Dr. Ernst-Moritz Lipp**

SHARES AND INVESTOR RELATIONS

1. INVESTOR RELATIONS

Open, continuous communication with all capital market participants and the public is a matter of course at GRENKE AG, which is why we place significant value on maintaining direct contact with our analysts, investors, private shareholders and representatives of the media. We maintain frequent contact with institutional investors by means of conference calls and one-on-one meetings. We presented GRENKE at investment conferences held in Baden-Baden, Berlin, Frankfurt, Munich, Warsaw and other cities in the reporting year. We also visited investors during roadshows in North America, Madrid and the UK, among others. All in all, we were in contact with over 200 institutional investors in 2019. To strengthen and further expand this network, our employees in the IR department also participate in a number of different capital market events.

The main forum for our private shareholders is the Annual General Meeting. Company-nominated proxies can be authorised to exercise voting rights, even in the shareholder's absence. We offer the public and all those who are not able to attend the meeting personally the opportunity to follow the speech of the Chair of the Board of Directors as well as the general debate via Livestream on our website where you can also find the latest investor relations news, press releases and financial reports. We also offer a tailored news service. The routine financial reporting dates are summarised in the financial calendar and on our website.

During the reporting year, a total of seven renowned investment banks covered GRENKE shares. The latest analyst recommendations are published on our website.

In November 2019, we placed a conventional bond of EUR 300 million and a hybrid bond of EUR 75 million. The proceeds from these place-ments helped us to strengthen our liquidity for additional new business while expanding the equity base for future growth – both of which are essential to continue pursuing our internationalisation strategy and further developing the GRENKE Consolidated Group's product and service portfolio.

FOR THE SHARE PRICE PERFORMANCE IN THE REPORTING YEAR, PLEASE SEE THE DIAGRAM ON THE FOLLOWING PAGE

2. INVESTMENT CASE

We promote GRENKE's shares in the capital market by focusing on our key earnings and value drivers and our business model's unique selling points, which include:

- our competitive advantage and high barriers to entry based on our high level of standardisation and digitisation resulting in speed at the Point of Sale (POS);
- the international roll-out of our unique selling points as a success factor for our growth strategy;
- broadly diversified financial solutions for SMEs;
- market leadership in Europe in our core business;
- long-standing, crisis-resistant and proven risk management; and
- a high intrinsic value of our share.

Our strategic goals remain sustainable expansion, profitable long-term growth and successfully managing risks. Focusing on these aspects enables us to continue to achieve solid earnings growth. The focus of our international growth is on the countries and products that offer a favourable competitive environment and an attractive risk-reward profile. In doing so, it is important that we do not make it a rule to avoid risk but assess it as correctly as possible and enforce adequate margins. A key prerequisite for this – the ability to effectively control costs and risks – is fulfilled by our proven and continually updated proprietary IT-based scoring model for forecasting losses.

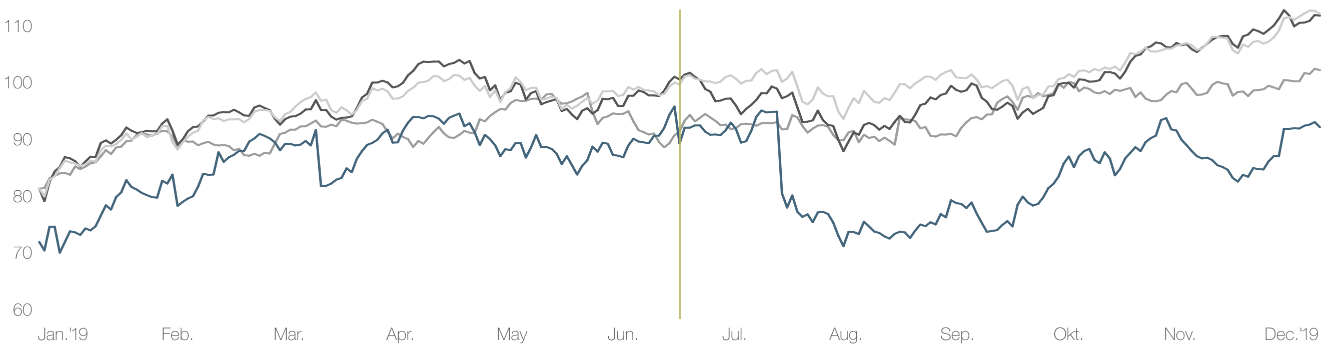
Since 1994, we have been assessing our clients' creditworthiness by calculating expected losses. The trend in our loss rate has repeatedly confirmed the quality of this system, particularly during the global financial market crisis, when it proved to be a reliable tool. This is true for both our domestic as well as our international business.

3. DIVIDEND POLICY

Continuity, return and the security of the capital base for future expan-sion are the central criteria of our long-term dividend policy. This is one reason why GRENKE shares are considered a good investment with attractive growth prospects in addition to their high intrinsic value and recurring stream of current income. GRENKE has traditionally had a strong equity base that secures favourable refinancing opportunities. Our consistently good ratings are based not only on our strong equity base but also on our high return on equity, even in times of strong growth. Together these factors give us access to a variety of refinancing alternatives at attractive conditions. At the end of the 2019 fiscal year, the GRENKE Consolidated Group's equity ratio was 17.5 percent following 18.5 percent in the previous year. Based on the ongoing solid business development during this past fiscal year, the Board of Direc-tors and the Supervisory Board intend to propose a dividend of EUR 0.88 per share at GRENKE AG's Annual General Meeting on May 19, 2020. This would mark the tenth consecutive year the Company has increased its dividend per share.

GRENKE'S SHARE PRICE PERFORMANCE (JANUARY 1 THROUGH DECEMBER 31, 2019)

GRENKE AG (Xetra) SDAX (indexed) DAXsector Financial Services (indexed) MDAX (indexed) Listing to the MDAX (24.06.2019)



REFERENCE DATA

Symbol / Bloomberg / Reuters	GLJ / GLJ_GR / GLJn.DE
ISIN	DE000A161N30
Market segment	Regulated market (Prime Standard)
Index	MDAX
Designated sponsors	ODDO BHF AG; HSBC Trinkaus and Burkhardt AG
Total number of registered shares outstanding	46,353,918
Class	No-par-value shares (registered shares)
Notional nominal value per share	EUR 1.00
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)

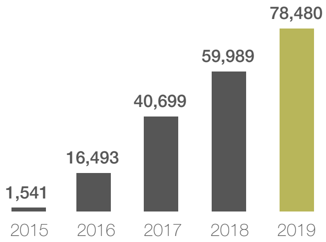
SHARE DATA (ADJUSTED FOR THE 1:3 STOCK SPLIT AS PER JULY 10, 2017)

	2019	2018	2017	2016
CLOSING PRICE ON LAST DAY OF FISCAL YEAR	EUR 92.25	EUR 74.20	EUR 79.16	EUR 49.67
Highest share price	EUR 96.70	EUR 107.30	EUR 86.12	EUR 66.00
Lowest share price	EUR 68.95	EUR 69.10	EUR 48.80	EUR 45.52
MARKET CAPITALISATION	EUR 4,276 MILLION	EUR 3,439 MILLION	EUR 3,508 MILLION	EUR 2,201 MILLION
Earnings per share	EUR 2.92	EUR 2.79 **	EUR 2.31	EUR 2.29
Dividend per share*	0.88 EUR	EUR 0.80	EUR 0.70	EUR 0.58
PRICE-EARNINGS RATIO	31.6	26.6**	34.3	21.7

Share prices based on XETRA closing prices.
* 2019: Proposal to the Annual General Meeting
** Prior-year figure adjusted (see Notes to the Consolidated Financial Statements, Note 2.1.5 FIRST-TIME ADOPTION OF IFRS 16)

EXPANSION OF THE ELECTRONIC SIGNATURE SOLUTION

Number of contracts concluded with this solution



EXPANSION OF DIGITAL SERVICES

New markets / regions

+1

Australia

DIGITAL STANDARDISED PROCESSES

Signing App

8

Austria, Belgium, Croatia, Denmark, France, Germany, Great Britain, the Netherlands

GILLES CHRIST
Member of the Board

"FAST and DIRECT to your personal solution. Innovation doesn't wait: that is why we make decisions fast and SIMPLE."

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF GRENKE AG

The following is the combined management report for the GRENKE Consolidated Group (the "Consolidated Group") and the Consolidated Group's parent company GRENKE AG (the "Company") for the 2019 fiscal year (January 1 to December 31). This report also includes the Non-Financial Statement for the GRENKE Consolidated Group. The Consolidated Group reports in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The Company reports in accordance with the German Commercial Code (HGB). The Company's consolidated financial statements and annual financial statements for the 2019 fiscal year are published in the Federal Gazette (Bundesanzeiger). The fiscal year 2019 Annual Report is also available online as a PDF document at www.grenke.de/en/investor-relations/financial-reports.

1. CONSOLIDATED GROUP PRINCIPLES

1.1 GRENKE OVERVIEW

1.1.1 CORPORATE PROFILE

The GRENKE Group acts as a global financing partner for small and medium-sized enterprises (SMEs). Customers have access to solutions from a single source: from flexible small-ticket leasing and demand-driven banking products to convenient factoring. Fast and easy processing, along with personal contact with customers and partners, are a key focus. Founded in Baden-Baden, Germany, in 1978, the Company as per the end of the 2019 fiscal year operated worldwide with more than 1,700 employees in 32 countries.

1.1.2 ORGANISATIONAL STRUCTURE

GRENKE AG is the parent company of the GRENKE Consolidated Group with 42 subsidiaries. Since 2003, the Consolidated Group has employed a franchise model to penetrate new regional markets. GRENKE AG does not own interests in the legally independent companies of the franchisees and for this reason a distinction is made in the combined management report between the GRENKE Consolidated Group (GRENKE AG including its consolidated subsidiaries and structured entities) in accordance with IFRS standards and the GRENKE Group (the Consolidated Group, including its franchise partners).

The management of GRENKE AG is performed by a Board of Directors based at the Company's headquarters in Baden-Baden, which as per December 31, 2019 consisted of four members. The Company's Supervisory Board consists of six members in accordance with the Company's Articles of Association.

A PROVEN, SCALABLE BUSINESS MODEL:

"The proportion of product groups outside of the traditional IT business in leasing has been increasing steadily for several years."

1.1.3 BUSINESS MODEL

As a provider of financing solutions for small contract volumes, a fundamental prerequisite for GRENKE's economic success is maintaining the highest level of processing efficiency possible and a low level of related direct costs. To accomplish this, the GRENKE Group gears its business model towards optimising efficiency across all core operating processes through broad standardisation, comprehensive IT-based automation, speed and maintaining a lean organisation. The management believes that this has allowed the Group to build a significant and unique advantage over the past years.

By providing a traditional range of lease financing for lower value IT and office communication products and software starting at a net purchase price of EUR 500, GRENKE has defined and developed a market that is addressed only selectively by many of the lease providers. The net acquisition value for more than 90 percent of the Group's leases is less than EUR 25k. This market segment differs significantly from the general leasing market, where the size of the tickets tends to be much higher.

The Group has also been expanding its business model in the past several years to include new product groups such as small machinery and systems, and medical and security devices. In 2019, the share of the Group's new business contributed by these product groups amounted to 35 percent compared to 32 percent in the prior year.

The demand in GRENKE's relevant markets is only loosely correlated with economic investment overall. Lease finance has proven to be a liquidity-saving alternative for SMEs, particularly in phases of economic downturn. In contrast, the rising number of bankruptcies and related loan defaults experienced in economically difficult times tends to result in higher losses for lessors, which is reflected both in our risk provisions in the income statement and the expectation of future losses for new business (CM2). All in all, during the past several years, the GRENKE Consolidated Group's business model has proven itself time and again. Even in the face of economic fluctuations, the Consolidated Group has always been in a position to enforce risk-adequate margins and grow profitably on a sustained basis.

Over the past several years, GRENKE has been entering new international markets and, since 2003, has done this initially through franchise partners. Under this approach, GRENKE AG has the right to acquire the respective franchise companies after a previously agreed period of time of usually four to six years. The purchase price is based on a formula determined at the time the franchise contract is concluded that takes not only market parameters into account but also the business performance of the individual franchise company. GRENKE AG has used this method for the past several years to acquire the businesses of 17 of its former franchisees. At the end of 2019, the Group was represented by leasing franchises in Australia, Canada, Chile, Latvia and Singapore. Under its franchise model, GRENKE AG provides partners expertise as well as an operating infrastructure, numerous services and permission to use the Company's name. GRENKE AG typically refinances the operating businesses associated with the rental, lease and factoring contracts between franchisees and their customers.

1.1.4 SEGMENTS

The Consolidated Group is divided into three segments – Leasing, Banking and Factoring – in accordance with its organisational structure. In contrast to the organisation of the business units at the Group level, these segments do not contain the activities of the franchise companies. For a description of the business development in the segments during the reporting year, please refer to the comments in "Segment Development" on p. 34 of the combined management report and the section entitled "8. Segment reporting" contained in the notes to the consolidated financial statements.

The Leasing segment continues to represent the core business of the Consolidated Group. In the reporting year, this segment contributed 92 percent of the total operating segment income. The Leasing segment comprises all of the Consolidated Group's activities related to its role as a lessor. The range of services under this segment includes assuming the financing for commercial lessees, leasing, service business, service and maintenance offers for lease objects and the disposal of used equipment.

The Banking segment comprises the activities of GRENKE BANK AG ("GRENKE Bank"), which acts as a financing partner mainly for SMEs. In the context of cooperating with a variety of federal government and state development banks, GRENKE Bank in Germany offers business start-up financing and provides development loans to SMEs and self-employed professionals who want to finance new business purchases through lease financing. GRENKE Bank also offers straightforward investment alternatives such as fixed deposit products to private and business customers via its website.

Via its Factoring segment, GRENKE offers traditional factoring services with an emphasis on small-ticket factoring. In the context of non-recourse factoring, this segment offers notification factoring (the debtor is notified of an assignment of the receivables) and non-notification factoring (the debtor is not notified of an assignment of the receivables). This segment also provides recourse factoring, where the del credere risk remains with the customer.

1.1.5 INVESTMENTS

In addition to its proprietary business activities, the GRENKE Consolidated Group has undertaken individual strategic investments in recent years.

In 2015, GRENKE Bank acquired a 25.01 percent stake in the Berlin-based Cash Payment Solutions GmbH (CPS). Through its payment service “Barzahlen”, the fintech company, founded in 2011, offers customers the ability to make cash deposits and withdrawals and settle invoices for a wide variety of industries by visiting one of its roughly 12,000 partner outlets at German retailers. During the reporting year, “Barzahlen” expanded its network in Austria and Switzerland and, in addition to the DACH region, has made its payment service available in Italy since the beginning of the year under the name “viacash” at over 200 partner outlets of a retail group.

In 2016, GRENKE Bank acquired a 15 percent interest in Finanzchef24 GmbH based in Munich. Founded in 2012, this company is the first digital insurance broker for commercial customers in Germany, operating an online financial portal that enables entrepreneurs and self-employed professionals to compare and conclude insurance policies online. Since the target customers of Finanzchef24 and GRENKE Bank overlap to a large extent, GRENKE Bank has been offering current accounts and loans to business customers via the online portal since 2017, whereas GRENKE Group has been providing financing solutions.

In 2018, GRENKE digital GmbH and the Kassel-based fintech company fino digital GmbH founded the affiliated company finux GmbH in which GRENKE digital GmbH holds 44 percent of the capital and voting shares. The aim of this cooperation is to develop a financial cockpit designed specifically for SMEs and provide decision-makers a product that can assist them in all matters related to finance.

1.1.6 BUSINESS PROCESSES AND SERVICES

During the 2019 fiscal year, GRENKE took the first steps to concentrate its sales organisation. Going forward, GRENKE will offer customers – regardless of whether they are leasing, banking or factoring customers –a complete range of financing solutions. By bundling its sales activities, GRENKE expects to be better able to implement GRENKE’s principles: “simple, fast, personal and entrepreneurial”.

As part of this effort, GRENKE Business Solutions GmbH & Co. KG (GBS) was established on March 1, 2019 as the new sales organisation for GRENKE AG, thereby absorbing the sales staff of the leasing business unit in Germany. Europa Leasing GmbH, acquired in 2017, also merged with GRENKE AG in the reporting year.

GRENKE’s leasing business utilises a multitude of distribution channels. Specialist reseller partners arrange financing agreements with end customers, supported by GRENKE employees in local sales offices. Manufacturers are supported by key account managers, and selected corporate clients are offered leasing solutions in the direct business by the Consolidated Group’s sales department, which operates independently of manufacturers and specialist resellers. Customers benefit from increased flexibility in utilising lease financing and in setting terms and conditions.

GRENKE has undertaken a continuous expansion in its range of digital offers for the past several years. The focus of this expansion has been the “eSignature” service offer, introduced in 2015, which enables lease contracts to be processed entirely digitally and, thereby, quickly and easily. This service is now available in 20 markets; and its acceptance continues to grow. The number of contracts concluded via eSignature in the reporting year grew disproportionately once again, increasing by a total of 31 percent. As a result, 25 percent of all leases were concluded using this service (2018: 22 percent), which is equivalent to a quarter of all lease contracts concluded in the reporting year. The “Signing App” enables lease contracts to be signed digitally on a tablet or smartphone. This service was introduced in 8 additional countries in 2019, making it available in a total of 11 countries. Another digital service available in the customer portal is the electronic dispatch of invoices by email. This service was rolled out initially in 9 countries in 2019.

The progressive digitalisation of services and applications is also reflected in the range of products and services offered by GRENKE Bank. With the GRENKE Banking App, accounts and credit cards can be managed via a mobile application. This app also features a reminder function that can be used to make transfers, pay outstanding invoices or make recurring payments while on the road or at home. As per this past fiscal year, the GRENKE Banking App can also be used to transfer funds using photo images. Another online service offered by GRENKE Bank is the GRENKE Cash App. This app gives customers the option to withdraw cash or make deposits to their account at a partner branch of German retailers. An online system for opening current accounts was also rolled out in the reporting year. A total of 1,300 current accounts were opened utilising this app, representing an increase of more than 300 percent over the prior year. In 2019, the online platform “Für Gründer” (For Entrepreneurs) named GRENKE BANK AG’s current account the price-performance winner in the field of online accounts for corporations in a comparison. GRENKE Bank also offers a variety of fixed-term deposits through its cooperation with the fintech portal “WeltSparen” and N26 bank. GRENKE Bank offered fixed-term deposit products exclusively to the customers of Hoerner Bank AG for the first time in the 2019 fiscal year as part of a pilot project.

One of the focal points in the lending business for SMEs is GRENKE Bank's participation in the "Mikrokreditfonds Deutschland" sponsored by the Federal Ministry of Labour and Social Affairs. As part of this initiative, the federal government secures micro-credit for small businesses with economically viable concepts that are not able to secure bank financing on their own. Since 2015, GRENKE Bank has been granting microcredit based on the recommendation of accredited microfinance institutions.

In addition, GRENKE expanded its cooperation with development banks in the year under review. In September 2019, GRENKE concluded its third global loan agreement with KfW for lease financing in the amount of EUR 200 million, thereby expanding a partnership that has existed since 2016. Within the scope of the cooperation, SMEs, self-employed professionals and business start-ups can access GRENKE's leasing offers nationwide for the purchase of operating equipment. Commercial enterprises and self-employed professionals based in Germany who generate an annual turnover of up to EUR 500 million are eligible for this funding. GRENKE Bank also intensified its cooperation with NRW.BANK through the conclusion of what is now its ninth global loan, which was in the amount of EUR 60 million. A total of more than 70,000 lease contracts have been concluded within the scope of these types of collaborations. At a European level, GRENKE Bank stepped up its cooperation with the European Investment Bank (EIB) in fiscal year 2019 and concluded the first sponsored lease contracts in the Netherlands and Italy. The cooperation with the EIB is intended to strengthen European small and medium-sized enterprises, especially with respect to their innovation and competitiveness. For an overview of the development loans existing within the scope of various collaborations with domestic and European development banks, please refer to Note 5.11.4 "Committed Development Loans" found in the notes to the consolidated financial statements.

1.1.7 SALES MARKETS

At the end of the 2019 fiscal year, GRENKE Group had operations in 32 countries on 5 continents with a total of 148 locations. In the course of 2019, cell divisions were used to open new locations in Belgium, Spain and the United Arab Emirates. A third Canadian location in Vancouver was also added. GRENKE Group is currently operating in almost all countries throughout Europe. GRENKE has expanded its network in the core markets (Germany, France and Italy) over the course of several years and, by the end of 2019, the GRENKE Group had a respective total of 32, 19 and 18 locations in these countries.

Since 2011, the Group has been successively expanding its presence outside Europe and has entered the market in various countries in Asia, Australia and North and South America. In addition to subsidiaries in Brazil, Turkey and the United Arab Emirates (UAE), the franchise companies in Australia, Chile, Canada and Singapore also were part of the GRENKE Group as per the end of the 2019 fiscal year. Measured in terms of GRENKE Group Leasing's new business volume, GRENKE has generated 4 percent of its business outside of Europe in the past fiscal year. In 2020, the GRENKE Group plans to expand its lease offers to the US market. Using the proven franchise model, the first US location is set to open in the state of Arizona during the first half of 2020. The Group provides international markets with tailored financing offers and contract structures that are adapted to the respective legal and market environments.

1.1.8 EXTERNAL INFLUENTIAL FACTORS AFFECTING THE BUSINESS

GRENKE Consolidated Group's business is not immune to the effects of macroeconomic fluctuations but over the past several years, economic cycles have had a relatively minor impact on the Consolidated Group's business development. During the period from 2010 through 2019, the GRENKE Consolidated Group was always in a position to maintain a relatively stable loss rate of between 1 and 2 percent, which largely cushioned the Consolidated Group's earnings from any effects from a change in the trend of corporate insolvencies. SEE DIAGRAM "DEVELOPMENT OF THE LOSS RATE FOR THE CONSOLIDATED GROUP" AT P. 29

Even in the midst of the financial market crisis in 2009, the Consolidated Group's business model proved to be resilient and sustainably profitable, demonstrating that macroeconomic developments are of much less importance to the business than industry trends, such as the policies in the leasing, factoring and deposit businesses of commercial banks and financial service providers or the steady rise in sector-related regulation. GRENKE benefits from stricter regulatory requirements as smaller lease providers, in particular, are faced with the need for a higher level of underlying equity. These providers are forced to either reduce the scope of their business activity or require a higher level of profitability, both of which improve the GRENKE Group's relative competitive position.

Other external factors such as changes in capital market and central bank interest rates on refinancing costs are presented in the risk report.

1.2 TARGETS AND STRATEGY

The GRENKE Group is a provider of financial services for SMEs focused on small-ticket leasing. GRENKE Group's leasing offers make it one of the leading providers in Germany, Switzerland, Italy and France. The Group's medium-term objective is to position GRENKE as a comprehensive small-ticket financial service provider for medium-sized businesses located not only in Europe but also internationally.

This objective is intended to pave the way for the GRENKE Group to achieve its goal of realising long-term growth in new business – defined as the total of the acquisition costs of newly acquired leased assets, factoring volumes and the SME lending business – of 12 percent annually. This target may be temporarily exceeded as was the case in recent years. It is also possible to fall short of this target in single years without any change in the growth dynamic underpinned by the business model.

In addition to its geographical expansion into new markets, the Group is continuously strengthening its position in its existing markets through cell divisions so that it can achieve the greatest possible proximity to its customers.

Consistently strong business profitability is another important factor for business success, particularly during periods of economic difficulty. Risk management and, specifically, the ability to assess risks as precisely as possible and achieve risk-adequate contribution margins, is crucial to achieving this profitability. The IT-based model for forecasting losses, which is continually optimised, plays a central role in this respect and has greatly contributed to the Company's success. For further details on the GRENKE Consolidated Group's risk management system, please refer to the information contained in the "Report on Risks, Opportunities and Forecasts".

The Consolidated Group is also focusing on increasing efficiency in the long term in order to further scale the business model, which is achieved primarily through process digitisation and standardisation. This focus is reflected in the Consolidated Group's cost structure. The GRENKE Consolidated Group's medium-term target for the cost-income ratio of less than 60 percent was again achieved in the reporting year with a level of 57.3 percent (2018: 56.8 percent).

The GRENKE Consolidated Group relies on a range of alternatives to finance its growth strategy with flexibility, depending on current market conditions. In addition to the deposits held at GRENKE Bank, GRENKE employs "asset-based" instruments (e.g. ABCP programmes) as well as "senior unsecured" instruments (bonds, debentures and commercial paper). When utilising such instruments, it is important that the core business is financed with matching maturities to eliminate potential interest rate and follow-on financing risks at a portfolio level. GRENKE also places a high importance on maintaining a solid equity base and, for the past several years, has set its benchmark for the equity ratio at 16 percent. GRENKE considers this level an essential prerequisite for securing its investment grade rating. In its latest analysis published in June 2019, the Standard & Poor's rating agency confirmed the Consolidated Group's counterparty credit ratings of BBB+ / A-2 and a stable outlook for each rating. The Gesellschaft für Bonitätsbeurteilung ("GBB") awarded the GRENKE Consolidated Group an unchanged "A" rating in November 2019.

PERSISTENT GROWTH:
"Even in economically challenging times, the GRENKE Group remains on track for growth – without sacrificing profitability."

1.3 MANAGEMENT SYSTEM

In order to assess our current business performance and manage the GRENKE Consolidated Group, the Board of Directors relies on the following key financial performance indicators:

- GRENKE Group's new business growth
- Consolidated Group net profit
- Equity ratio (ratio of equity to total assets)
- Cost-income ratio (ratio of total operating expenses versus total operating income)

Other important financial performance indicators at the Consolidated Group level include the following:

- Contribution margin 1 (present value of the net interest income from a lease contract minus the commission paid to third parties) and contribution margin 2 (present value of the operating income from a lease contract including cost of risk, profit from service business and gains / losses from disposals)
- Embedded Value: Present value of all outstanding instalments and gains from disposals after costs and risk provisioning
- Expected loss: The loss amount initially calculated over the entire term of a lease and / or portfolio, whereby the Consolidated Group aims to minimise the deviation of expected losses from realised losses. The periodic measure used is the loss rate (the ratio of expenses for the settlement of claims and risk provision and lease volumes).

The following describes the important performance indicators for the three business divisions – Leasing, Banking and Factoring – in addition to the growth in new business:

At the GRENKE Group Leasing, the focus is on the contribution margin. A distinction is made between contribution margin 1 (CM1), or CM1 margin (contribution margin 1 in relation to new business), and contribution margin 2 (CM2), or CM2 margin. Management focuses in particular on CM2, which corresponds in its calculation to the Consolidated Group's operating profit. This is illustrated by the chart on p. 27, which shows the derivation of operating profit and net profit for the period on the one hand and the CM2 calculation for new leasing business on the other, based on the total term of the contracts (total period).

SEE DIAGRAM "CORRELATION BETWEEN CM2 (NEW BUSINESS) AND THE RESULT FOR THE PERIOD (INCOME STATEMENT)"

The Consolidated Group's value-based management is guided by CM2, which cumulates the periodic operating income based on an analysis of the total period, presenting the relationship between the contribution margin or operating income generated and the costs incurred (cost-income ratio). While the contribution margin is largely determined by the new business generated in the immediate prior reporting period, the operating income and Consolidated Group net profit are determined additionally based on the new business acquired in past fiscal years.

Because the expenses arising from expanding into new markets, cell divisions and opening new branches in existing markets are not immediately covered by income, but usually only after completion of the start-up phase, the Consolidated Group uses embedded value as an added indicator. Embedded value represents the present value of all outstanding instalments and gains from disposals after costs and risk provisioning based on the remaining maturity of the entire existing portfolio. The difference between the embedded value at the beginning of a fiscal year versus the end of a fiscal year represents the change in the Company's intrinsic value. CM2 indicates the total embedded value of the new business for a single period before costs and taxes. By managing the business with an eye to embedded value, the Consolidated Group is able to combine the goals of growing its new business while increasing its intrinsic value.

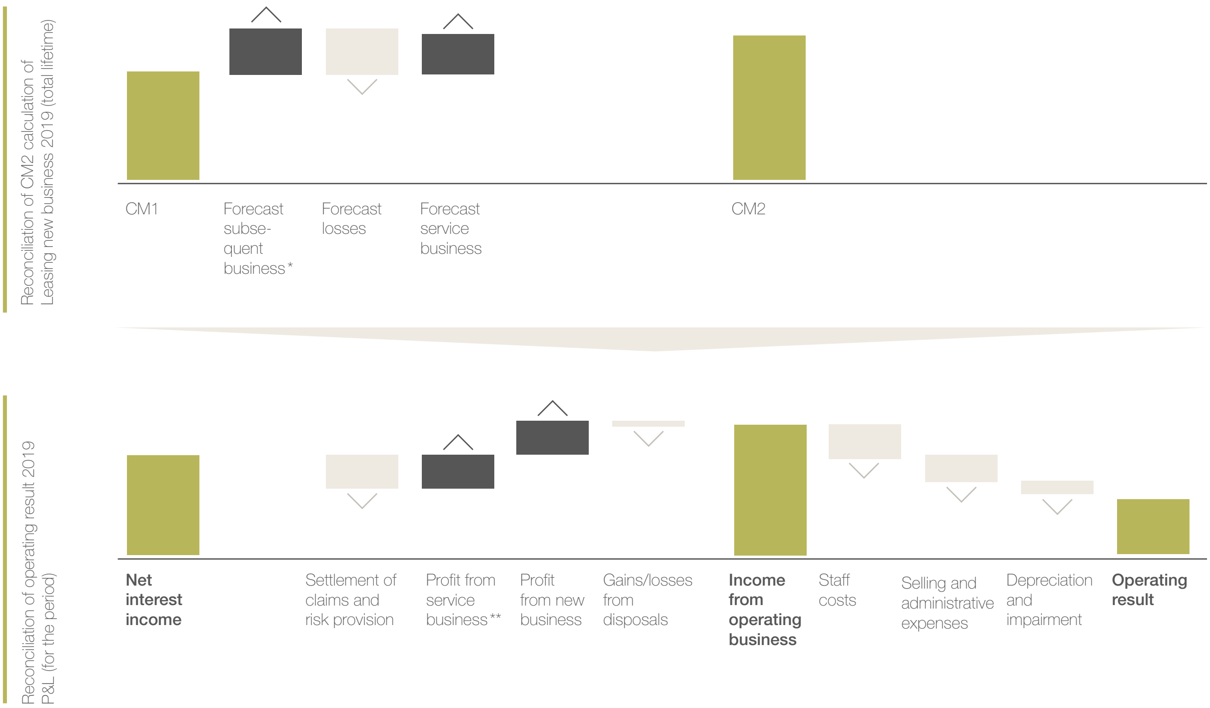
GRENKE Bank plays an important role in GRENKE Consolidated Group's refinancing strategy through the purchase of lease receivables. Therefore, a key performance indicator for GRENKE Bank is its deposit volume. Depending on needs and market conditions, GRENKE's intention is to finance between 15 and 30 percent of the Consolidated Group's financial liabilities via GRENKE Bank. As per December 31, 2019, this level stood at 20 percent (previous year: 22 percent). GRENKE Bank is also managed based on its equity base, which is evaluated using the equity ratio, the overall ratio according to capital requirement regulations (CRR), the leverage ratio and the liquidity coverage ratio (LCR).

The most important performance indicators for GRENKE Group Factoring are the gross margin (defined as the income from the purchase of receivables, crediting and collection services in relation to the respective net acquisition values), as well as the length of a respective factoring transaction measured in the number of days. Over the long term, the segment's management focuses on factoring volumes, which correlate with the acquisition of new customers. In the process, the acceptance of financing applications is managed according to risk categories.

1.4 RESEARCH AND DEVELOPMENT

GRENKE Consolidated Group's core capabilities include standardised and – particularly in the area of leasing – highly digitised processes, as well as the effective evaluation of contracts. The Consolidated Group continuously optimises its market-driven software products and its proprietary applications to maintain these capabilities. Next to expanding the technical infrastructure, the focus of activities is on further developing the portals and

CORRELATION BETWEEN CM2 (NEW BUSINESS) AND THE RESULT FOR THE PERIOD (INCOME STATEMENT)



* In the income statement, the expected residual value is reflected in the interest income for the period.
** Corresponding items for the CM2 calculation are not relevant as the diagram reflects the lifetime period.

processing systems for sales and administration. Playing a leading part in this context is the GRENKE Technology Center, founded in 2015. As the Consolidated Group's own centre for software and business process development, it develops system solutions for the GRENKE Consolidated Group and its partners. In organisational terms, the GRENKE Technology Center is part of GRENKE digital GmbH, which comprises all of the Consolidated Group's digital expertise.

In the reporting year, the Consolidated Group capitalised a total of EUR 5.8 million in development costs (previous year: EUR 5.4 million), and recognised total amortisation for internally generated software of EUR 3.3 million (previous year: EUR 3.0 million).

GRENKE Consolidated Group also used third-party research and development services during the 2019 reporting year. These services were primarily related to IT projects and totalled EUR 8.6 million (previous year: EUR 11.5 million), of which EUR 3.4 million (previous year: EUR 4.0 million) were capitalised.

2. REPORT ON BUSINESS DEVELOPMENT

2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The macroeconomic environment in most regions was bleak in 2019. In its World Economic Outlook, published in January 2020, the International Monetary Fund (IMF) expects global economic growth to have reached only 2.9 percent in 2019, representing a deterioration of 0.7 percentage points compared to the prior year.

The IMF expects economic growth in the eurozone in 2019 to have reached 1.2 percent (previous year: 1.9 percent). In Germany, Europe's largest economy, growth in 2019 has slowed even more rapidly to just 0.5 percent (previous year: 1.5 percent) as a result of global trade conflicts and the uncertainty surrounding Brexit. Since the third quarter of 2019, however, the German economy has been stabilising, and the ifo business climate index has been trending slightly higher since August. Economic growth in the GRENKE Consolidated Group's other two core markets – France (1.3 percent) and Italy (0.2 percent) – was also low in 2019.

In light of the weaker economy and more difficult financing environment, Euler Hermes expects the number of insolvencies in 2019 to increase by 4 percent in Western Europe and by around 7 percent worldwide.

The European leasing markets that are relevant for the GRENKE Consolidated Group are served primarily by local providers – particularly the leasing subsidiaries of banks and equipment manufacturers. The GRENKE Consolidated Group's most important market segment in terms of business volume is the small-ticket leasing segment, however, represents only a relatively small part of the overall market, so that meaningful information on market share is hardly available. In its own estimation, the GRENKE Consolidated Group is Europe's leading provider of financial services to SMEs with a focus on small-ticket lease financing. The following comments describing the market position and competitive situation relate to the Consolidated Group's core markets – Germany, France and Italy.

The German leasing market is predominantly characterised by medium-sized companies. Of the roughly 150 registered members of the Federal Association of German Leasing Companies [Bundesverband der Deutschen Leasingunternehmen – (BDL)], almost three-quarters are small or very small companies with fewer than 50 employees. Only 3 percent of leasing providers in Germany – including the GRENKE Consolidated Group – have more than 500 employees.

The German leasing market has traditionally been driven largely by the "Passenger car and station wagons, trucks, bus and trailers" segment, which accounts for around three-quarters of new business volume. In contrast, the areas of "Office equipment / IT" and "Communications, signalling and other equipment" (including medical technology, among others) that are relevant to the GRENKE Consolidated Group each account for roughly just 5 percent of the total market volume. The GRENKE Consolidated Group estimates that it is the market leader in this narrow part of the overall market.

In 2019, the German leasing industry set a new record in terms of new business volume, which, according to estimates by the BDL, increased by almost 8 percent to EUR 74.4 billion. Despite the low level of growth in equipment investments of just under 2 percent in 2019, the growth in the leasing market accelerated significantly compared to 2018 (3 percent). Growth rates last year in the "Office equipment / IT" and communications and signalling equipment" segments amounted to 13 and 6 percent, respectively.

The French leasing market is largely dominated by the leasing subsidiaries of the major French banks. GRENKE Consolidated Group is the largest small-ticket lease provider in France among bank- and manufacturer-independent companies.

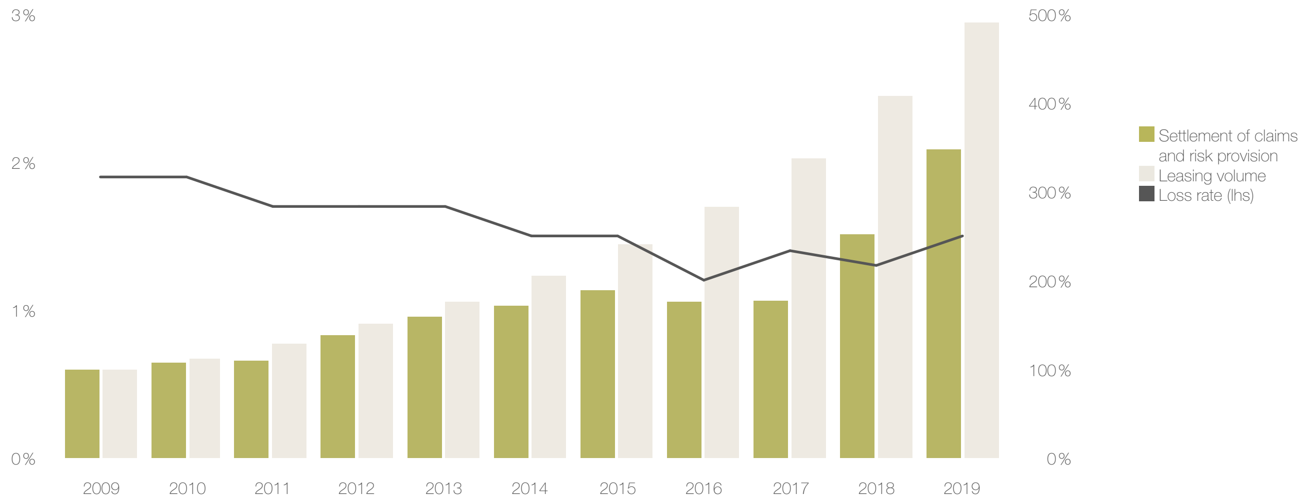
The market research institute MARKESS estimates that the French IT leasing market grew roughly 7 percent to EUR 5.0 billion in 2019. The faster market growth versus overall economic development originated mainly from the small and very small company customer segments.

In Italy, the GRENKE Consolidated Group is one of the five largest providers in the area of capital goods leasing. The Consolidated Group has achieved a dominant market position in recent years, particularly in the market segments for lease finance with acquisition values below EUR 25k and in the range of EUR 25k–EUR 50k.

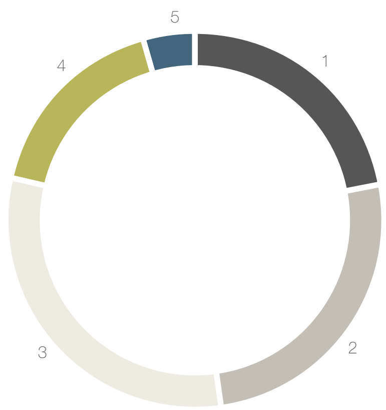
According to the Italian leasing association Associazione Italiana Leasing ("ASSILEA"), the Italian leasing market declined during the reporting year by nearly 5 percent. It is important to note that this decline follows a period of years in which the leasing market had benefited greatly from a tax incentive programme ("Super ammortamento"), which had expired at the end of 2018. This performance is in contrast to the 8 percent increase in volume in 2019 for the segment of the market for operating leases for capital goods, which is relevant for the GRENKE Consolidated Group.

With the GRENKE Consolidated Group generating more than 90 percent of its income in the Leasing segment, it follows that the industry development in the Banking and Factoring segments is of secondary importance for the Consolidated Group. In addition, GRENKE Bank's deposit business is managed exclusively in line with what is required to refinance the Consolidated Group.

DEVELOPMENT OF GRENKE CONSOLIDATED GROUP LOSS RATE



GRENKE GROUP LEASING'S NEW BUSINESS BY REGION



GRENKE GROUP LEASING (SHARE OF OVERALL NEW BUSINESS IN PERCENT)	2019	2018
1 DACH	22.1	22.6
2 Western Europe (without DACH)	25.8	25.5
3 Southern Europe	30.8	31.7
4 Northern/Eastern Europe	16.9	16.2
5 Other Regions	4.4	3.9

GRENKE GROUP (IN EUR MILLIONS)	2019	2018
New business GRENKE Group Leasing	2,849.1	2,409.8
New business GRENKE Group Factoring	663.4	526.9
Business start-up financing GRENKE Bank (incl. microcredit business)	54.1	43.1

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

* Franchise

2.2 NEW BUSINESS AT THE GRENKE GROUP

New business volume is generally based on the GRENKE Group, which is defined as the Consolidated Group including its franchise partners. Across the three business segments – Leasing, Banking and Factoring – the Group's volume of new business grew 20 percent in the reporting year, reaching a new record level of EUR 3,566.6 million (previous year: EUR 2,979.8 million).

GRENKE Group Leasing's new business volume (the total of acquisition costs of newly acquired leased assets) increased 18 percent to EUR 2,849.1 million (previous year: EUR 2,409.8 million) in the 2019 fiscal year. The leasing business as a percentage of the Group's total new business volume remained almost unchanged at 80 percent (previous year: 81 percent). In GRENKE Group's three core leasing markets – Germany, France and Italy – growth in 2019 was 16 percent, 18 percent and 9 percent respectively. The Group achieved above-average growth outside of its core markets, which further advanced the regional diversification of the leasing portfolio. Among the key international markets, Spain (+41 percent) recorded particularly strong growth in the reporting year.

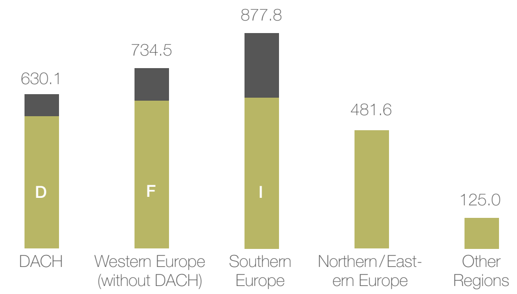
In the DACH region, which comprises Germany, Austria and Switzerland, the volume of new business in the 2019 fiscal year increased by 16 percent to EUR 630.1 million (previous year: EUR 545.2 million). The Western Europe region (without DACH) increased its new business by 19 percent to EUR 734.5 million (previous year: EUR 614.7 million). New business in Southern Europe, the largest region in terms of its share of overall new business in leasing, rose by 15 percent in 2019 to EUR 877.8 million (previous year: EUR 764.9 million). The aforementioned strong growth in Spain and the solid development in Italy were key contributors to this performance. The Northern / Eastern Europe region recorded above-average growth of 23 percent to EUR 481.6 million (previous year: EUR 391.4 million) in the reporting year. Despite uncertainty surrounding the upcoming Brexit, new business in the UK rose by 23 percent in 2019. Other regions, which continued to increase from a relatively low base, grew its volume of new business by 34 percent to EUR 125.0 million (previous year: EUR 93.6 million).

SEE DIAGRAM "GRENKE GROUP LEASING'S NEW BUSINESS BY REGION"

As the following diagram shows, GRENKE Group Leasing recorded relatively consistent year-on-year quarterly growth of over 20 percent in the first three quarters of 2019. The increasingly gloomy macroeconomic environment throughout the course of the year led to a levelling out of the growth rate to 9 percent in the fourth quarter. The fact that the figure in the fourth quarter of the previous year was high is important to note when viewing the quarterly comparison. In absolute terms, new business in the fourth quarter exceeded the level of the first three quarters.

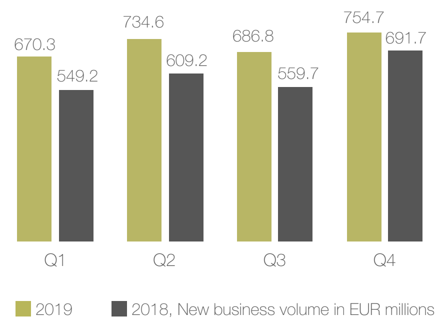
NEW BUSINESS GRENKE GROUP LEASING*

As per December 31, 2019, in EUR millions



* See following page for regional description.

GRENKE GROUP LEASING NEW BUSINESS ON A QUARTERLY BASIS



The diversification of the leasing portfolio beyond the traditional IT sector continued in 2019. Medical technology products, small machinery and equipment and security devices accounted for a combined share of 35 percent of new business volume for the reporting year (previous year: 32 percent). The mean acquisition value per lease contract rose slightly in 2019 to EUR 9,079 (previous year: EUR 8,890) but remained at the customary level for the business, which underscores the strong focus of the Group's leasing business on the small-ticket segment.

In the period from January to December 2019, the GRENKE Group registered a total of 616,269 lease applications (previous year: 542,354), which resulted in 313,818 new lease contracts (previous year: 271,073), corresponding to a stable conversion rate (applications into contracts) of 51 percent (previous year: 50 percent). In the international markets, GRENKE received 514,013 applications (previous year: 455,959), which led to 253,063 new contracts (previous year: 223,080) and an unchanged conversion rate of 49 percent (previous year: 49 percent). In the DACH region, the conversion rate increased slightly to 59 percent (previous year: 56 percent).

The contribution margin 2 (CM2) of new leasing business rose by 15 percent to EUR 485.2 million in the 2019 fiscal year (previous year: EUR 420.7 million) and resulted in a CM2 margin of 17.0 percent (previous year: 17.5 percent). The lower CM2 margin compared with the prior year was due to the expiry of tax benefits in Italy ("super ammortamento") at the end of 2018. Because the pricing in Italy was successfully adjusted in the first half of 2019, the CM2 margin at the end of 2019 was higher than at the end of the prior year. The CM2 margin for the full year, however, was lower due to the weaker margin in the first quarter of 2019. The CM2 margin was also negatively affected by an adjustment in expected losses in the calculation of the contribution margin for new business carried out in the second quarter of 2019, reflecting GRENKE's recognition of the rise in macroeconomic uncertainties. The adjustment made in the approval policy and pricing as per the end of June 2019, on the other hand, led to an improvement in the CM2 margin in the course of the year. After amounting to 16.6 percent in the first half of 2019, the CM2 margin rose to a level of 17.5 percent in the second half of the year. The CM1 margin of the leasing business (contribution margin 1 at acquisition values) was 12.4 percent in 2019 and reached an amount of EUR 354.2 million (previous year: 12.7 percent and EUR 305.0 million).

The factoring business (GRENKE Group Factoring) increased new business volume (i.e. the total of purchased receivables) in the 2019 fiscal year by 26 percent to EUR 663.4 million (previous year: EUR 526.9 million). Most of the momentum came from the international business, which achieved growth of 37 percent to EUR 486.8 million (previous year: EUR 354.0 million). The share of the debt collection services, which does not assume default risks, was 22 percent (previous year: 24 percent). The gross margin in the international markets increased slightly to 1.36 percent (previous year: 1.30 percent). With a share of debt collection services of 18 percent (previous year: 11 percent), new business in Germany rose by 2 percent to EUR 176.7 million (previous year: EUR 172.9 million). The gross margin in Germany fell to 1.55 percent (previous year: 1.66 percent) due to the higher proportion of debt collection services but remained at a high level. The gross margin refers to the average period of a factoring transaction of approx. 27 days in Germany (previous year: approx. 27 days) and approx. 41 days at an international level (previous year: approx. 39 days).

GRENKE Bank expanded its new business in the lending for SMEs by 25 percent to EUR 54.1 million in the 2019 fiscal year (previous year: EUR 43.1 million). Deposit volumes increased by 28 percent to EUR 884.2 million as per the December 31, 2019 reporting date, following EUR 692.4 million in the previous year.

2.3 ACTUAL VERSUS FORECASTED OPERATING DEVELOPMENT

In the 2019 reporting year, the GRENKE Group continued to achieve double-digit percentage growth in new business. At the beginning of the 2019 fiscal year, GRENKE had anticipated new business growth in the Leasing business in a range of 14 to 19 percent. After recording higher-than-expected growth as the year continued, GRENKE adjusted its forecast in July 2019 with the publication of its half-year financial report and, in an initial step, narrowed its forecast to a range of 16 to 19 percent. At the beginning of October, GRENKE increased its forecast again, this time to a range of 18 to 21 percent. GRENKE achieved the forecast range and reported 18 percent growth in the Leasing business in full-year 2019. GRENKE's new business growth target in the Factoring business was set at 25 percent for the 2019 fiscal year, and this target was slightly exceeded with reported growth of 26 percent for the year.

At EUR 142.1 million, Consolidated Group net profit for the 2019 fiscal year, remained below the originally expected range of EUR 147 to 156 million. The main reason for this development was the higher-than-expected rise in expenses for the settlement of claims and risk provision as a result of the continued deterioration in the economic environment in the course of 2019 and the change in the payment behaviour of customers. As a result, with the publication of the half-year report at the end of July, the GRENKE Consolidated Group adjusted its forecast for Consolidated Group net profit in 2019 to a range of EUR 138 to 148 million. The Consolidated Group net profit achieved in the reporting year was within this revised forecast range.

Despite continued investment in the internationalisation strategy, distribution and digital offers, the GRENKE Consolidated Group continued to aim for a cost-income ratio below the medium-term target of 60 percent for 2019 and achieved this by reporting a cost-income ratio of 57.3 percent for the reporting year.

As per December 31, 2019, the Consolidated Group's equity ratio stood at 17.5 percent and, as expected, was above the Consolidated Group's long-term benchmark of at least 16 percent.

2.4 BUSINESS PERFORMANCE OF THE GRENKE CONSOLIDATED GROUP

2.4.1 NEW IFRS 16 ACCOUNTING STANDARD

The GRENKE Consolidated Group applied IFRS 16 "Leases" for the first time in the 2019 fiscal year. The changes in accounting and valuation methods resulting from this application affected the GRENKE Consolidated Group in both its role as lessee and as lessor.

For accounting as lessee, the changes were applied according to the modified retrospective approach, and no adjustment of previous year's figures was required. As part of the first-time application of IFRS 16 assets representing right-of-use of lease assets were capitalised. These assets leased properties, leased vehicles and rights-of-use for other leases. Corresponding lease liabilities were recognised on the liabilities side of the balance sheet. The cumulative conversion effect of the first-time application of this standard was recognised directly in equity as per January 1, 2019.

In the consolidated income statement for the 2019 fiscal year, the application of IFRS 16 resulted in higher depreciation and amortisation due to the capitalisation of rights-of-use assets, as well as an additional interest expense from lease liabilities. The rental / lease expenses, which were previously contained in selling and administrative expenses, were reduced accordingly by IFRS 16.

In the consolidated statement of cash flows for the 2019 fiscal year, the repayment portions included in the rental / lease instalments are recognised as cash outflows in the cash flow from financing activities. The interest portions contained in the instalments are presented as a reduction in net cash flow from operating activities. The payments for short-term and low-value leases are included in the cash flow from operating activities.

For accounting as lessor, changes arose for the GRENKE Consolidated Group with regard to initial direct costs (IDCs) attributable to the conclusion of a lease contract, the definition of which was made more specific as part of the introduction of IFRS 16 and thereby slightly modified. As a result of this specification, the scope of the initial direct costs has been reduced, which in turn reduces the initial recognition of the net investment in the lease and increases the interest rate underlying the lease. The initial direct costs must be taken into account when determining the initial net investment value.

In contrast to the changes in accounting for the lessee, the adjustments resulting from the change in the definition of the IDC are to be applied retrospectively by the lessor. In the opening balance sheet as per January 1, 2018, this resulted in a reduction in total assets – mainly due to the reduction in lease receivables taking into consideration deferred tax effects – as well as in equity. The consolidated income statement for the 2018 fiscal year primarily reflects a change in presentation; namely, an increase in net interest income and a decrease in net profit from new business, as well as a slight increase in the profit from operating leases from the service business. As a result, Consolidated Group net profit for 2018 increased by less than 1 percent.

SEE NOTE 2.1.5 FIRST-TIME APPLICATION OF IFRS 16"

2.4.2 RESULTS OF OPERATIONS

Interest and similar income from financing business increased by 15 percent in the 2019 fiscal year. With a 17 percent increase in interest expenses on refinancing, net interest income rose by 15 percent to EUR 368.9 million (previous year: EUR 321.1 million). Consistent with the segments' share of new business, the Leasing segment accounted for the bulk of net interest income. For further information, please refer to the information provided in Note 4.1 "Net interest income" contained in the notes to the consolidated financial statements.

Expenses for the settlement of claims and risk provision rose disproportionately by 37 percent to EUR 125.9 million in the reporting year (previous year: EUR 91.8 million). The Consolidated Group's loss rate increased accordingly to 1.5 percent (previous year: 1.3 percent). With respect to the development of the loss rate, it should be noted that, despite the increasing effect of the introduction of IFRS 9, the increase in losses in recent years has been disproportionately low compared to the growth in new business. In the Consolidated Group's opinion, the rise in the loss rate in the 2019 fiscal year represents a normalisation. The main reason for the higher loss rate in the reporting year was the more difficult economic environments in most of the Consolidated Group's relevant markets, which led to a rise in the number of contract terminations due customer defaults. Despite the rise in losses, the Consolidated Group was still successful in limiting the rise in the loss rate in the course of 2019. After increasing in the first two quarters, the loss rate stabilised at the level of the second quarter in both of the third and fourth quarters of 2019. Net interest income after settlement of claims and risk provision rose by 6 percent to EUR 243.0 million during the past fiscal year (previous year: EUR 229.3 million).

The profits from service and new business rose by 19 and 18 percent, respectively, in the reporting year. Although there was a loss from disposals of EUR –2.2 million, the item still im-

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

EURK	JAN. 1, 2019 TO DEC. 31, 2019	JAN. 1, 2018 TO DEC. 31, 2018*
NET INTEREST INCOME	368,938	321,066
Settlement of claims and risk provision	125,926	91,751
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	243,012	229,315
Profit from service business	101,661	85,582
Profit from new business	54,253	46,048
Gains (+)/losses (–) from disposals	–2,241	–2,581
INCOME FROM OPERATING BUSINESS	396,685	358,364
Staff costs	115,800	102,701
of which total remuneration	95,358	83.440
of which fixed remuneration	69,302	61.714
of which variable remuneration	26,056	21,726
Selling and administrative expenses (excluding staff costs)	74,879	78,120
of which IT project costs	5,204	7,492
EARNINGS BEFORE TAXES	**170,700**	**156,591**
NET PROFIT	**142,060**	**131,494**
EARNINGS PER SHARE (IN EUR; BASIC/DILUTED)	**2.92**	**2.79**

* Prior-year figures adjusted due to IFRS 16, see Note 2.1.5 "First-Time Application of IFRS 16".

proved over the prior year's loss of EUR –2.6 million. As a result, income from operating business in the 2019 fiscal year increased by 11 percent and totalled EUR 396.7 million, compared with EUR 358.4 million in the previous year.

In the 2019 fiscal year, the growth in operating expenses outpaced income growth, with the cost-income ratio rising to 57.3 percent (previous year: 56.8 percent). This development was a result of the negative effects of higher risk provisions coupled with lower interest income due to the depreciation programme in Italy which, in turn, reduced operating income. The tax savings associated with the depreciation programme did not positively affect operating expenses ("cost") but instead reduced the tax position and is therefore not reflected in the cost-income ratio. Despite these negative factors, the cost-income ratio in 2019 remained clearly below the GRENKE Consolidated Group's medium-term target of below 60 percent.

Within operating expenses, staff costs – the Consolidated Group's largest expense item – recorded an increase of 13 percent to EUR 115.8 million (previous year: EUR 102.7 million). This increase was in line with expectations and based on the 15 percent higher average number of employees (1,675; based on full-time equivalents; previous year: 1,456), following the Consolidated Group's continued growth.

The 67 percent increase in depreciation and impairment to EUR 28.7 million in the reporting year (previous year: EUR 17.2 million) resulted primarily from the change in accounting for rental and lease contracts as lessee in accordance with IFRS 16. The capitalisation of rental and lease contracts resulted in additional amortisation for rights-of-use (EUR 10.9 million) and additional interest expenses for liabilities from rental and lease contracts (EUR 0.6 million). Selling and administrative expenses, which still contained rental/lease expenses in the prior year, were reduced by EUR 11.2 million as a result of this reclassification. Selling and administrative expenses declined by 4 percent to EUR 74.9 million in the reporting year (previous year: EUR 78.1 million). Operating and IT project costs declined the most within this item.

The balance of other operating income and expenses in the 2019 fiscal year was EUR –3.0 million (previous year: EUR –2.1 million). This rise resulted primarily from higher losses from foreign currency translation differences.

In 2019, the Consolidated Group's operating result increased by 10 percent to EUR 174.3 million (previous year: EUR 158.2 million) and earnings before taxes rose by 9 percent to EUR 170.7 million (previous year: EUR 156.6 million). The tax rate in the past fiscal year was 16.8 percent (previous year: 16.0 percent). The Consolidated Group benefited from the special depreciation

SELECTED BUSINESS SEGMENT INFORMATION

	SEGMENTS					
	LEASING		BANK		FACTORING	
EURK	2019	2018	2019	2018	2019	2018
GROUP LEVEL						
New business (Leasing)/Receivables volume incl. collection services (Factoring)	2,849,057	2,409,762	–	–	663,432	526,878
Contribution margin 2 (CM2)	485,235	420,652	–	–		–
CM2 margin (in percent)	17.0	17.5	–	–		–
Deposit volume		–	884,151	692,439		–
Factoring gross margin (in percent)		–			1.4	1.4
CONSOLIDATED GROUP LEVEL						
OPERATING SEGMENT INCOME	363,234	332,673	30,448	21,785	3,003	3,906
Staff costs	108,845	96,552	3,817	2,877	3,138	3,272
SEGMENT RESULT	157,939	144,228	18,117	14,967	–1,757	–979

programme in Italy ("Super ammortamento"). Although this programme for new investments in its applicable form for GRENKE had expired at the beginning of the 2019 fiscal year, the tax benefits resulting from the new business of the last three years still led to an effective tax rate in the reporting year, as in the prior year, that was significantly below the expected average tax rate for the GRENKE AG.

SEE NOTE. 4.13.1 OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS "RECONCILIATION FROM THE AVERAGE EFFECTIVE TAX RATE TO THE EXPECTED TAX RATE"

Net profit in the 2019 reporting year rose by 8 percent and reached EUR 142.1 million (previous year: EUR 131.5 million) and earnings per share amounted to EUR 2.92 (previous year: EUR 2.79).

2.4.2.1 Business Segments

Segment reporting is based on the organisational structure of the Consolidated Group. The Consolidated Group's operating segments are defined accordingly based on the management of the business areas in the Leasing, Banking and Factoring segments. Further information on the business segments is provided in the Consolidated Group's segment reporting on p. 167, which is part of the notes to the consolidated financial statements.

2.4.2.2 Business Development

With a 92 percent share of total operating segment income (previous year: 93 percent), the Leasing segment remained the Consolidated Group's main source of income in 2019. Operating segment income in the Leasing segment increased by 9 percent in 2019 to EUR 363.2 million (previous year: EUR 337.6 million). The segment result improved by 10 percent to EUR 157.9 million, compared to EUR 143.2 million in the previous year. The Banking segment achieved above-average growth in operating segment income of 40 percent to EUR 30.4 million (previous year: EUR 21.8 million), and its segment result rose by 21 percent to EUR 18.1 million (previous year: EUR 15.0 million). In the Factoring segment, operating segment income of EUR 3.0 million was below the prior year's level of EUR 3.9 million as a result of higher settlement of claims and risk provision. Together, with the continued investment in the sales infrastructure, as well as the start-up costs for the stronger international positioning of the business, the segment's loss rose to EUR –1.8 million (previous year: EUR –1.0 million).

2.4.3. FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

EURK	JAN. 1, 2019 TO DEC. 31, 2019	JAN. 1, 2018 TO DEC. 31, 2018*
Cash flow from operating activities	140,749	53,668
Net cash flow from operating activities	109,299	20,408
Cash flow from investing activities	–21,406	–50,598
Cash flow from financing activities	16,161	157,536
TOTAL CASH FLOW	104,054	127,346

* Prior-year figures adjusted due to IFRS 16, see Note 2.1.5 "First-Time Application of IFRS 16".

Cash flow from operating activities improved to EUR 140.7 million in the 2019 fiscal year (previous year: EUR 53.7 million). The higher cash flow resulted primarily from the increase in liabilities from refinancing of EUR 839.1 million (previous year: EUR 631.0 million) following the issue of multiple refinancing instruments, especially bonds. Due to the cash capital increase implemented in 2018, less refinancing instruments were issued in the previous year, which had a correspondingly negative effect on cash flow from operating activities. This was offset by a higher cash outflow from the increase in lease receivables (EUR 948.4 million after EUR 800.5 million). Positive effects on cash flow also resulted from higher earnings before taxes in the amount of EUR 170.7 million (previous year: EUR 156.6 million) and increased depreciation and amortisation of EUR 28.7 million (previous year: EUR 17.2 million). The higher cash outflow from the increase in loans to franchisees (EUR 61.6 million after EUR 43.0 million in the previous year) was largely offset by the cash inflow from the increase in liabilities from deposit business (EUR 192.5 million compared to EUR 178.7 million in the previous year).

After interest and taxes paid and received, net cash flow from operating activities amounted to EUR 109.2 million in the reporting year (previous year: EUR 20.4 million).

Cash flow from investing activities improved to EUR –21.4 million in the 2019 fiscal year (previous year: EUR –50.6 million). While the 2018 fiscal year contained a cash outflow of EUR 35.6 million to acquire former franchisees, the payments for acquisitions amounted to only EUR 0.4 million in the 2019 fiscal year. As a result, cash flow from investing activities in 2019 largely contained sharply higher payments for the acquisition of property, plant and equipment and intangible assets of EUR 22.3 million (previous year: EUR 15.6 million). At the end of 2019, investment obligations totalled EUR 5.8 million (previous year: EUR 9.6 million) for the construction of an office building.

Cash flow from financing activities reached EUR 16.2 million in the year under review (previous year: EUR 157.5 million). As in the previous year, the main payments related to the distribution of the dividend for the prior fiscal year, which amounted to EUR 37.1 million (previous year: EUR 31.0 million) and interest payments of EUR 9.4 million on hybrid capital (previous year: EUR 6.8 million). The repayment of lease liabilities resulted in a cash outflow of EUR 10.6 million (previous year: EUR 0.0 million), whereas the issue of a hybrid bond resulted in net proceeds of EUR 73.7 million in the reporting year. In the previous year, the cash flow from financing activities had also contained a cash inflow in the amount of EUR 196.8 million from a capital increase.

Total cash flow in the year under review thus amounted to EUR 104.1 million (previous year: EUR 127.3 million) resulting in a corresponding rise in cash and cash equivalents to EUR 434.3 million as per December 31, 2019 compared to a level of EUR 330.5 million at the end of the 2018 fiscal year.

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURK	DEC. 31, 2019	DEC. 31, 2018*
Current assets	2,972,450	2,398,882
of which cash and cash equivalents	434,379	333,626
of which lease receivables	1,901,181	1,570,755
Non-current assets	4,175,032	3,467,278
of which lease receivables	3,744,735	3,126,784
Total assets	7,147,482	5,866,160
Current liabilities	1,861,352	1,642,962
of which financial liabilities	1,716,313	1,520,095
Non-current liabilities	4,037,380	3,145,544
of which financial liabilities	3,924,353	3,092,431
Equity	1,248,750	1,077,654
Equity ratio (in percent)	17.5	18.4
Total liabilities and equity	7,147,482	5,866,160
Embedded value incl. equity after taxes	1,791,388	1,539,373

* Prior-year figures adjusted due to IFRS 16, see Note 2.1.5 "First-Time Application of IFRS 16".

2.4.4 NET ASSETS

The total assets of the GRENKE Consolidated Group as per December 31, 2019 increased by 22 percent compared to the end of the 2018 fiscal year and totalled EUR 7.1 billion (December 31, 2018: EUR 5.9 billion). The majority of this increase originated from current and non-current lease receivables which, as a result of new business growth, rose by 20 percent year-on-year to EUR 5.6 billion (December 31, 2018: EUR 4.7 billion). With a share of total assets of 79 percent (December 31, 2018: 80 percent), current and non-current lease receivables were by far the largest balance sheet items.

Cash and cash equivalents amounted to EUR 434.4 million as per December 31, 2019 (December 31, 2018: EUR 333.6 million). This increase resulted from reporting date effects, which included the issue of a subordinated hybrid bond with a nominal volume of EUR 75.0 million in November 2019, and increased deposits at financial institutions. GRENKE continues to pursue a strategy of exclusively using liquid funds to finance the Consolidated Group's growth while, at the same time, ensuring it meets legal and regulatory requirements.

The increase in other current financial assets to EUR 252.5 million (December 31, 2018: EUR 160.4 million) was mainly the result of higher receivables from franchise companies.

The first-time application of accounting standard IFRS 16 in the 2019 fiscal year resulted in the recognition of rights-of-use assets in the amount of EUR 50.3 million as per December 31, 2019 for assets used under rental and lease contracts. At the GRENKE Consolidated Group, these rights pertain mainly to leased office buildings and company cars. This amount compares to the first-time recognition of corresponding lease liabilities totalling EUR 50.8 million. Following a significantly higher level of capital expenditure compared to the prior year, property, plant and equipment rose to EUR 109.1 million (December 31, 2018: EUR 85.3 million).

On the liabilities side of the balance sheet, current and non-current liabilities from refinancing increased by 21 percent to EUR 4.7 billion as per the reporting date (December 31, 2018: EUR 3.9 billion). Non-current and current liabilities from the deposit business recorded a 28 percent increase, resulting in an overall rise in the Consolidated Group's financial liabilities of 22 percent to EUR 5.6 billion (December 31, 2018: EUR 4.6 billion).

The Consolidated Group's equity as per December 31, 2019 totalled EUR 1,248.8 million (December 31, 2018: EUR 1,077.7 million). The consolidated net profit of EUR 142.1 million generated in the 2019 fiscal year was partially offset by the distribution of a dividend of EUR 37.1 million for the previous fiscal year. A positive effect on equity also resulted from the aforementioned issue of the hybrid bond with a nominal volume of EUR 75.0 million at the end of the reporting year. As a result of the above, the equity ratio as per December 31, 2019 amounted to 17.5 percent (December 31, 2018: 18.4 percent). The Consolidated Group's equity base therefore continued to exceed the long-term benchmark of at least 16 percent. The first-time application of IFRS 16 as a lessee resulted in a one-time conversion effect on the Consolidated Group's equity of EUR –0.7 million, which was recognised as per January 1, 2019.

SEE NOTES TO THE FINANCIAL STATEMENT, NOTE 2.1.5 "FIRST-TIME APPLICATION OF IFRS 16"

2.4.5 LIQUIDITY

Based on a high level of cash and cash equivalents and a broadly diversified refinancing structure, the GRENKE Consolidated Group was in a position at all times during the past fiscal year to meet its payment obligations. For more information about the Consolidated Group's liquidity management, please refer to Note 7.1.8.2 "Liquidity Management" contained in the risk report.

During the 2019 fiscal year, the GRENKE Consolidated Group used a variety of refinancing instruments, which included 15 bonds issued with a total volume of EUR 798.0 million, JPY 8,000.0 million, HKD 500.0 million and SEK 250.0 million. In addition, two existing bonds were increased by EUR 90.0 million and EUR 67.0 million, respectively. Bonds with a total value of EUR 271.0 million were repaid on schedule. As per the 2019 fiscal year reporting date, bonds with a nominal volume of EUR 2,559.0 million, JPY 8,000.0 million, HKD 500.0 million and SEK 250.0 million (previous year: EUR 1,875.0 million) were outstanding. For more information and the bonds issued, please refer to the link: www.grenke.com/investor-relations/debt-capital/issued-bonds.

Also in the reporting year, a new EUR-denominated promissory note was issued and one promissory note was extended. The volume of the newly issued promissory note amounted to EUR 10.0 million and that of the extended note to EUR 10.0 million. In addition, foreign currency denominated promissory notes in the amount of DKK 120.0 million and CHF 10.0 million were issued in the 2019 fiscal year. Promissory notes with volumes of EUR 65.0 million, CHF 8.5 million, DKK 26.0 million, SEK 66.0 million and HRK 6.8 million were repaid on schedule. The total volume of promissory notes outstanding as per December 31, 2019 was EUR 351.5 million (previous year: EUR 406.5 million), CHF 20.0 million (previous year: CHF 18.5 million), GBP 15.0 million (previous year: GBP 15.0 million), DKK 152.0 million (previous year:

DKK 78.0 million), SEK 132.0 million (previous year: SEK 198.0 million) and PLN 50.0 million (previous year: PLN 50.0 million).

The utilisation of the ABCP programmes amounted to EUR 713.1 million (previous year: EUR 661.1 million) and GBP 125.0 million as per December 31, 2019. The total volume of these programs was EUR 947.8 million (previous year: EUR 792.5 million) and GBP 150.0 million (previous year: GBP 100.0 million).

The available money market facility of EUR 35.0 million had been drawn on per the reporting date by a volume of CHF 11.5 million (previous year: CHF 5.0 million) and PLN 5.0 million (previous year: PLN 0.0 million). As per December 31, 2018, the money market facility had also been drawn on by a volume of GBP 5.0 million. In the short-term segment, the Consolidated Group utilised its Commercial Paper (CP) programme with a volume of up to EUR 750.0 million. As per the reporting date, utilisation amounted to EUR 226.5 million (previous year: EUR 302.5 million). Refinancing via bank deposits of GRENKE Bank amounted to EUR 884.2 million as per the reporting date of December 31, 2019, after EUR 692.4 million on the comparable date of the previous year. This corresponds to an increase of 28 percent.

The Consolidated Group's unutilised credit lines (bank credit lines plus available volume of bonds and commercial paper) amounted to EUR 1,565.6 million, PLN 27.0 million, HRK 70.0 million and CHF 14.5 million as per the reporting date (previous year: EUR 1,006.4 million, PLN 28.0 million and HRK 40 million).

The cooperation with federal (KfW) and state development banks was further expanded in the reporting year. Further information on existing and new collaborations is presented in the section on the GRENKE Consolidated Group's business development and the notes to the consolidated financial statements under Note 5.11.4 "Committed Development Loans". The total volume of global loans used to refinance the brokered development loans amounted to EUR 632.5 million as per December 31, 2019, compared to EUR 439.9 million at the end of the previous fiscal year. Of this amount, EUR 233.2 million was drawn down (previous year: EUR 198.2 million).

The GRENKE Consolidated Group uses a variety of instruments for its refinancing and staggers their maturities over several periods. This gives the Consolidated Group the flexibly to respond to changes in the refinancing markets. The table below shows the expected cash outflows resulting from contractual obligations as per December 31, 2019. Of the total of EUR 1.3 billion in financial liabilities maturing in 2020, liabilities from ABCP programmes total EUR 382.1 million, and bonds, debentures and private placements total EUR 741.7 million. The largest single item is a bond in the amount of EUR 120.0 million, which is due for repayment in October 2020. Details on the maturities of the individual instruments are presented in the notes to the consolidated financial statements in Note 5.11 "Current and Non-current Financial Liabilities".

EXPECTED CASH OUTFLOWS FROM CONTRACTUAL OBLIGATIONS

TEUR	DEC. 31, 2018 TOTAL	DEC. 31, 2019 TOTAL	PAYMENTS DUE: 1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	AFTER 5 YEARS
ABCP related liabilities	829,633	987,284	857,166	278,828	603,119	2,101
Bonds, debentures, private placements (denominated in EUR)	2,768,352	3,482,930	3,058,496	355,623	2,107,820	739,734
Bonds, debentures, private placements (not denominated in EUR)	185,144	209,279	743,950	91,528	102,921	0
Sales of receivables agreements (denominated in EUR)	15,573	7,658	103,236	3,592	2,464	0
Sales of receivables agreements (not denominated in EUR)	144,930	153,380	278,828	52,295	81,046	0
Payments related to bank liabilities	255,377	275,891	603,119	75,300	161,126	2,115
Hybrid bond	163,625	254,719	2,101	0	161,000	83,063
Leases and rentals	49,993	46,444	279,753	10,643	27,706	3,982
Irrevocable credit commitments	5,420	4,504	355,623	0	0	0
Financial guarantees	75,691	72,004	2,107,820	0	0	0
Purchase obligations*	772,395	877,966	739,734	229,072	0	0
Obligations from onerous contracts	1,738	9,004	14,830	3,929	2,242	0
TOTAL CONTRACTUAL COMMITMENTS	**5,267,871**	**6,381,063**	**91,528**	**1,100,810**	**3,249,444**	**830,995**

* Obligations include those payment obligations, which the Consolidated Group cannot avoid even if contractual termination options are exercised.
** Legally binding obligation to purchase goods and services and trade payables.

The GRENKE Consolidated Group's off-balance-sheet obligations totalled EUR 1,009.9 million as per December 31, 2019 (previous year: EUR 905.2 million). In addition to the usual purchase obligations in the ordinary course of business, these include financial guarantees, irrevocable credit commitments and obligations from onerous contracts. Lease and rental agreements are off-balance sheet only to the extent that lease liabilities are not recognised under IFRS 16. Further details on the off-balance-sheet obligations are presented in the notes to the consolidated financial statements in the section "9.3 Contingencies (Contingent Liabilities) and Other Financial Obligations."

2.5 OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND FINANCIAL SITUATION OF THE CONSOLIDATED GROUP

The Board of Directors is pleased with the GRENKE Consolidated Group's and GRENKE Group's business performance in the 2019 fiscal year.

The growth in new business at GRENKE Group Leasing and GRENKE Group Factoring, which totalled 18 percent and 26 percent, respectively, was within or slightly above the targets published at the beginning of the year. As a result, the GRENKE Group once again clearly exceeded its long-term growth target of at least 12 percent per year.

In the year under review, Consolidated Group net profit rose by 8 percent to EUR 142.1 million. Although this level of net profit was below the initial forecast range, the Board of Directors still considers the net profit achieved in the 2019 fiscal year as a success – particularly in light of the increasingly difficult overall economic environment. The GRENKE Group also demonstrated its ability to respond quickly and flexibly to a more demanding market environment. The measures initiated at the end of the second quarter to better align the conditions with the expected risks led to a recovery in the contribution margins for new business as early as in the second half of 2019.

GRENKE also launched a number of important strategic initiatives during the reporting year, including a concentration of sales activities, the continued expansion of digital offers and the upcoming entry into the US market under the franchise model. All of these are now firmly paving the way for GRENKE's future growth. Given the Consolidated Group's continued solid equity base, the Board of Directors is confident that GRENKE Consolidated Group is also financially very well equipped for this growth.

3. Financial and non-financial performance indicators

The financial performance indicators utilised to manage the GRENKE Consolidated Group are presented and explained in the section "1.3 Management System" on p. 25. In addition, the enterprise value of the GRENKE Consolidated Group is also determined by non-financial performance indicators. The development of the Consolidated Group's key non-financial performance indicators in the 2019 fiscal year is described below:

- Workforce development: The GRENKE Consolidated Group's average number of employees increased to 1,675 in 2019 (previous year: 1,456 employees). Of these, 654 employees (previous year: 569 employees) were employed at the German locations and 1,021 (previous year: 887) at the Consolidated Group's international locations. The increase in staff in the year under review resulted from new hires in the course of the GRENKE Consolidated Group's ongoing growth.
- GRENKE AG gender ratio: The target for the equal participation of women and men in management positions in the second and third management levels of 25 percent each was achieved in 2019. The Board of Directors of GRENKE AG made a decision in the reporting year to increase the gender-specific ratio for each of the two management levels below the Board of Directors in the 2020 fiscal year to a minimum of 30 percent.
- Number of trainees/dual-study students: In the 2019 fiscal year, the number of trainees and dual-study students in Germany was 54 (previous year: 55).
- Professional training: The percentage of employees at the GRENKE Consolidated Group who took part in mandatory and voluntary training courses was 91 percent in the reporting year (previous year: 89 percent). The value of over 90 percent demonstrates the strong interest of the employees in continuing education opportunities.

For further information, please refer to the non-financial statement that follows.

4. Non-financial Statement

We see our non-financial commitment as a value driver and a critical success factor for the future and performance of the GRENKE Consolidated Group, as well as for its strong competitive position. At GRENKE, corresponding data and information are systematically collected and integrated as manageable indicators in controlling and risk management. A critical examination of the impact of the Consolidated Group's activities on the environment and society is part of our forward-looking management approach.

As part of our systematic stakeholder relations management, we address the concerns of our relevant stakeholder groups – who are first and foremost our capital market partners, employees and customers –and incorporate them into our strategic decisions. The sustainability issues identified as essential for our business model are an integral part of GRENKE's risk management, which is presented in detail on p. 47 of this report. In preparing the separate non-financial report for the Consolidated Group, we not only look at the significant risks to our business activities but also consider risks having a significant negative impact on the aspects defined in the context of non-financial reporting (Section 315c in conjunction with Section 289c (3) nos. 3 and 4 HGB).

This report presents the non-financial statement of the GRENKE Consolidated Group in accordance with the CSR Directive Implementation Act (CSR-RUG), which came into force in the 2017 fiscal year. Unless otherwise stated, the following information refers exclusively to the GRENKE Consolidated Group.

As a rule, our sustainability activities are closely linked to GRENKE's core business. Examples of this are the integration of sponsorship programmes into our financial services, business start-up financing and voucher programmes for new lease purchases (for more information on our business model, please see the section entitled "Consolidated Group Principles", p. 20 ff).

As a financing partner for SMEs, we are not directly involved in the production of goods or commodities but still work to have an influence on the sustainability of the upstream and downstream processes. For example, we pay close attention to ensuring that the lease objects purchased from suppliers and directly from manufacturers are always new items that meet all market standards. We also make certain that used lease objects are recycled and used further in the economic cycle to the greatest extent possible.

4.1 KEY ISSUES AND AREAS OF ACTION FOR STAKEHOLDER RELATIONS MANAGEMENT

GRENKE has been tracking and evaluating the proposals, requests and complaints of our employees, suppliers and business partners since as early as 1996. Meanwhile, we have been systematically expanding our stakeholder relations management and now address our relevant stakeholders using a variety of target group-specific formats and channels in addition to letters, phone calls and email. Communicating about sustainability-related topics is becoming increasingly important.

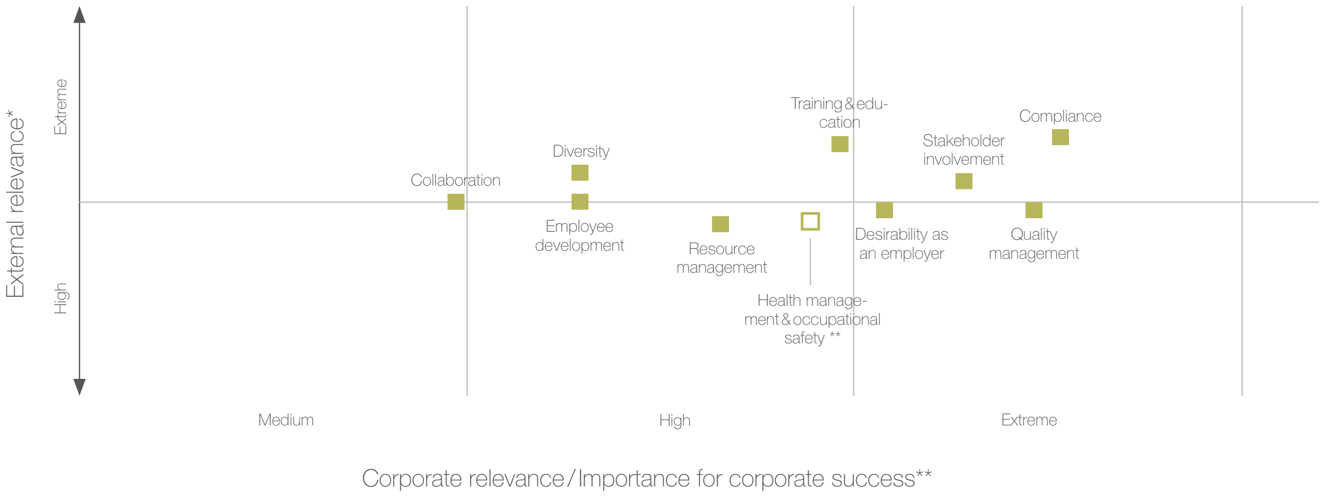
OUR STAKEHOLDERS AND COMMUNICATION CHANNELS

STAKEHOLDERS	FORMATS AND CHANNELS
Employees • Management • Employees	Consolidated Group-wide management forums, regular information for employees, employee surveys, campaigns on occupational health and safety; social media (XING, LinkedIn, Facebook)
Business Partners • Customers / dealers of the three business segments Leasing, Banking and Factoring	Customer visits and workshops, welcome calls, participation in trade fairs, customer and partner magazines, satisfaction surveys
Shareholders / Capital market • Investors (debt and equity) • Analysts • Rating agencies	Financial reports, Annual General Meeting, analyst and investor conferences, roadshows and capital market conferences, ratings (S&P, GBB)
Government Bodies • Supervisory authorities • Regulators • Auditors • National / international legislators	Supervisory discussions, notifications and reporting, financial reports / reporting
Civil Society • Potential employees • Media representatives • Local stakeholders • Non-profit institutions	Social media presence on XING, LinkedIn, Facebook and kununu, corporate reporting, exchange with media representatives, customer and partner magazines, interaction in charitable projects

The activities involved in our internal stakeholder relations management include determining the level of "internal recipient satisfaction" with supervisors and other departments. This information flows into our balanced scorecard (BSC) evaluation and forms a component of the variable compensation.

External proposals from our finance recipients and specialist reseller partners are recorded under the category of "external recipient satisfaction" and continuously evaluated. We take this systematic collection and evaluation of feedback into account when further developing our range of products and services.

MATERIALITY MATRIX



* The feedback from external stakeholders on the sustainability issues above was provided through various formats and channels but has not been quantified to date. The latter is planned as part of an additional materiality analysis.

** Based on management and departmental assessments. The strategic relevance of the sustainability issues shown was internally revalidated for the 2019 fiscal year. A further (tenth) key issue, "health management and occupational safety," was added to the "sustainable human resources management" field of action.

In 2017, GRENKE conducted a materiality analysis that identified nine sustainability issues and aspects of strategic relevance from a corporate and economic perspective, while at the same time reflecting the interests and expectations of the relevant stakeholders. The results of this materiality analysis were revalidated in the 2019 fiscal year. This time a further (tenth) key issue – "health management and occupational safety" – was added to the "sustainable human resources management" field of action.

These issues and aspects were discussed with departmental representatives within internal working groups and allocated to four fields of action. The issues of quality management and stakeholder relations are managed across departments and fields of action.

OUR FIELDS OF ACTION AND RELATED KEY ISSUES

Fields of action	ISSUES
Responsible corporate governance Ethical and legal standards determine our actions. We comply with the applicable laws and regulations, as well as internal rules, and identify with the principles of transparent corporate governance.	Compliance
Sustainable Human Resource Management Recruiting and retaining qualified employees who act on their own responsibility are one of the most important pillars of our company's success. GRENKE is loyal to its employees and meets its duty of care.	Desirability as an employer Diversity Training & Education Employee Development Health Management and Occupational Safety
Resource Management We pay attention to the responsible use of all available resources left to us.	Resource Management
Community involvement We accept our social responsibility towards society. We support projects and organisations that are active in the social, youth, sports and cultural areas.	Collaborations
Across all fields of action	Quality Management Stakeholder Relations Management

On the following pages, our activities in the fields of action of "Responsible corporate governance", "Sustainable human resources management", "Resource management" and "Community involvement" and Quality management" are presented in detail. Also reflected in this reporting structure are the five aspects – environmental, employee and social concerns, respect for human rights and the fight against corruption and bribery – from the CSR Directive Implementation Act pursuant to Section 289 c (2) of the German Commercial Code (HGB). We provide information on the development status of our sustainability strategy and report on individual key performance indicators (KPIs) that have been developed within the fields of action (indicated below by **KPI**).

No framework has been applied thus far in the preparation of this non-financial statement or in the selection of the key figures presented. In the 2019 reporting year, we continued to evaluate the option of implementing an international reporting standard, and this process was still ongoing at the end of the year. The standard, which is yet to be defined, will serve as a framework for explicit sustainability reporting in the future, supplementing the reports that exist today in the individual areas.

4.2 RESPONSIBLE CORPORATE GOVERNANCE

GRENKE AG fully complies with the essential statutory regulations for the management and supervision of listed companies as set forth in the German Corporate Governance Code (GCGC) as well as to a large extent with the internationally and nationally recognised standards for good and responsible corporate governance recommended by the GCGC. In addition to respecting human rights and complying with ethical standards, legal compliance is the binding basic requirement of our business activities as a financial services institution and thus has top priority. We comply with legal regulations and take appropriate measures to counteract potential risks for GRENKE. This includes regular training of our employees in compliance-relevant topics as well as the performance of audits (see "Compliance training and audits", p. 42).

The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively about compliance requirements. The Supervisory Board also deals with relevant issues in the Audit Committee.

4.2.1 COMPLIANCE MANAGEMENT

Compliance at GRENKE extends to all business activities and processes. Acting in accordance with the law and supervisory and internal regulations is just as self-evident for us as respectful treatment of employees and external stakeholders, equal treatment, anti-discrimination and respect for human rights. The rules of mutual respect and ethical conduct are also laid down in writing in our Code of Conduct, which is given to all employees as part of their employment contracts. In addition, all corporate bodies and employees are kept informed about the laws, internal regulations and any reforms or changes thereto via the company intranet, by e-mail and in training courses.

In our international business operations, the various legal systems and laws in the 32 countries where the GRENKE Group operates present a key challenge. Our Group-wide Compliance Management System (CMS) enables us to meet the diverse international requirements and, thereby, mitigate operational risks and uncertainties with confidence. Our CMS is based on international compliance standards and relevant legal requirements. We also work to continuously increase the effectiveness and efficiency of our CMS by periodically coordinating with the specialised departments and through ongoing checks and adjustments to risks, jurisdiction and industry developments.

The risk potential for non-compliance cases (including corruption and money laundering risks) is reviewed annually by the GRENKE's local foreign subsidiaries. The results of these reviews form the foundation for GRENKE's risk management. Risks associated with company acquisitions are minimised by conducting a due diligence process prior to the acquisition. Local compliance officers in the respective countries ensure that our standards are observed both domestically and internationally. At the Group level, subsidiaries are monitored regularly by means of compliance and money laundering audits.

Local compliance officers report directly to the compliance officer of the GRENKE Group, who then informs the relevant members of the Board of Directors of any material findings. GRENKE Group's compliance officer also helps the Board of Directors to avoid committing violations of the law, corruption, fraudulent activities and assists in the clarification of suspicious cases. The Supervisory Board receives a detailed annual compliance report in order to review the adequacy and effectiveness of the CMS.

We work vigorously to combat potential money laundering, the financing of terrorism and other offences using a variety of operating procedures and policies. The appointment of national anti-money laundering officers is at the foundation of ensuring Consolidated Group-wide compliance with the law, using a system-based process. The anti-money laundering officer provides a report to the Supervisory Board once annually to keep the Board informed of the issues mentioned.

GRENKE employees have a range of options available to them to report possible rule violations, including a whistle-blower platform, "GRENKE Integrity Line", which was implemented in the 2019 fiscal year. This platform gives employees, customers and resellers a mechanism with which they can inform us of possible rule breaches while maintaining confidentiality. GRENKE handles the reported information responsibly and takes adequate steps to discourage any violation of the applicable laws.

4.2.2 DATA PROTECTION

Data protection is a high priority at the GRENKE Consolidated Group. We make it a point to develop our data protection management system on an ongoing basis to ensure that data processing activities within the Consolidated Group are executed in accordance with the legal requirements. This also allows us to recognise potential violations at an early stage so that we can counter them with the appropriate actions.

The European General Data Protection Regulation (GDPR), which took effect on May 25, 2018, establishes uniform data protection within the European Union. Despite this regulation, we anticipate that the different legal systems with their varying national legal requirements will continue to present GRENKE with a data protection challenge due to its international business activities.

Our project for the uniform implementation of data protection requirements therefore also takes into account the changes to national legislation, which means that, in addition to the provisions of the GDPR, individual member states continue to have different data protection regulations. As soon as a member state introduces an opening clause to supplement or expand the requirements under national data protection regulations, these changes will be taken into account within the project's framework and the affected processes will be adapted accordingly. In order to maintain its high level of data protection, GRENKE has also decided that the requirements of the GDPR will be implemented throughout the Consolidated Group unless individual countries apply stricter regulations.

To meet the major challenges posed by data protection, both GRENKE AG, as the parent company, as well as the Consolidated Group companies, have each appointed their own data protection officers. In addition to the ongoing e-training for all employees, data protection officers train not only our staff on data protection but are also available to our customers, business partners and employees as competent contact people. A central unit was also set up during the past fiscal year to ensure the coordination of all data protection officers.

4.2.3 COMPLIANCE TRAINING AND AUDITS

Our employees' sound understanding of compliance issues is the key to achieving our goal of effectively preventing violations. To accomplish this, all new employees throughout the Consolidated Group receive a comprehensive introduction to pertinent compliance topics such as money laundering, corruption and bribery. Training courses include instructions and rules for the correct and legally compliant handling of gifts and invitations.

In 2019, within the scope of orientation events, 315 of the 507 newly recruited employees (including franchise employees and trainees) were trained on the topics mentioned above. This level of participation corresponds to a training ratio of 62.1 **KPI** percent (previous year: 47.3 percent). By increasing our number of training courses, we have succeeded in training a greater number of employees. We intend to further increase the proportion of compliance training courses held at our Consolidated Group headquarters in the coming years. With additional online training as well as training by the national compliance or money laundering officers, we ensure that the topic is continuously communicated at GRENKE.

In the past fiscal year, we also conducted **KPI** 9 scheduled audits on compliance and money laundering prevention on-site at our subsidiaries (previous year: 12 audits). These audits, conducted every three years, examine the existence, appropriateness and effectiveness of the CMS and the money laundering organisation.

4.3 SUSTAINABLE HUMAN RESOURCE MANAGEMENT

The success of the GRENKE Consolidated Group rests on the skills and commitment of its employees. Attracting, retaining and developing them accordingly are at the core of our human resource strategy. The principle of promoting and challenging is applied in our work together every day. As a family business, GRENKE is loyal to its employees and takes its duty of care seriously.

At GRENKE, employee concerns are given top priority above and beyond the legal and regulatory requirements. The manner in which we should work and interact with each other internally is set out in our Corporate Code of Conduct. The code clearly defines the obligations of the employees towards the Company, as well as those of the Consolidated Group towards the workforce. We focus special attention on mutual appreciation, fairness and respect. We support equal opportunity and accountability, promote employees' individual strengths and consider their proposals for improving the work environment.

The human resources department coordinates and monitors all key personnel matters. As part of the due diligence process, personnel issues are recorded backed by reports on key performance indicators and routinely evaluated and discussed at meetings of the Board of Directors.

4.3.1 DESIRABILITY AS AN EMPLOYER

GRENKE Consolidated Group places a high importance on positioning itself as a desirable employer. GRENKE provides employees an attractive and safe working environment, flexible hours and fair compensation. Another key factor contributing to GRENKE's desirability as an employer is its view of diversity as a crucial ingredient to success and the overriding importance it gives to the principle of equal opportunity.

Acquiring new talent and ensuring that employees identify positively with the Company are also very important to GRENKE. Recruiting is carried out with the aim of ensuring a sufficient number of staff while, at the same time, keeping the rate of staff turnover at a low level (see p. 43). We work to achieve this by continuously promoting GRENKE's employer brand recognition, both regionally and nationally. GRENKE uses selected channels of social media to adequately address new target groups and expand the reach of its job advertisements and recruiting initiatives. Since 2017, we have had a uniform presence on XING, kununu, LinkedIn and Facebook where potential applicants can gain significant insight into the Company, as well as talk to employees. We expanded our use of these channels and formats during the reporting year to address potential applicants with the appropriate content and adapted it to our new brand identity. We also created a new employer branding strategy under the slogan #letsgrowtogether.

In 2019, we participated again in a number of recruiting fairs, including the KIT Career Fair in Karlsruhe and the Career Fair sponsored by the University of Mannheim. We also expanded our presence at several IT events and presented the Company to the relevant groups and individuals interested.

In addition to its collaboration with the Baden-Wuerttemberg Cooperative State University (see p. 39), the GRENKE Consolidated Group also organised events in cooperation with selected universities and campaigns, which also help strengthen the employer brand and, thereby, the Consolidated Group's ability to recruit employees. As part of the scholarship programme in Germany, we are currently sponsoring three (previous year: five) scholarship recipients at the Karlsruhe University of Applied Sciences enrolled in the Computer Science and Tricontinental Master in Global Studies courses.

GRENKE maintains its strong desirability as an employer through a number of offers and activities for both potential and existing employees. Employee surveys that measure the employees' satisfaction with the Company are conducted at regular intervals, and their results are a confirmation of GRENKE's claim as a desirable employer.

4.3.1.1 Work Scheduling and Remuneration

GRENKE employees have numerous options available to them for creating their own individual work schedules and their chosen locations to fit their current life situation. Our digital infrastructure offers employees a variety of flexible work options, such as a home office. Remuneration is performance-based and derived from the results of the GRENKE Balanced Scorecard (BSC). GRENKE also caters to new generations by providing young parents with the option to set up special work schedules so that they can combine their family and career as best as possible.

4.3.1.2 Diversity

With respect to the equal participation of men and women in management positions, we were able to achieve our target of 25 percent each in second- and third-tier management positions once again during the past fiscal year. In addition, during the past fiscal year, the GRENKE AG Board of Directions decided to raise the target to at least 30 percent in the 2020 fiscal year.

GRENKE applies the principles of equal opportunity and diversity as a general rule. For example, when external recruitment agencies are involved in the selection of new employees, they too are called upon to include all genders in their selection equally when filling an advertised position with the most suitable candidate.

The fact that women enjoy excellent career opportunities at GRENKE was corroborated by the results of an extensive study in 2019 conducted by the Institute for Management and Economic Research (IMWF) on behalf of "Deutschland Test" and the business magazine FOCUS Money. In this study, the top 5,000 German companies, measured by number of employees, were put to the test with GRENKE's Leasing segment taking first place (see www.grenke.de/unternehmen/grenke-deutschland/auszeichnungen-zertifizierungen

GRENKE also plans to place a strong focus in the future on the promotion and qualification of female employees when it comes to the area of continued training.

4.3.1.3 Workforce Development

The Consolidated Group's workforce continued to increase in the reporting year as a result of its ongoing recruitment of new employees and through acquisitions. On average, GRENKE employed around 1,675 people in the past year (previous year: 1,456). An average of about 654 employees were employed at our German locations (previous year: 569), while our international locations employed 1,021 people (previous year: 887).

The employee turnover rate was **KPI** 10.5 percent on average for the Consolidated Group (previous year: 9.5 percent). In Germany, it was 11.5 percent, compared with 10.4 percent in the previous year. In the management area in particular, as well as among senior executives, the fluctuation rate was again well below the Consolidated Group-wide average.

4.3.2 EMPLOYEE QUALIFICATION AND DEVELOPMENT

Business and work processes are changing just as rapidly as the legal environment. The knowledge, motivation and continuous training of the workforce are strategic corporate resources gaining increasing importance in a constantly evolving market environment. GRENKE believes that a well-qualified workforce makes all the difference. Further education injects new know-how into the Company, fosters innovation and the ability and enthusiasm to perform, and promotes strong job satisfaction among the workforce. This objective is firmly anchored in our personnel development concept. A basic prerequisite for this is to actively accompany internal and external change processes and, if possible, to shape them together.

4.3.2.1 Induction and Orientation

We ensure that each employee gets off to the best start possible at the Company starting as early as the application process. Potential new employees are assigned a dedicated contact person already during the application process and kept informed at every stage in the selection process. Potential employees are also given the opportunity to attend a "trial day", where they can get to know the team personally in advance.

New employees are then guided through a special orientation process that includes an important programme: "Join GRENKE". In this programme, seasoned employees use web conferences to give new recruits an inside look into the individual departments. During this phase of the orientation, new employees are made familiar with their respective areas of responsibility and learn about the interaction between the different departments. These regularly held introductory meetings are coordinated by the Human Resources (HR) department and arranged individually with the respective manager. Next to the systematic introduction to the overall Company, new employees are professionally trained in-depth within their team.

All new employees also attend a three-day induction event during their first year of employment at the Consolidated Group's headquarters in Baden-Baden. The event is held in both English and German to give all employees an opportunity to participate and see the Company's headquarters. The concept for the event is reviewed, continually revised and further developed in close cooperation with the respective speakers. It was updated during the past fiscal year in cooperation with the respective departments in order to start the year 2020 with a modified concept.

To even more efficiently manage these and other employee-related processes, the Company installed a new HR management software programme at the end of 2019. As per the beginning of 2020, this software will support the HR team and all managers with HR-related activities and offer various functions to assist them in the recruitment, development and retention of employees.

4.3.2.2 The GRENKE Talent Lab

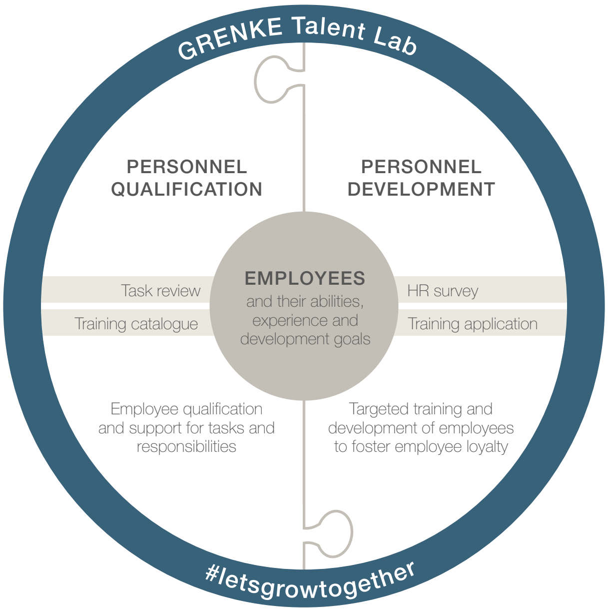
The GRENKE Talent Lab, which evolved from the former GRENKE Academy, facilitates the continuous development of our training programme for our employees. At GRENKE, we believe that taking this systematic approach is the only way to stay current and play an active role in shaping tomorrow's trends.

The GRENKE Talent Lab offers practical, didactically and methodically structured continuing education programmes across all locations. Through the use of modern e-learning programmes and permanent evaluation processes, we ensure the quality of our ongoing training and guarantee that knowledge is shared within the Company. Where feasible, our goal is to ensure that each and every employee participates in a minimum of one GRENKE Talent Lab continuing education programmes every year. The participation in these programmes is also included in the determination of the training ratio (see p. 38).

GRENKE Talent Lab is divided into two areas: personnel qualification and personnel development. The Lab develops continuing education programmes that are tailored to specific departments and high-potential employees within the organisation. The two areas supplement each other and are designed as a common path that can be individually tailored for each employee.

SEE DIAGRAM "STRUCTURE OF THE GRENKE TALENT LAB"

STRUCTURE OF THE GRENKE TALENT LAB



At GRENKE, personnel qualification refers to the ongoing support employees receive to do their daily work through high-quality, practice-oriented training to ensure they are permanently qualified in their field of responsibility. When we design the annual training programmes, we place a special emphasis on combining internal and external training courses with supplementary individualised training on specific topics.

Internal training is carried out by GRENKE experts who are accompanied and supported by the HR department. In the case of external training, GRENKE commissions trainers who are qualified in a particular topic. In its selection and assessment of external trainers and coaches, the HR department uses an in-house evaluation model.

In addition to the above, a task review meeting is held between the employee and the responsible manager once annually. This meeting involves a discussion about the employee's performance of duties and a skill assessment, among others. As a result of these meetings, GRENKE also determines whether or not further training requirements are necessary and, if so, includes these in the annual training catalogue.

Two instruments are used within the scope of personnel development, which is dedicated to the individual advancement and further development of GRENKE employees in line with the Company's objectives:

- HR Personal Development Survey – This annual survey gives employees an opportunity to express their individual desire for further development at the Company. The survey is conducted online via the employee portal enabling GRENKE to offer a protected environment in which employees can express their professional and personal goals to the Company. Under the assurance of neutrality and objectivity, GRENKE is able to gather information about the employee's ability, performance and character potential and his or her individual willingness to learn and change.

- Application for special individualised further training – GRENKE employees can apply to receive some desired further training or make a concrete request for training outside of what is offered in the annual training catalogue. Once the application has been approved, an individual training agreement is drawn up in cooperation with the HR department.

In 2018, a programme called "Leadership Personality" for an international group of middle managers was implemented throughout the Company for the first time. During the past fiscal year, four new training courses were added: one in France, one in Italy and two in Germany, one of which was intended for international employees. The training programme consists of four modules with eight attendance days and one training day each in the following year, on which previously imparted knowledge is recapitulated and updated as required. The training modules address GRENKE-specific issues and include content on the theory and practice of managing employees. A core part of the training involves open exchange, as well as the practical application and experience with the training content. The GRENKE team receives support for this programme from an external partner.

At GRENKE, executive development will continue to be a high priority and will expand again during the current fiscal year. The introduction of leadership principles during the coming year will help managers to better carry out their responsibilities. In addition to the programme for executives, GRENKE also plans to introduce new career pathways.

The further training offered by the GRENKE Talent Lab was very popular again in 2019, with 91 percent **KPI** (previous year: 89 percent) of GRENKE Consolidated Group's employees taking part in the courses offered.

4.3.3 TRAINING AND EDUCATION

Our human resources management is continuously developing and refining the content of the training and education programmes and the employee qualification and development programmes. At a minimum, this effort not only strengthens GRENKE's desirability as an employer but also draws new, qualified employees to the Company.

At the same time, the HR department works to ensure that existing employees identify positively with the Company. Possessing a qualified and autonomous workforce is one of the GRENKE Consolidated Group's most valuable assets – especially during periods where there is a shortage of skilled workers. Our goal in the area of training and education is to retain as many suitable young people and potential managers as possible at an early stage. To achieve this, we rely on a host of supporting activities, including training coordination, partnerships with schools within the scope of the "Business Provides Education" campaign, internships and various campaigns for vocational training.

4.3.3.1 Training Management and Dual-study Programmes

We provide our employees with all of the professional skills they need for their careers at GRENKE, starting with the traineeships at the Company. Our trainees receive individualised and demand-oriented training, which takes into account their strengths and the requirements of their special areas of activity.

After a multi-day in-depth induction period, the training programme includes an established feedback process and a half-yearly deployment plan that incorporates the training requests of our trainees (see "Employee Qualification and Development" on p. 40).

Trainees are assigned contact persons and deputies in each department (vocational trainers) who have taken the Chamber of Industry and Commerce (IHK) training exams. The contact persons are responsible for supervising and accompanying the trainees and familiarising them with specific vocational topics. By rotating the trainees through different departments, they develop a comprehensive understanding of the Company's processes. We also use standardised introduction plans to ensure that all trainees obtain extensive and uniform fundamental knowledge in addition to individual vocational skills.

A comprehensive orientation programme ensures that trainees develop the fundamental skills necessary for their desired position, as well as an understanding of the specific challenges faced during a typical workday at GRENKE. As the trainees continue to develop they start to actively participate in projects and contribute their original ideas.

In Germany, together with the Karlsruhe Chamber of Industry and Commerce (IHK Karlsruhe), we offer trainees courses for the following vocations:

- Office manager
- Dialogue marketing manager
- IT specialist in application development and systems integration

We have also been educating young trainees in a variety of study areas in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) since 2004. Our range of training currently includes the following courses of study:

- International Business (B.A.)
- International (tri-national) Business Management (B.A.)
- Business Administration / German-French Management (B.A.)
- Business Administration / Financial Services (B.A.)
- Accounting & Controlling (B.A.)
- Business Information Systems (B.Sc.)
- Applied Computer Sciences (B.Sc.)

Due to the ever-evolving market situation, it is important that we review our training programme regularly. Through our ongoing market research, we have identified new vocations and study courses and are striving to expand our training portfolio to better meet the need for junior staff.

In the 2019 fiscal year, a total of 54 trainees and students in Germany (previous year: 55) completed either a dual vocational training programme or dual degree programme. A total of 18 of the 22 trainees and students were subsequently hired, which corresponds to a hiring ratio of 81.8 **KPI** percent (previous year: 75 percent). The development internationally was as follows: our French subsidiary, GRENKE Location SAS, had 16 trainees in 2019 (previous year: 14), 8 people completed their vocational training and 4 were subsequently hired; in Italy and Switzerland, GRENKE has 2 junior staff members in each country; and a total of 4 people are currently being trained at GRENKE Leasing Ltd. in the UK. The number of trainees is growing slightly. However, due to the growth in the number of employees in the various countries, the training ratio for the GRENKE Consolidated Group entities' offering training amounted to **KPI** 5.8 percent compared to 6.1 percent in the prior year.

For our commitment to training management, we received another award in the category “Best Trainers in Germany” in 2019, after receiving this award in 2018, in a study with the same name, conducted by Capital business magazine. Achieving the highest possible score in this category encourages us even more to maintain the outstanding quality of training at our Company.

4.3.3.2 School Partnerships, Corporate Internships and Training Ambassadors

As part of the “Business Provides Education” campaign sponsored by the Karlsruhe Chamber of Industry and Commerce, GRENKE has entered into collaboration agreements with the Markgraf-Ludwig High School and the Richard-Wagner High School in Baden-Baden, as well as with the Lothar-von-Kübel Secondary School in Sinzheim. The aim of these collaborations is to give pupils a better understanding of economic interrelationships, make it easier for them to choose a profession and manage the application process, in addition to strengthening the advisory skills of the teachers. We are also involved through workshops, sponsorships and through our participation in career fairs. In 2019, for example, we participated in the Karlsruhe education fair “Career Start”, as well as in an “Open House” sponsored by DHBW Karlsruhe and a “Study Info Day” sponsored by DHBW Mannheim.

In addition, we regularly offer pupils activities such as job application training, as well as the opportunity to attend our Annual General Meeting. Our offers were well-received again in 2019. In the past fiscal year, our offers included two one-week student internships at the Consolidated Group’s headquarters in Baden-Baden. These internships combine our individual internship offers and give pupils the opportunity to learn about different professions. The participants familiarise themselves with different departments within the GRENKE Consolidated Group and complete job application training. They also become familiar with our training offers and exchange information with our trainees to help them to decide which path to take when they finish school. These activities gave 22 pupils insight into the GRENKE Consolidated Group and provided them with useful tips for their professional future. Seven internships were also completed, which gave trainees the opportunity to visit the departments of their choice. In addition, the “KSC GRENKE aKAdemie” partnership made it possible for a KSC youth player to complete a one-year internship at GRENKE.

We also give our trainees the opportunity to be trained as “training ambassadors” by the Chamber of Industry and Commerce (IHK). As training ambassadors, they support the IHK, among others, at career orientation events where they present their job profile and the Company.

Through our strong presence in the pre-professional training sector, we strive to help pupils choose a career and further strengthen their perception of GRENKE as a committed and attractive training company and employer for the long term.

4.3.4 HEALTH MANAGEMENT AND OCCUPATIONAL SAFETY

We promote the long-term well-being of our workforce and ensure a health-protected workplace. To achieve this, we go above and beyond the legal requirements for occupational health and safety. In Germany, for example, we identify potential health and safety risks for each workplace and define the appropriate actions to take. Our focus is on ergonomic design and general instructions provided on the potential hazards in the individual work environment. Due to the constant increase in the requirements in these areas, a working group was formed to make joint progress with respect to these issues. In addition to the measures mentioned, GRENKE offers all employees the option to receive regular medical health check-ups.

Over the past year, a special focus was placed on strengthening two pillars of occupational health management. The health platform GRENKEmachtfit, introduced in 2017, had 83 percent of the employees in Germany registered and active for at least 1,779 hours in the reporting period.

The GRENKEmachtfit platform was also used to efficiently organise the preventive check-ups for workstations (G37) relevant for occupational health and safety and to promote internal, health-promoting and team-building athletic groups.

To replicate the success of this platform at other locations, the responsible employees in the national companies were commissioned to design comparable health platforms and research similar offers. This has already led, for example, to collaboration agreements with fitness studios in both Poland and Portugal.

The following corporate team sports options are being offered in Germany:

- Since 2006, the GRENKE soccer team has been meeting weekly to train at the Baden-Baden location. The team also participates in leisure competitions.
- Since 2014, GRENKE employees have been participating in the B2RUN corporate marathon. A total of 155 of our employees took part in this event in 2019. A GRENKE relay team also participated for the second time in the Baden Marathon in Karlsruhe.
- A weekly running and strength training course was offered to employees in Baden-Baden during the past fiscal year to encourage running as a sport and prepare to successfully participate in the B2RUN. The training course was supervised by an external running coach.

Another important pillar of our health management system is the "Healthy Leadership" seminar series, which is modular in design and currently being expanded based on internal feedback to best meet the requirements of our managers. Managers who have already attended the seminar series in the past are given the opportunity to refresh their existing knowledge through current issues and information about new requirements in the context of special courses and individual coaching sessions.

4.4 RESOURCE MANAGEMENT

GRENKE Consolidated Group is committed to the responsible handling of all available resources. That is why the area of resource management combines all of the measures that increase our environmental performance. At the core of this effort are the concept of a "paperless office", energy efficiency at the Company's locations, certified energy audits and our policy on travel costs.

4.4.1 THE "PAPERLESS OFFICE" CONCEPT

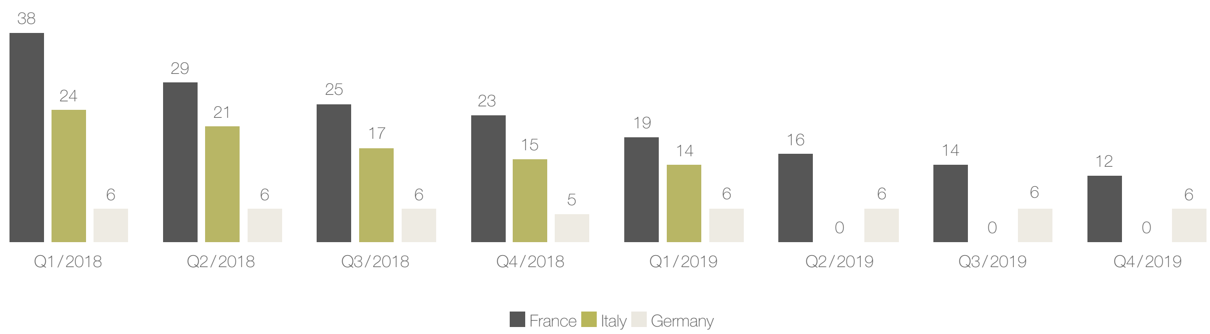
As an internationally positioned provider of lease financing, our business model traditionally involves a high volume of records and documents. Here, too, we recognise the challenge to minimise our footprint and the tools we need to accomplish this. In concrete terms, GRENKE is striving to achieve a continuous reduction in its paper consumption. Three digitisation initiatives supporting this goal are summarised in our "paperless office" concept:

- The digital personnel file – By means of a digital personnel file, we make it possible for our employees to process and manage important formalities such as holiday requests and payslips without using paper.
- The digital customer portal – With our digital customer portal, our customers can manage their contracts, invoices and data online at any time. This portal was available to our customers in 21* countries (previous year: 21) at the end of the 2019 fiscal year, and the rollout of this portal is planned in other countries. The dispatch of invoices is now an essentially paperless process. Invoices have already been sent by e-mail as attachments in 9** countries since 2019, meaning that customers no longer have to register separately on the customer portal to receive their invoices. Electronic invoicing is also becoming a paperless standard solution when working together 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 area. This is a regulation we welcome, particularly since we are already pioneers in this area. For example, in 2019, we expanded e-invoicing to include our subsidiaries in Italy, Sweden and Turkey.

* Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Great Britain, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland
** Denmark, Spain, France, Great Britain, Italy, Ireland, Portugal, Romania, Germany

PERCENTAGE SHARE OF PRINTED INVOICES IN CORE MARKETS

per 31 December 2019, in percent



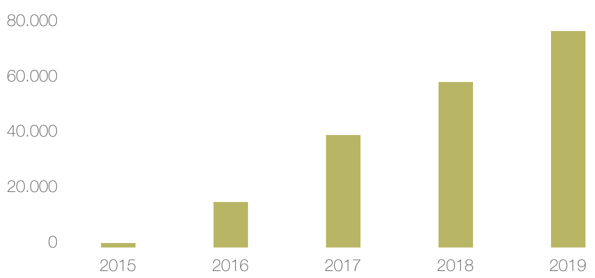
The measures mentioned have led to a further overall reduction in the amount of surface mail sent by GRENKE. Achieving this has enabled us to reduce the number of paper invoices generated and sent by post in our core markets to a minimum. In Germany, for example, only 5 percent of our invoices are sent by post (previous year: 5 percent); in France that figure is 12 percent (previous year: 23 percent); and in Italy that figures has reached 0 percent (previous year: 15 percent) following the introduction of e-invoicing

SEE CHART "PERCENTAGE SHARE OF PRINTED INVOICES IN CORE MARKETS", P. 48

eSignature, GRENKE's electronic signature solution has been recording increasing user numbers ever since its introduction in 2015. This complimentary service for specialist reseller partners and customers makes it easier to conclude financing agreements. Documents are sent electronically and signed with a legally valid signature. As a result, this solution also saves paper needed for copies and sending correspondence by mail. eSignature was first introduced in 2015 in Germany and France and was available in a total of 20 markets by the end of 2019. The plan is to continue to roll out this solution to other countries in the future. In the reporting year, the proportion of lease contracts concluded using eSignature amounted to 25 percent (previous year: 22 percent). The electronic signature is also gaining importance within the Consolidated Group, specifically when signing protocols or contracts between Consolidated Group companies.

SEE DIAGRAM "LEASE CONTRACTS CONCLUDED USING AN ELECTRONIC SIGNATURE.

LEASING CONTRACTS CONCLUDED USING AN ELECTRONIC SIGNATURE



4.4.2 LOCATION MODERNISATION AND ENERGY AUDITS

All of the office buildings rented by the GRENKE Consolidated Group in Germany have energy certificates documenting their energy status. This status, however, represents only a temporary snapshot of our consumption, as our aim is to continually reduce the energy consumed at our locations. For example, we have been steadily modernising the technical equipment in our buildings, and during a construction phase at our headquarters in Baden-Baden in November 2017, we insulated the ceiling of our underground parking garage with mineral wool to save heat and energy.

The data we receive on the Company's energy efficiency stems from the routine energy audits carried out in Germany. We use this data to help determine any action we can take to enhance our energy efficiency. Audits in accordance with DIN EN 16247 are carried out every four years at our headquarters in Baden-Baden and other selected branches. TÜV SÜD has been commissioned to carry out our periodic recertification with the next recertification scheduled for January 2020.

4.4.3 TRAVEL EXPENSE POLICY

The GRENKE Consolidated Group strives to keep the number of business trips as low as possible and prefers the use environmentally friendly forms of communication, such as video and telephone conferences. Any business trips that are still necessary despite these efforts are scheduled and taken along the guidelines of our internal travel expense policy. Among other things, this policy recommends taking public transportation, especially trains, over other forms of transportation. Within the scope of a pilot project in Germany, we have been testing the use of e-mobility since June 2017 and already had two electric vehicles in use by 2018.

4.5 COMMUNITY INVOLVEMENT

At GRENKE, sustainability management is primarily considered in direct connection with our core business (see p. 42). We believe, however, that corporate responsibility should also include returning a portion of the profits we generate to the community and supporting organisations and projects that are not necessarily directly related to our value creation. A few examples of GRENKE's community involvement are described in the sections below.

4.5.1 SPORT, CULTURE AND EDUCATION

GRENKE has traditionally placed a special emphasis on promoting the mental discipline sport of chess. Since 1997, the Company has been a sponsor of the Baden-Baden chess centre, as well as the Ooser chess society (OSG), which, with over 370 members, is one of the largest chess clubs in Germany. The OSG holds the German championship record in both the women's and men's team events. A number of successes were also achieved in the youth and adolescent segments.

In 2013, for the first time, we were the primary sponsors of the "GRENKE Chess Classic" in Baden-Baden – an event that regularly features high-ranking players such as the Norwegian chess world champion Magnus Carlsen. We are also sponsors of the "GRENKE Chess Open" – the world's largest open chess tournament held in Karlsruhe since 2016. In 2019, this event attracted almost 2,000 participants from all over the world.

GRENKE also sponsors other types of sports events. In 2019, the indoor football tournament known as the GRENKE Cup took place for the third time under the sponsorship of GRENKE AG and the SV Sinzheim sponsorship association. This tournament benefits young people and aims to create a stronger link between athletics and education, vocational training and university studies.

GRENKE also maintains an unwavering focus on youth development when it comes to soccer. Together with Karlsruher SC, GRENKE helps talented young people to develop a professional career and as they get started on their chosen career path. The KSC GRENKE aKAdemie offers a holistic education that goes far beyond a pure football training programme and is geared towards the long-term promotion of KSC young talents in the areas of athletics, academics and personal development (see www.ksc.de/akademie)

In the areas of music and education, we support a school programme entitled "Columbus – discover classical music!" Through a grant, we provide pupils discounted access to events at the Festspielhaus (festival hall) in Baden-Baden. Pupils participate in classes discussing the content of the performances they have attended. They are also allowed to visit opera, ballet and orchestra rehearsals. (see www.festspielhaus.de/bildung/schulprojekt-kolumbus).

Since 2016, GRENKE AG has supported SRH Berlin University of Applied Sciences, Berlin School of Management (formerly known as SRH Hochschule Berlin) through its endowed professorship for Entrepreneurship and two part-time doctoral positions expiring in 2022. GRENKE has also been a promoter of the GRENKE Centre for Entrepreneurial Studies research institute, which opened in January 2018. The work of this institute involves analysing business start-ups and using scientific methods to determine the real-world factors for success. As founder and former Chairman of the Board of Directors of GRENKE AG, Mr. Wolfgang Grenke contributes his expertise and network to this sponsorship project.

4.5.2 OTHER SPONSORSHIP ACTIVITIES FOR CHARITABLE PROJECTS AND ORGANISATIONS

In addition to sponsoring the institutions mentioned, we also pledge our support to regional and national non-profit organisations, which include the following:

- the SOS Children's Villages relief organisation
- Foundation for the maintenance and scientific development of regulatory economics (Stiftung Ordnungspolitik)
- technika | Karlsruhe Technology Initiative, a project initiated by the Karlsruhe IT-cluster CyberForum e.V. to promote the technology and IT skills of pupils
- The Karlsruhe fischertechnik day, an event of the technika | Karlsruhe Technology Initiative. Here, GRENKE provided concrete support to establish Fischertechnik Group at the Theodor-Heuss-School, Baden-Baden
- Special Education and Counselling Centre (SBBZ) to support the emotional and social development of pupils with varying levels of education (a partnership with the Stulz-von-Ortenberg-School, Baden-Baden)
- Baden Disabled and Rehabilitation Sports Association (BBS)
- The kilometres run by GRENKE employees at B2Run events throughout Germany result in annual financial donations, which primarily benefit the Paralympics sponsorship team
- PionierGarage e.V.
- Student initiative to promote the founding of new innovative companies. Within the scope of this initiative, GRENKE was a sponsor of "GROW – The student founding contest" in order to lend its support to students starting up businesses.

(For further information on regional social commitment see www.grenke.de/unternehmen/grenke-deutschland/soziales-engagement)

4.6 QUALITY MANAGEMENT

GRENKE uses a quality management system that provides the framework for various actions in the everyday business of the GRENKE Consolidated Group and thus also contributes to the implementation of our sustainability strategy. All business and work processes established throughout the Consolidated Group are scalable and customer-oriented and aligned with our quality management. In this way, we ensure that our national and international customers receive simple, flexible and cost-efficient financing solutions from us locally. All employees have access to our quality management system. These measures enable us to react appropriately to requirements at all times.

A new quality management system was introduced at the end of the 2018 fiscal year. This system places an even stronger focus on work processes and thus supports employees in their daily work. Especially new employees get to know and understand the processes more easily in this way.

For over 20 years now, since 1998, GRENKE's quality management has been certified by independent auditing companies. However, we are not resting on our laurels; instead, we will continue to regard quality management as the supporting pillar of our business success in the future – and will continue to have it certified regularly, in order to ensure and continuously improve the quality of our products and services. Following this year's surveillance audit, TÜV SÜD Management Service GmbH once again confirmed 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 2022. Our certified locations and entities can be found on our website.

SEE WEBSITE WWW.GRENKE.DE/UNTERNEHMEN/GRENKE-DEUTSCHLAND/AUSZEICHNUNGEN-ZERTIFIZIERUNGEN

4.6.1 QUALITY MANAGEMENT CONTROL CYCLE

Quality management is the central component of our corporate philosophy, risk management and due diligence process. In a so-called quality management cycle, which includes the modules "quality policies", "quality objectives", "programmes and projects", "quality audits" and "quality reviews", we systematically examine and optimise our organisational structure, processes and results within the Consolidated Group in order to contribute to the Company's long-term success.

QUALITY MANAGEMENT CONTROL CYCLE

As part of this quality management control cycle and in addition to the recertification audits and TÜV monitoring mentioned, we carry out internal audits and continuously record quality-relevant documents, which are updated annually or every six months. This is how we ensure that our quality management reflects both current legislative changes and any recent product or process modifications. Equally important is that an internal audit, or certification, is a prerequisite for the acquisition of franchise companies and integrated into the takeover process. This allows us to identify any deviations in the process early enough to make any necessary adjustments. In the past fiscal year, **KPI** 16 locations were audited by TÜV SÜD as part of the random sample certification (previous year: 16). In addition, 105 internal audits took place (previous year: 131).

4.6.2 IDEA MANAGEMENT

Suggestion schemes have always been a part of GRENKE. What makes them so special, however, is the knowledge gained through these schemes and the motivation they generate throughout the entire staff. Therefore, at the end of 2018, a new process for submitting suggestions was established and the scheme was renamed Idea Management. Now employees have the opportunity to submit their ideas via a digital platform.

5. Remuneration Report

The Corporate Governance Report contained in this Annual Report includes the remuneration report, which presents the principles of the remuneration system for the Board of Directors and the Supervisory Board and the remuneration of the individual members. This remuneration report forms part of this combined management report.

6. Changes in the governing bodies

The Annual General Meeting of GRENKE AG on May 14, 2019 in Baden-Baden elected Claudia Krcmar and Heinz Panter as new members of the Supervisory Board to succeed Tanja Dreilich and Erwin Staudt, whose terms of office ended at the close of the Annual General Meeting.

On August 20, 2019, Heinz Panter informed the Company that he was resigning from his office as a member of the Supervisory Board with immediate effect and thereby left the Supervisory Board. At the request of GRENKE AG, the District Court of Mannheim appointed Jens Rönnberg to the Company's Supervisory Board with effect from November 12, 2019 until the end of the next ordinary Annual General Meeting. The Company plans to propose Mr Rönnberg to the Annual General Meeting to be held in May 2020 as a candidate for a seat on the Supervisory Board, thereby extending his term of office beyond the Annual General Meeting.

7. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

7.1 RISK REPORT

7.1.1 RISK MANAGEMENT

The risk management of the GRENKE Consolidated Group is geared towards detecting and assessing potential and newly arising risks. Both individual risks, as well as possible concentrations of risk and interdependencies between different risk areas, are monitored. The GRENKE Consolidated Group's risk management is carried out within an internally defined and coordinated process that covers all relevant levels of the Consolidated Group's organisation and is closely coordinated with the activities of the individual divisions. The Board of Directors bears the overall responsibility for monitoring the risk management system and its Consolidated Group-wide compliance.

In order to ensure that we comply with regulatory requirements, we have also implemented risk controlling throughout the Consolidated Group that is there to independently assess, evaluate, monitor, communicate and control risks. The Internal Audit department carries out a yearly review to verify that the regulatory requirements for risk management have been correctly and completely implemented. In the 2019 fiscal year, there were no material objections.

The risk strategy of the Consolidated Group, which is derived from the business strategy, specifies the long-term risk policy framework for risk management. This framework defines the overarching risk objectives and the use of consistent standards, methods, procedures and tools to achieve these goals. Clearly defined requirements help to ensure high-quality standards, consistency and the recognition of strategic risk objectives. Maintaining compliance with legally required capital and liquidity ratios at all times has also been implemented on an operational and strategic level. The risk strategy specifies the following strategic business objectives:

- Diversifying risk to avoid cluster risk
- Reducing complexity through transparency, standardisation and continued automation of business processes to reduce operational risks
- Reducing market risk to the lowest level possible for the operating business
- Use of IT-based models (e.g. for forecasting losses) to measure and control risks
- Maintaining sufficient capital and liquidity to meet the Tier I and Tier II regulatory requirements

Because the business is diversified across countries, sectors, products and customers, the Consolidated Group is not exposed to any material cluster risks in any of its business areas.

7.1.2 RISK MANAGEMENT PROCESS

The risk management process is derived from the risk strategy and includes the 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 Task Force is at the centre of the GRENKE Consolidated Group's risk management process. The task force consists of members of the Board of Directors and representatives from all key departments.

COMPLIANCE WITH REGULATORY CAPITAL AND LIQUIDITY RATIOS:

"Ensures sufficient leeway for the Consolidated Group's targeted growth in the years ahead."

As part of the risk definition process, an assessment of the risk inventory is carried out by specified risk managers and risk experts as required and at least once a year. The main component of the risk inventory, which was carried out using a new process for the first time in 2019, is a risk catalogue that is designed in line with the regulatory expectations of the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) of the ECB and the Supervisory Review and Evaluation Process (SREP) guidelines. Risk managers and numerous risk experts assess the risks assigned to them, dividing their assessment into a quantitative and a qualitative analysis, each of which is rated on a scale of 1 (immaterial) to 10 (significantly material). The assessments are aggregated for each risk type and later discussed in workshops to determine, among other things, the materiality of the individual risks. In the end, the 2019 overall risk profile is prepared, presented in the Risk Task Force and ultimately approved by the Board of Directors. In addition to the Risk Task Force, there are working groups for other types of risks, such as credit risk, market and liquidity risk, other risk and operational risk, which analyse and discuss the assessment of the risk subtypes, among other things. The Risk Task Force discusses the reports of the working groups for the respective risk subtypes, the ad-hoc risk reports and other regulatory and legal challenges, as well as innovations in risk management. During the reporting year, a total of 4 ad-hoc risk notifications were submitted using the risk management tool.

The Risk Control business unit uses a period-based, risk-bearing capacity model that assesses all identified risks deemed to be material and controls and monitors the overall risk profile and capital throughout the Consolidated Group. The defined areas and types of risks are to be limited and covered by risk coverage in the course of assessing the risk-bearing capacity. The assessment of risk-bearing capacity includes adequate consideration given to the findings of the stress test for material risks. The Risk Control unit prepares a quarterly risk report that presents and explains the current risk situation.

Pursuant to Germany's minimum requirements for risk management (MaRisk), the independent functions of the Compliance Office, the anti-money laundering officer, the data protection officer and the Chief Information Security Officer, as well as the risk control function, are organised at the Consolidated Group level. The Compliance Office oversees the handling and compliance with GRENKE's Code of Conduct. It also identifies and manages potential risk associated with conflicts of interest throughout the GRENKE Group. The data protection officer monitors the compliance and implementation of data protection laws. The anti-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 using an up-to-date risk analysis of the Consolidated Group, as well as through monitoring and research tools in compliance with regulatory requirements. The Chief Information Security Officer sets standards, monitors IT security and is responsible specifically for protecting the Consolidated Group's internally generated intangible assets. The Consolidated Group has implemented internal control mechanisms for managing and monitoring the risks specified based on the structure and operation of the respective processes in accordance with regulatory requirements. These risks are in turn assessed and evaluated by the Risk Control department and independently monitored, managed and communicated.

7.1.3 IMPLEMENTATION OF REGULATORY REQUIREMENTS

In accordance with Section 10a (1) KWG, the GRENKE Consolidated Group is considered a banking group with GRENKE AG as the primary institution. GRENKE BANK AG, a credit institution, is a subsidiary of GRENKE AG. Both the GRENKE Consolidated Group and GRENKE BANK AG are subject, among others, to the regulatory provisions of the Capital Requirement Regulation (CRR) and the KWG. The GRENKE Consolidated Group and GRENKE BANK AG must comply with the Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) published by the German Federal Financial Supervisory Authority (BaFin). These requirements contain, among other things, qualitative and quantitative requirements for risk management that are to be implemented by financial institutions according to their size and the nature, scope, complexity and degree of risk of their 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 Consolidated Group companies. Europa Leasing GmbH, which had been acquired in 2017 and, in 2018, had still used the waiver rule, was merged into GRENKE AG in the reporting year. The subordinate institutions have notified BaFin and the Bundesbank that certain regulatory provisions have been applied and incorporated at a Consolidated 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 of the GRENKE Consolidated Group are included in the regulatory scope of consolidated companies.

7.1.4 RISK-BEARING CAPACITY

To monitor risk-bearing capacity and ensure the Company's viability (going-concern approach), the GRENKE Consolidated Group uses an internal risk-bearing capacity model that contains all risks types identified as being material. This model is based on a forward-looking, rolling twelve-month view of items on the income statement and balance sheet. The areas and types of risks defined are to be limited and covered by risk coverage (RC) when contemplating risk-bearing capacity. The fundamental aim of the risk-bearing capacity model is to quantify existing risk and identify potential burdens on equity at an early stage and take the appropriate measures.

SEE DIAGRAM BELOW.

RISK-BEARING CAPACITY CONCEPT

The combination of risk coverage (capital provided to cover risk), risk limitation and quantified risk capital requirements (risk) compose the risk-bearing capacity system. Risk-bearing capacity serves to ensure the going-concern approach on a continual basis and checks whether the material risks of the Consolidated Group are adequately covered by risk coverage.

Risk coverage is the maximum amount of financial resources available to cover risk and is primarily equity. According to the logic of the going-concern approach, some risk coverage should be reserved to meet minimum regulatory capital requirements and other deductions (especially, intangible assets and goodwill) and is therefore unavailable to cover risk.

An aspect of the risk-bearing capacity system is the consideration of stress test findings for risks from extraordinary but possible events. Risk Control creates classic scenarios (historical and hypothetical) that are adopted by resolution of the Board of Directors. The focus is on analysing the sources of potentially high risk in the respective stress scenarios.

The following stress test scenarios are computed as part of the quarterly ascertainment of risk-bearing capacity:

- 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. 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.
- Serious 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.
- Slowdown in the IT sector: An unexpected change in the IT industry worldwide leads to a global decline in demand for IT products. This causes a decline in domestic prices that then leads to a temporary decline in new business and low revenues for the Company.
- Loss of investment grade status: Even more stringent regulatory requirements cause equity requirements to increase. This results in a qualitative deterioration in the risk profile under the Supervisory Review and Evaluation Process (SREP) and a higher capital buffer. Rating agencies are downgrading their ratings due to the increasing risk of non-compliance with regulatory requirements. Correspondingly, this leads to higher refinancing costs.
- Inflation: This scenario assumes higher inflation in the euro area following drastic monetary and fiscal policy action and increased investment in fixed assets. Inflation fears would precipitate a drop in the savings rate and an accompanying rise in the consumption rate. Rising investment in the euro area goes hand in hand with an appreciation in the euro. The ECB would react by raising key interest rates to drain excess liquidity from the markets. European central banks increase the country-specific ratios for determining the anti-cyclical capital buffers in order to restrict higher bank lending.

For the Italexit, severe economic downturn and inflation scenarios, the limit utilisation in the reporting year temporarily exceeded 100 percent of the relevant maximum risk limit.

In addition to the stress test, a reverse stress test is also conducted annually. This test assumes that the business is not a going concern and it determines at which level in the stress scenario this occurs. This is first and foremost the case when the aggregate risk cover is no longer sufficient to cover the risks involved.

7.1.5 RISK OVERVIEW FOR THE GRENKE CONSOLIDATED GROUP

As per December 31, 2019, the total risk across all risk categories for the GRENKE Consolidated Group within the scope of the risk-bearing capacity calculation was approximately EUR 405 million on a gross basis (previous year: EUR 385 million). Credit risk remained, by far, the most important risk area maintaining a share of the total risk potential of around 76 percent (previous year: 77 percent). With a share of around 20 percent (previous year: 18 percent), operational risk was the Consolidated Group's second most important risk area, followed by market risk (interest rate and currency risks) with a share of around 1 percent (previous year: 2 percent). Liquidity and other risks are not quantified within the scope of the risk-bearing capacity calculation but instead are taken into account by means of risk buffers.

The increase in the overall risk potential of 5 percent compared to the previous year was mainly due to the growth of the Consolidated Group in the reporting year, which resulted in higher credit and operational risks. Market risk, in contrast, remained largely stable compared to the previous year. The overall limit utilisation in the calculation of risk-bearing capacity in the normal regulatory scenario amounted to 65 percent (previous year: 64 percent). On November 26, 2019, GRENKE AG issued another unsecured and subordinated hybrid bond with a nominal volume of EUR 75,000k, whereby as per December 31, 2019, the increased risk cover mitigated the growth-related increase in overall risk due to higher regulatory capital requirements, among other things. The overall level of risk utilisation of permanently below 90 percent, which is specified in the Consolidated Group's risk strategy, was complied with.

The following describes the individual risk areas for the GRENKE Consolidated Group:

OVERVIEW OF RISKS FOR THE GRENKE CONSOLIDATED GROUP

Credit Risk	Potential losses that may result from the default or deterioration in the creditworthiness of borrowers or debtors
Market Price Risk	Potential losses that may result from uncertainty about future development (degree and volatility) of market price risk factors (mainly interest rates and foreign exchange rates)
Liquidity Risk	Potential losses that may arise from a lack of liquid funds or are more expensive to attain than expected to meet payment obligations when they become due
Operational Risk	Potential losses that may result from inadequate or failed internal processes, errors performed by people or systems or from externally driven events
OTHER MATERIAL RISKS	
Business and Strategic Risk	Potential losses due to unexpected earnings developments that are not covered by other risk types. 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 inadequate strategic positioning
Reputation Risk	Potential losses related to an institution's income, equity and liquidity as a result of damage to the reputation of the institution

7.1.6 CREDIT RISK

7.1.6.1 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 Consolidated 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. The GRENKE Consolidated Group considers credit risk a material risk.

7.1.6.2 Risk Management

To manage its business, the GRENKE Consolidated Group places a high value on the measurement and expectation of losses due to default or credit deterioration of its customers. The GRENKE 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 also puts the Consolidated Group in a position to generate an adequate risk premium for the risk.

The Consolidated Group also mitigates credit risk by diversifying the business as much as possible across countries and sectors, as well as by focusing on low volume individual contracts.

7.1.6.3 Credit Volume – GRENKE Consolidated Statement of Financial Position

The volume of receivables of the GRENKE Consolidated Group as per December 31, 2019 came to a total of EUR 6.4 billion (previous year: EUR 5.3 billion). At approx. EUR 5.6 billion (previous year: EUR 4.7 billion), the majority of this volume consisted of current and non-current lease receivables.

SEE TABLE "CREDIT VOLUME – GRENKE CONSOLIDATED STATEMENT OF FINANCIAL POSITION" ON P. 57

As per the December 31, 2019 reporting date, cash and cash equivalents included a Bundesbank deposit in the amount of EUR 212.2 million (previous year: EUR 191.2 million). This amount is partly due to the liquidity coverage requirements under Implementing Regulation (EU) 2016/322. Other cash and cash equivalents, with the exception of EUR 24k cash on hand (previous year: EUR 41k), included credit balances at domestic and foreign banks. Financial instruments with positive fair values represented the derivatives of the GRENKE Consolidated Group carried at their fair value as per the reporting date.

The GRENKE Consolidated Group determines the creditworthiness of clients by calculating expected values for losses. In doing so, lessees, factoring debtors and customers in the lending business are assigned a decision value based on a creditwor-

CREDIT VOLUME – GRENKE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURK	DEC. 31, 2019	DEC. 31, 2018*
CURRENT RECEIVABLES		
Cash and cash equivalents	434,379	333,626
Lease receivables	1,901,181	1,570,755
Financial instruments with positive fair value	946	1,874
Other current financial assets	252,504	160,430
Trade receivables	9,272	7,666
TOTAL CURRENT RECEIVABLES	2,598,282	2,074,351
NON-CURRENT RECEIVABLES		
Lease receivables	3,744,735	3,126,784
Other non-current financial assets	96,650	82,692
Financial instruments with positive fair value	1,492	1,842
Investments accounted for using the equity method	4,923	4,910
TOTAL NON-CURRENT RECEIVABLES	3,847,800	3,216,228
TOTAL RECEIVABLES VOLUME	6,446,082	5,290,579

* Prior-year figures adjusted due to IFRS 16, see note 2.1.5. "FIRST-TIME ADOPTION OF IFRS 16"

thiness rating of 1 to 6. Category 1 corresponds to the best possible creditworthiness and Category 6 is equivalent to the worst. As per December 31, 2019, the average decision value on new business was 2.33 after 2.18 in the previous year.

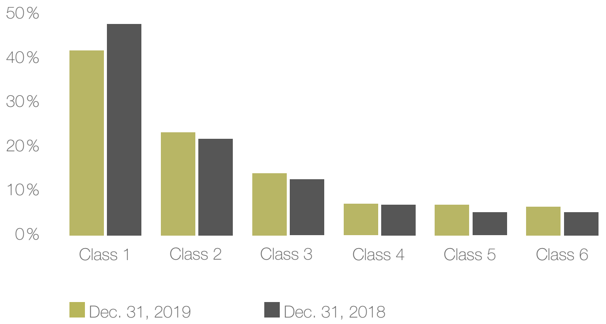
The distribution of the GRENKE Consolidated Group's new business according to size can be found in the following table:

GRENKE CONSOLIDATED GROUP:
NEW BUSINESS BY SIZE (BASED ON NET ACQUISITION VALUES)

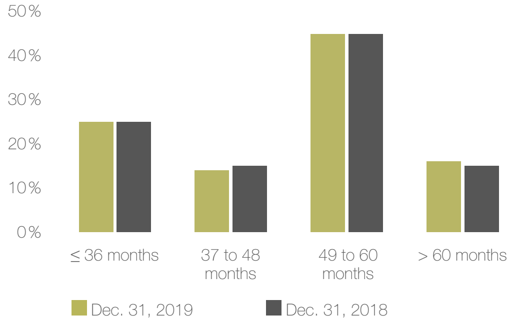
PERCENT	DEC. 31, 2019	DEC. 31, 2018
EURk < 2.5	4.85	4.71
EURk 2.5 – 5	11.55	12.03
EURk 5 – 12.5	22.31	23.64
EURk 12.5 – 25	18.89	19.38
EURk 25 – 50	16.98	16.95
EURk 50 – 100	13.05	12.29
EURk 100 – 250	8.82	7.67
EURk > 250	3.53	3.33

As the receivables from the factoring business are of a short-term nature, the breakdown of the net acquisition values by term class is based exclusively on the Leasing and Banking segments. The average term of the new business contracted in the reporting year was 49 months (previous year: 49 months).

GRENKE CONSOLIDATED GROUP:
NEW BUSINESS ACCORDING TO RISK CATEGORY
at 31 Dezember 2019



GRENKE CONSOLIDATED GROUP:
NEW BUSINESS BY TERM CATEGORY
(BASED ON NET ACQUISITION VALUES)
at 31 Dezember 2019



7.1.6.4 Leasing Business

As per December 31, 2019, current and non-current lease receivables accounted for 88 percent of the total receivables volume of the GRENKE Consolidated Group. As a result, the Consolidated Group considers the credit risk of its lessees to be its most significant business risk. This risk is evaluated and controlled using statistical models. Decision-making powers in the form of powers of attorney for the conclusion of new contracts are set up gradually starting from the sales staff to the Board of Directors and are an additional instrument to limit risk. The statistical models utilised by the Consolidated Group lead to an expected value of future credit losses, which are taken into account as an imputed cost of risk in the contribution margin calculation. The expected credit losses for the new business portfolio in 2019 averaged 5.6 percent (previous year: 5.6 percent) based on the acquisition costs of the leased assets for the entire contract term, which averages 49 months.

A review of credit risk is performed regularly and at least once per quarter on the basis of actual loss figures using database reports containing both publicly available data and internally generated historical data. 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, thereby forming a loop system. The plan ensures that the ongoing costs of operations can still be generated even when the actual losses significantly exceed the expected losses.

When contracting lease agreements throughout the Consolidated Group attention is given to achieve the broadest diversified portfolio possible 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 customer's 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 (93 percent of all leases)
- Sales channels: A variety of sales channels with an extensive network of resellers, direct business and brokers
- Geographic presence: The GRENKE Consolidated Group is represented in all major European economies with locations in 27 countries (in the GRENKE Group: 32)

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 Consolidated 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 strong growth of earlier periods means that the expiring contracts will, in the aggregate, result in increasingly higher expenses due to the disposal of carrying amounts at the end of the basic lease term. This is offset by rental income from subsequent leases, which, however, will only be recognised gradually in profit or loss in later periods. Under IFRS 16, the accounting of the corresponding assets during the subsequent lease phase does not allow to offset the relevant income and expenses in the same period so as to reflect the actual economic situation. This means that the gains/losses from disposals may be temporarily negative (losses from disposals). Over the total period, the revenue that is still generated from subsequent leases is expected to result in a break-even result from disposals.

The high degree of portfolio diversification is demonstrated by the comparatively low mean acquisition value per leasing contract of the GRENKE Group. In the past ten years, the mean was about EUR 9,257. A concentration of risk is largely avoided through the Consolidated Group's focus on small-ticket leasing. Within the GRENKE Consolidated Group, the total exposure to any single lessee did not exceed 1 percent of the Consolidated Group's equity. At the end of the 2019 fiscal year there were 21 borrowers in the leasing business whose exposure exceeded the limit of EUR 1.5 million. Together they amounted to less than 1.2 percent of the total lease receivables. Commitments above a size of EUR 750k are monitored closely, as are cluster risks of our sales partners with regard to individual resellers or agents. At the end of the 2019 fiscal year, the most important reseller for the GRENKE Consolidated Group accounted for a share of only 0.9 percent of the total new business volume. In 2019, the 20 largest resellers accounted for a total of 6.1 percent of new business.

To determine risk provisions for lease receivables pursuant to IFRS 9, the receivables are divided into three levels depending on their respective credit risk. Impairment losses for Level 1 leases correspond to the expected loss for a twelve-month period. For lease receivables in Level 2, impairment losses are recognised in the amount of the expected loss for the entire remaining contract period. For Level 3 lease receivables, expected losses are recognised as impairment. As per December 31, 2019, 90.5 percent of the net receivables of the Leasing segment were allocated to Level 1. The amount of impairment losses at the end of the 2019 fiscal year equalled EUR 353.7 million (previous year: EUR 279.5 million). Expenses for risk provisions for the leasing business totalled EUR 121.3 million in the prior year (previous year: EUR 89.6 million).

Country risk at the end of the 2019 fiscal year was concentrated in four countries – Germany, France, Italy and the United Kingdom – which accounted for 72 percent of the total receivables volume of the leasing business. The respective Euler Hermes' Country Risk Rating for Germany and France is "1", while the UK and Italy each received a rating of "2". Of the countries in which the GRENKE Consolidated Group operates, only Turkey currently has a rating of "3", which is accompanied by the Consolidated Group's focus on countries with generally high legal security.

SEE DIAGRAM "VOLUME OF CURRENT LEASE CONTRACTS BY REGION"

7.1.6.5 Lending Business

The receivables from the lending business of GRENKE Bank mainly consist of SME loans, microcredit financing and business start-up financing. Accordingly, credit risk constitutes the key financial risk of GRENKE Bank. GRENKE Bank's lending business is also concentrated on the small-ticket segment. The average customer receivables volume in the lending business as per December 31, 2019 was EUR 19k. GRENKE Bank also purchases lease receivables, among other things, to finance other Consolidated Group companies.

In cooperation with Mikrokreditfonds Deutschland and selected microfinance institutions, GRENKE Bank has also been granting micro-loans of up to a maximum of EUR 25k to business start-ups and SMEs since 2015. The administration and refinancing is carried out under a contract of the Federal Republic of Germany. The credit risk is borne entirely by Mikrokreditfonds Deutschland.

As a financing partner for SMEs, GRENKE BANK AG also cooperates with a number of development banks. GRENKE Bank's objective is to provide smaller business start-ups with the financial means necessary for their start-up projects. The associated credit risk is reduced by an indemnification exemption by the respective development or guarantee bank.

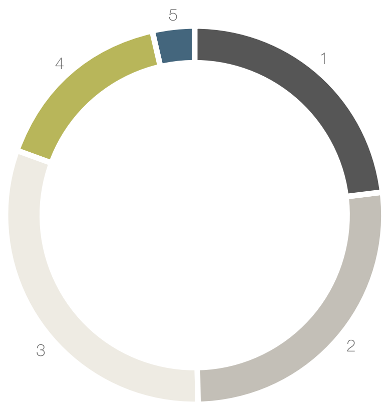
The expected credit loss model is applied to determine loan loss provisions for receivables from GRENKE Bank's lending business. GRENKE BANK AG's loan loss provisions for the traditional lending business amounted to EUR 2.3 million in the 2019 reporting year (previous year: EUR 1.3 million) and total impairments as per the reporting date amounted to EUR 5.3 million.

7.1.6.6 Factoring Business

The GRENKE Consolidated Group's factoring business also concentrates on the small-ticket segment. The Consolidated Group's factoring units operating in Germany, Switzerland, Italy – and in Portugal since 2019 – mainly process factoring contracts with debtors of the respective country. This business mainly involves so-called "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 receivables to the factoring company. The range of services also includes recourse factoring, where the del credere risk remains with the customer. As per the December 31, 2019 reporting date, the portfolio of factoring receivables amounted to EUR 37.1 million.

The essential selection criteria in the factoring business include the credit-worthiness, average annual revenues, industry affiliation and accounts receivables reference list of the potential factoring client. Monitoring factoring customers on a continual basis allows for risk-adjusted pricing. When making the loan decision, a credit check of the factoring client's accounts receivable is conducted on the basis of data from external credit reporting agencies. This information is then evaluated by the Consolidated Group's

VOLUME OF CURRENT LEASE CONTRACTS BY REGION



GRENKE GROUP LEASING (IN PERCENT)	DEC. 31, 2019	DEC. 31, 2018
1 DACH	23.1	22.5
2Western Europe (without DACH)	26.8	23.5
3 Southern Europe	30.7	28.4
4 Northern/Eastern Europe	16.0	22.9
5 Other Regions	3.4	2.7
GRENKE GROUP LEASING (IN EUR MILLIONS)	**31.12.2019**	**31.12.2018**
Current lease receivables	5,683.7	5,016.0

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

* Franchise

credit support centre. Payment histories are used during the contract period to conduct an ongoing review and evaluation of the debtors and customers.

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. Impairment in the factoring business amounted to EUR 1.2 million as per the reporting date (previous year: EUR 0.8 million). The cost of risk provisioning in the reporting year was EUR 0.9 million (previous year: EUR 0.5 million).

7.1.6.7 Investments

The GRENKE Consolidated Group holds interests in two associated companies accounted for using the equity method: an interest of 25.01 percent in Cash Payment Solution GmbH in Berlin, held via the subsidiary GRENKE BANK AG, and an interest of 44 percent in finux GmbH, held via the subsidiary GRENKE digital GmbH. The GRENKE Consolidated Group also has a 15 percent shareholding in Finanzchef24 GmbH in Munich, held via GRENKE BANK AG, which is not included in the consolidated financial statements.

7.1.6.8 Financing of Franchise Companies

GRENKE Group's franchise companies operate as lessors in the small-ticket segment in their respective markets. Leases contracted by the franchise companies are predominantly refinanced by the Consolidated Group. Such financing arrangements are based on the refinancing framework agreement concluded between the respective franchisee and the Consolidated Group. When refinancing is provided, it is first and foremost in the form of a loan. Additionally, the GRENKE Group offers factoring services as part of its franchise model in Great Britain, Ireland, Poland and Hungary. GRENKE AG also acts as a guarantor for individual franchise companies. The guarantees as per the reporting date amounted to EUR 72.0 million compared to EUR 75.7 million in the prior year.

7.1.7 MARKET RISK

7.1.7.1 Risk Definition

Market risk is defined as potential losses that may result from uncertainty about future development (amount and volatility) of market prices. Financial market price fluctuations can have a significant effect on the Consolidated Group's cash flow and net profit. Of particular importance are changes in interest rate markets and certain currencies. Market risks at the GRENKE Consolidated Group are considered material.

7.1.7.2 Risk Management

The GRENKE Consolidated Group's strategic approach is to enter into market risk exclusively in conjunction with the operating business and reduce these risks to the greatest extent possible. 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 ordinary business.

In addition to risk-prone, market-sensitive positions such as floating-rate notes or receivables in foreign currencies, we also consider the sensitivity and elasticity of the respective market prices to be important factors when dealing with interest and currency risks. The goal of the GRENKE Consolidated Group is to limit the effect of market price volatility on the Consolidated Group's net profit. This means striving to ensure the highest possible independence of net profit to interest rate and currency market developments while maintaining a proper balance between the costs and benefits of hedge relationships. The parameters used for conducting risk analysis by means of a sensitivity analysis are:

- a concurrent parallel increase or decrease of 10 percent in the value of the euro compared with all major foreign currencies and
- a parallel shift of 100 basis points (one percentage point) in the term structure of interest rates.

The potential economic effects identified in the analyses are estimates based on fictitiously assumed changes in market prices and that all other conditions will remain unchanged. This is the reason that the shift in the term structure of interest rates is viewed independently of any related effects on other interest rate-induced market developments. The actual impact on the consolidated income statement can differ significantly from this as a result of the actual developments.

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 in the Market Risk Task Force and on the basis of ongoing analyses. The Consolidated Group is not exposed to the risk of changes in equity prices or raw material prices.

7.1.7.3 Derivatives for Hedging Purposes

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

7.1.7.4 Interest Rate Risk

Interest rate risk for the GRENKE Consolidated Group arises from the effects of changes in the market interest level on the positions of the interest book (interest-bearing asset and liability items) and the corresponding impact on net interest income. This affects the Consolidated Group's variable-interest financial liabilities (mainly debentures and ABCP programmes). Since the GRENKE Consolidated Group does not utilise maturity transformation to generate net interest income, the effects of future interest rate developments on the existing portfolio are low. The interest rate risk is quantified quarterly within the scope of calculating risk-bearing capacity using a value-at-risk (VaR) approach.

A change of 100 basis points (bps) in interest rates in the reporting year would have increased or decreased equity and net profit for the year (each before income taxes) by less than EUR 2.1 million. This assessment assumes that all other influential factors, particularly exchange rates, will remain unchanged.

SEE TABLE "INTEREST RATE RISK AND THE ASSOCIATED IMPACT ON NET PROFIT AND EQUITY BEFORE INCOME TAXES"

Issuing bonds and entering into interest rate swaps are part of implementing the Consolidated Group's risk strategy that separates liquidity generation from interest rate hedging and increase GRENKE Consolidated Group's ability to gain a high degree of flexibility when it comes to optimising its refinancing. The risks that could possibly result (variable interest-related cash flows) are hedged using the appropriate 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), DZ-Bank (CORAL), Hypo-Vereinsbank/UniCredit Bank AG (Elektra) and HSBC France (Regency) the respective structured entity or the GRENKE Consolidated 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), interest rate swaps are used to limit the risk of changes in interest rates. GRENKE AG is not the counterparty to these swaps.

INTEREST RATE RISK AND THE ASSOCIATED IMPACT ON NET PROFIT AND EQUITY BEFORE INCOME TAXES

	NET PROFIT BEFORE INCOME TAXES		EQUITY BEFORE INCOME TAXES	
EURK	+100 BPS	–100 BPS	+100 BPS	–100 BPS
DECEMBER 31, 2019				
Variable-rate instruments	–2,101	2,101		
Fair value measurement of interest rate swaps			387	–389
DECEMBER 31, 2018				
Variable-rate instruments	–821	821	–	–
Fair value measurement of interest rate swaps	–	–	516	–545

The parameters of the underlying transaction that result from financing (liability) are always the primary consideration when entering into interest rate swap contracts. 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.

Open interest rate positions are assessed monthly according to the internal definition and the required action is initiated. Refinancing is then completed by the team using the hedging transactions decided by the Board of Directors.

The change in the respective risk parameter (respective reference interest rate) is determined based on a ten-year historical simulation at the confidence level of 99.0 percent for a given holding period of 20 or 240 days and shown as an absolute base point shift. All of the standard interest rate shock scenarios under the EBA Guideline 2018/02 are also calculated. In addition to the parallel interest rate shift of 200 basis points, these also include various rotations of the yield curve. As a result of the strong business expansion in the UK during the reporting year, more than 5 percent of the Consolidated Group's total liabilities as per December 31, 2019 were denominated in British pounds. Because this level exceeded the 5 percent threshold, the 2019 interest rate scenarios were also calculated in British pounds. Based on a one-year risk horizon, the estimated maximum loss at the confidence level of 99.0 percent at the end of 2019 was EUR 3.7 million (previous year: EUR 5.3 million).

7.1.7.5 Currency Risk

Due to the international nature of its business, the GRENKE Consolidated Group has unsettled foreign currency positions, thereby exposing the Consolidated Group to currency risk. Hedging strategies defined internally are applied in an effort to limit or eliminate these risks. The derivatives used are recognised on the balance sheet 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.

Foreign currency risk is quantified on a quarterly basis using the Value-at-Risk approach as part of the calculation of risk-bearing capacity. To identify open currency positions that are subject to foreign currency risk, the cash flows in foreign currency are compared to the forward exchange contracts already in place. A corresponding confidence level is calculated for each currency position based on the historical currency fluctuation over the previous ten-year period. Several stress scenarios are also simulated, such as an ad hoc change in exchange rates of 25 percent. At a confidence level of 99.0 percent and a one-year risk horizon, the VaR calculation derived an estimated currency risk of EUR 0.9 million as per December 31, 2019 (previous year: EUR 0.8 million) for the different currencies relevant for the Consolidated Group.

Currency risks mainly relate to the financing of Consolidated Group companies and franchisees operating outside the eurozone. The hedging of unsettled foreign currency cash flows takes place on the basis of internally defined hedging limits that take effect when the holding at the day's exchange rate amounts to EUR 500k per currency. The exchange rate is fixed by means of contracts and is therefore well known for the entire internal financing of the operational business in Australia, Canada, Switzerland, Denmark, Great Britain, Sweden, Singapore and Turkey. The exchange rate is also fixed for a majority of the financing in the United Arab Emirates, the Czech Republic and Hungary. As a result, the only risk that remains is the risk on the respective open tranches where the hedging limit of EUR 500k continues to apply. Currency risks impact the direct lease refinancing operations in Brazil, Chile, Poland and Croatia only to a limited extent because the lease refinancing agreements in those countries are concluded in the local currencies.

In general, risks arise from currency fluctuations relate 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. Hedge accounting for currency positions is only used in the context of cross-currency swaps for foreign currency bonds but will be avoided for other hedging relationships for the foreseeable future.

7.1.7.6 Foreign Currency Sensitivity Analysis

Management has concluded that in terms of materiality, the Consolidated Group is exposed mainly to foreign exchange risk related to the British pound (GBP), the Hungarian forint (HUF), the Swiss franc (CHF), the Brazilian real (BRL), the Turkish lire (TRY), Croatian kuna (HRK) and the Polish zloty (PLN).

The impact on net profit 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.

The table above shows the Consolidated Group's sensitivity to a 10 percent appreciation or depreciation in the euro against the respective other currencies as per December 31, 2019 and during the reporting period, as well as their impact on the net profit before income taxes.

SEE TABLE "FOREIGN CURRENCY SENSITIVITIES AND THEIR IMPACT ON THE NET PROFIT BEFORE INCOME TAXES"

FOREIGN CURRENCY SENSITIVITY AND ITS IMPACT ON THE NET PROFIT BEFORE INCOME TAXES

		2019		2018
EURK	APPRECIATION	DEPRECIATION	APPRECIATION	DEPRECIATION
GBP	–878	882	–1.064	1.065
HUF	–712	716	–581	584
CHF	–229	229	–195	195
BRL	168	–168	197	–197
TRY	749	–1.203	103	–61
HRK	–1,028	816	23	–36
PLN	221	–221	2	–2

7.1.8 LIQUIDITY RISK

7.1.8.1 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. The GRENKE Consolidated Group's liquidity risk is considered material.

7.1.8.2 LIQUIDITY MANAGEMENT

The Company's solvency is secured at all times by adequate liquidity facilities. The Company's ability to meet its financial obligations is ensured through its cash holdings, committed credit lines and long-proven money market and capital market programmes. Emissions under existing money and capital market programmes are carried out exclusively on liquid markets and in liquid currencies. The Consolidated Group's liquidity management is based on the three pillars: money and capital market programmes, sales of receivables and financing via GRENKE Bank. Thanks to this diversified refinancing structure, the Consolidated Group was able to raise sufficient liquidity for the global business and meet its payment obligations at all times during the reporting year. The adequacy of liquidity is monitored and reported by the Corporate Risk Management & Regulatory Team in the context of the monthly liquidity risk analysis.

7.1.8.3 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 differentiates between three liquidity levels:

- Liquidity 1 (cash liquidity): cash in all accounts plus overdrafts at banks and all "immediate" (time horizon of approximately one week) cash flows;
- Liquidity 2: Liquidity 1 plus cash flows due or to be received within one month, as well as committed assets that can be monetised within one month without significant losses in value; and
- Liquidity 3: Liquidity 2 plus cash flows not due or to be received within one month, including committed assets that require a period of more than one month to be monetised without significant losses in value.

LIQUIDITY LEVELS

EURK	DEC. 31, 2019	DEC. 31, 2018
Liquidity 1 (cash liquidity)	535,610	357,733
Liquidity 2 (up to 4 weeks)	649,675	456,788
Liquidity 3 (more than 4 weeks)	843,636	743,684

Short-term liquidity is also managed within the scope of the liquidity coverage ratio (LCR). The objective of the LCR is to ensure short-term solvency at all times in a stress scenario of 30 calendar days. The net cash outflows (liquidity gaps) must be covered by a liquidity buffer of unencumbered, high-quality and highly liquid assets (Bundesbank funds). In this respect, the LCR serves as a limit for the cumulative liquidity shortfall. As the aggregated liabilities in British pounds exceeded 5 percent of the total liabilities of the GRENKE Consolidated Group at the end of the 2019 fiscal year with the result that significant liquidity risks existed in this foreign currency pursuant to Article 415 of EU Regulation 575/2013 (CRR), the LCR had to be met for the reporting year not only in euro but for the first time also in British pounds. The aggregated liabilities of every other foreign currency amounted to less than 5 percent of the total liabilities of the GRENKE Consolidated Group as per the December 31, 2019 reporting date. The LCR minimum quota of 100 percent was always complied with in 2019. As per the December 31, 2019 reporting date, the LCR in euros equalled 186.67 percent (previous year: 174.0 percent). The presentation of net liquidity outflows is sufficient to meet the LCR in British pounds so that the liquidity buffer consists solely of cash on hand.

The main sources of refinancing to ensure the Company's short-term ability to meet its financial obligations are cash holdings, EUR, CHF, GBP, HUF and PLN money market lines, EUR, CHF, GBP, DKK and SEK revolving credit facilities and overdraft facilities in EUR, HRK and BRL. Some of these short-term refinancing facilities are firm commitments and subject to only minimal market fluctuation versus the EONIA, EURIBOR/LIBOR, ZIBOR and CDI reference interest rates. In addition, the existing refinancing agreements do not include regular, early termination rights. The maturities of money market and overdraft facilities are unlimited, whereas the maturity of revolving credit facilities is usually 364 days. To bridge short-term liquidity constraints, we have contractually committed revolving credit facilities available for EUR 330 million, CHF 20 million, HRK 125 million and PLN 100 million with a variety of banks.

7.1.8.4 MEDIUM-TERM 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 section 2.4.5 Liquidity.

SEE DIAGRAM "LIQUIDITY DEVELOPMENT AS PER DECEMBER 31, 2019"

In addition, dynamic liquidity planning is carried out at least once every quarter with the aim of replicating the liquidity status for the next periods, which serves to manage the liquidity of the entire Consolidated Group.

In the current 2020 fiscal year, bonds and promissory notes in the amount of EUR 330.5 million, CHF 70 million, GBP 15 million, SEK 66 million and DKK 66 million will be redeemed. The refinancing of these debentures may be subject to refinancing risk on their redemption date; however, the Consolidated Group expects this refinancing risk to remain limited. The duration of the assets and liabilities is calculated monthly to provide a relevant benchmark for managing the maturities of new refinancing and the liquidity structure. As per December 31, 2019, the duration of assets was 21 months (previous year: 21 months), and the duration of liabilities stood at 34 months (previous year: 29 months). Based on this data, the maturity transformation risk can be minimised using suitable measures.

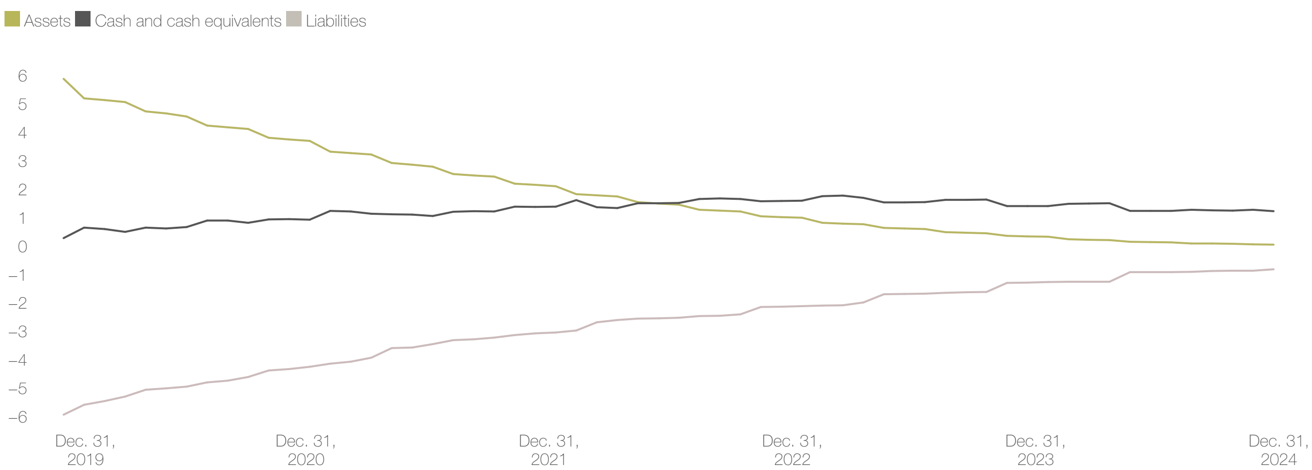
The GRENKE Consolidated Group is principally independent of any single bank for its refinancing and has direct access to a variety of refinancing alternatives on the capital markets. The very wide range of refinancing instruments available includes traditional bank financing, revolving loan facilities 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, Austria and Great Britain. The Consolidated Group also has access to forfaiting facilities for Brazil, Germany, Great Britain and Poland.

GRENKE Consolidated 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 500 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 Consolidated Group also takes advantage of the

LIQUIDITY DEVELOPMENT AS PER DECEMBER 31, 2019

EUR millions



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.

7.1.9 OPERATIONAL RISK

7.1.9.1 RISK DEFINITION

Operational risk is defined as potential losses that can result from inadequate or failed internal processes, structures, human or technical errors or externally driven events (e.g. fundamental hazards, forces of nature and deliberate actions). According to the internal definition, reputation risk does not fall under the category of operational risk but instead falls under other risk. Operational risk at GRENKE Consolidated Group is considered significant. The risks are quantified using the basic indicator approach according to Article 315 CRR in the context of risk-bearing capacity and monitored and controlled by means of a single recognition in the risk inventory.

7.1.9.2 RISK MANAGEMENT

In the context of the 2019 risk inventory, the risk subtypes "Operational risk" (according to CRR) and individual manifestations of ICT risk (information and technology) were classified as material. For the Consolidated Group-wide monitoring of operational risk, GRENKE Consolidated Group has implemented numerous 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.

Additionally, all cases of fraud and other operational damage of more than EUR 10k are collected in a loss database. This serves both for reporting and prevention purposes. The Board of Directors receives an annual report on major losses within the Consolidated Group, their extent and causes, as well as existing countermeasures. Initiatives to raise awareness (e.g. newsletters) are done on a regular basis. If individual loss amounts cannot be precisely determined, then the values are based on estimates.

The quantification of operational risk for corporate management is carried out in the context of calculating the risk-bearing capacity using the basis indicator approach according to Article 315 CRR. The estimated risk using this approach and taking growth assumptions into account amounted to EUR 82.2 million as per December 31, 2019 (previous year: EUR 69.9 million).

7.1.9.3 Business Process and IT Risk Management

All core business, management and support processes are aligned with the business strategy, highly standardised and digitised and are continually developed to make them simpler and faster. This is done as part of the customer-oriented updating of the legacy system and requires a technologically state-of-the-art and highly flexible system architecture whose changes (change management), content and methodology, are systematically recorded and subjected to periodic reviews. 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) is carried out on the basis of an information network that is 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. In the risk inventory carried out during the reporting year, the ICT risk was assessed according to the following risk subtypes: availability, further development, security, data / information quality, adaptability, compliance, maintainability and outsourcing.

7.1.9.4 BUSINESS CONTINUITY MANAGEMENT

The Consolidated Group has set up a business continuity management system that documents the measures to be taken in the event of an emergency and all necessary information in writing including scenarios for the continuation and relaunch of business. The aim is to reduce the extent of potential losses. A crisis unit serves as an emergency central response tool when needed. The crisis unit's responsibilities are broken down into the areas of situation assessment, coordinated actions, communication with the parties involved, activation of measures to relaunch processes and restoring operational continuity. Precautionary measures, organisational structures and processes for the technical operation of systems are reviewed once annually using an emergency test to ensure the adequacy, efficiency and accuracy of emergency plans and emergency and crisis management.

7.1.10 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 other risks, business risk, strategic risk and reputational risk are all considered material. Such risks are taken into account in the context of the risk inventory. These risks are taken into consideration in the risk-bearing capacity calculation by assigning risk coverage to these risks by means of the other risks buffer. Numerous indicators for monitoring other risks are reported to the management body on a quarterly basis as part of a set of early warning indicators. The Consolidated Group has also implemented a PR and social monitoring tool.

7.1.10.1 ICS and Risk Management System Based on the Consolidated Group's Accounting Process

The Internal Control and Risk Management System (ICS) contains all principles, procedures and measures introduced to the Company by its management that are geared towards the implementation of management 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 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 Consolidated Group's accounting process and the IT infrastructure necessary are regularly reviewed by the Internal Audit department for the appropriate 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

The Consolidated Group also implemented a risk management system for the Consolidated Group-wide accounting process. This system contains measures aimed at identifying and assessing significant risks and corresponding risk mitigation measures to ensure the correctness of the consolidated financial statements. This system also fully incorporates the Company's accounting process.

COMPOSITION OF CORE CAPITAL PRIOR TO ADOPTION

EURK	DEC. 31, 2019	DEC. 31, 2018
Paid-in capital instruments	46,354	46,354
Premium on capital stock	289,314	289,314
Retained earnings	570,613	494,626
Other comprehensive income	410	692
Deductions from core capital	–165.252	–147,841
Transitional provisions pursuant to Section 478 CRR	–	–
Total Tier 1 capital pursuant to Section 26 CRR	740,162	683,146
Total additional core capital pursuant to Section 51 CRR	200,000	125,000
Total supplementary capital pursuant to Section 62 CRR	–	–
TOTAL EQUITY PURSUANT TO SECTION 25 FF CRR	941,438	808,146

RELEVANT RISK POSITIONS

EURK	DEC. 31, 2019	DEC. 31, 2018
Equity requirements for credit risk with central governments and central banks	–	–
Equity requirements for credit risk with regional/local authorities	7,838	6,940
Equity requirements for credit risk with institutions/corporations with short-term rating	15,109	12,495
Equity requirements for credit risk with corporations	242,404	195,908
Equity requirements for credit risk from retail business	119,760	101,442
Equity requirements for credit risk from other positions	15,415	9,213
Equity requirements for credit risk from investments	834	645
Equity requirements for credit risk from positions associated with particularly high risks	–	–
Equity requirements for credit risk from non-performing positions	18,899	14,620
TOTAL EQUITY REQUIREMENTS FOR CREDIT RISK	420,259	341,263
TOTAL EQUITY REQUIREMENTS FOR MARKET RISK	4,094	3,805
TOTAL EQUITY REQUIREMENTS FOR OPERATIONAL RISK	66,601	57,874
TOTAL EQUITY REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENTS	4,779	418
TOTAL EQUITY REQUIREMENTS	495,733	403,360

7.1.11 EQUITY INFORMATION

Due to the fact that GRENKE AG is a parent company of a group of institutions as defined by Section 10a of the German Banking Act (KWG), it must ensure that the Consolidated Group regularly complies with the requirements of the Capital Requirement Regulation (CRR). According to the requirements of Article 92 (1) CRR in conjunction with Section 10a KWG, GRENKE AG determines, among other things, the total capital ratio of the Consolidated Group on the basis of the IFRS financial statements.

In accordance with the requirements of EU Regulation 575/2013 (CRR), the GRENKE Consolidated Group had eligible capital of EUR 941 million as per December 31, 2019 (previous year: EUR 808 million). The Consolidated Group's equity (regulatory equity) consists of paid-in capital, the premium on capital stock, retained earnings of previous years, other accumulated income and eligible items of additional core capital. Also taken into account are deductions, which mainly include intangible assets and goodwill. As in the previous year, there was no supplementary capital.

The risk amount requiring equity underlying results from the 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 amount at risk is determined by the risk weightings of the individual asset classes. The risk amount for operational risk is calculated using the basic indicator approach on the basis of the gross income of the past three fiscal years. Market risk results from open foreign currency positions.

The total capital ratio in accordance with Article 92 (2) b CRR was 15.19 percent as per the December 31, 2019 reporting date (previous year: 16.03 percent). The requirements for the total capital ratio of 11.74 percent (previous year: 9.97 percent), which in addition to the 8 percent in accordance with Article 92 CRR includes the capital maintenance buffer in the amount of 2.5 percent and the counter-cyclical capital buffer of 0.24 percent, as well as the SREP capital surcharge of 1 percent, were consistently complied with during the 2019 reporting year. The higher requirements for the total capital ratio compared to the previous year resulted from the regulatory increase in the capital buffers and the introduction of the SREP capital surcharge.

Next to the risk-adjusted equity capital requirement, the CRR, through the leverage ratio, also requires to comply with a capital ratio that is largely geared to balance sheet ratios and, therefore, risk-insensitive. As per the reporting date, this resulted in a ratio of 13.55 percent (previous year: 14.29 percent) in accordance with Article 429 CRR.

7.2 REPORT ON OPPORTUNITIES

The GRENKE Consolidated Group continues to see significant growth potential in the years ahead and intends to seize these opportunities primarily using the following strategic approaches:

- Markets: Increase the density of the network in existing markets and enter new markets
- Channels: Diverse approaches to acquiring customers via existing and new sales channels
- Customers / partners: Reinforce existing relationships
- Products / lease items: Further expand the range of products and services and continue diversifying the property portfolio

As a leading provider of small-ticket leasing in Europe, GRENKE's growth in its core market is essentially a result of gaining market share. Opportunities present themselves, first and foremost, where smaller competitors partially or completely withdraw from the market due to issues such as growing regulation. At the same time, the density of the branch network will continue to increase through cell divisions, thereby ensuring the greatest possible proximity to customers. In the 2019 fiscal year, GRENKE Group opened a total of 4 new locations.

By the end of 2019, the GRENKE Group was operating in a total of 32 countries. Since 2011, GRENKE has gradually penetrated new markets outside the European core market and is now represented on the American continent (Brazil, Chile and Canada), Asia (Singapore, Turkey and the United Arab Emirates) and in Australia. In the past 2019 fiscal year, these countries accounted for a share of approximately 4.4 percent of the new business volume of the GRENKE Group. In the 2020 fiscal year, GRENKE plans to enter the US market with the establishment of a branch office in Arizona.

Further growth potential emerges first and foremost through the expansion of the direct and online sales channels. In 2015, GRENKE launched "eSignature", a service for the fully digital processing of lease contracts. In the 2019 fiscal year, approximately 25 percent of all contracts were concluded using this service. A goal of the GRENKE digital GmbH subsidiary, established in 2018, is to systematically forge ahead with the digitisation of all of the Group's processes and products, which will give the Consolidated Group a strong cost and efficiency advantage versus the competition.

We have deep relationships with numerous customers and resellers that go beyond a single deal. Many of our customers are "repeat customers" and are often served from one branch offices or country but we are increasingly serving customers across several countries. In addition to providing a flexible lease facility that can be used as necessary to finance different items, customer loyalty can also be strengthened by providing other services to the same customer, such as a current account at GRENKE BANK AG or individual invoice factoring via GRENKEFACTORING GmbH. These examples show the range of possibilities available to the Consolidated Group to generate business with existing clients not only within a particular segment but also across segments.

Since the acquisition of Europa Leasing GmbH, whose predominant business is the leasing of medical equipment, in the 2017 fiscal year, GRENKE Group Leasing has accelerated the expansion of its product offers beyond the traditional IT area. The goal now is to gradually expand the expertise acquired in the IT area and include further categories of assets and transform GRENKE into a general provider of small-ticket leasing for SMEs. The Factoring and Banking segments complete the range of solutions for customers. The Factoring segment is successively rolling out factoring services to new countries, primarily through the franchise model. GRENKE Bank is also regularly expanding its range of financing, investment and payment products.

Through these measures, the Consolidated Group is working on the strategic goal of establishing the GRENKE brand and its business model globally. Taking advantage of the opportunities that arise, GRENKE plans to further expand its market share and increase its new business in the coming years.

7.3 SUMMARY OVERVIEW

Controlled risk-taking forms a significant part of the GRENKE Consolidated Group's business model. To manage risk, the Consolidated Group has implemented an extensive system for risk identification, quantification, monitoring, and management, which will continue to be enhanced on an ongoing basis.

For credit, market, liquidity, operational and other risks identified in the leasing, banking, factoring and investment businesses, GRENKE has recognised write-downs, impairments and provisions based on objective information. The Board of Directors believes that appropriate precaution has been made for all identifiable risks. Based on the overall assessment of the risk situation, the Board of Directors has concluded that the Consolidated Group's risk-bearing capacity was always maintained during the reporting year. The GRENKE Consolidated Group's total exposure to any single lessee did not exceed one percent of the Consolidated Group's equity. Based on the size of the business volume and the Consolidated Group's economic situation, the Board of Directors considers the overall risk situation to be still straightforward and well-manageable.

The total capital ratio as defined by Article 92 (2) b CRR was 15.19 percent as per December 31, 2019 (previous year: 16.03 percent). The maximum possible total capital ratio requirement of 14.00 percent (previous year: 11.75 percent), was complied with in the 2019 reporting year and includes not only the 8 percent in accordance with Article 92 CRR but also the capital maintenance and counter-cyclical capital buffers of 2.5 percent each, as well as the SREP capital surcharge of 1 percent. The actual total capital ratio requirement in the reporting year was 11.74 percent (previous year: 9.97 percent). The Consolidated Group's equity (regulatory capital) of EUR 941 million consists exclusively of core capital.

No specific business-related risks can be identified that exceed the customary level with respect to the future development of the Consolidated Group, the Company and its subsidiaries. The risk cover is sufficient enough for at least one year to map out the planned future business activities.

7.4 REPORT ON FORECASTS AND OUTLOOK

7.4.1 EXPECTED DEVELOPMENT OF THE MACROECONOMIC AND SECTOR ENVIRONMENTS

Several factors of uncertainty that had weighed down the global economy in 2019, started to fade into the background at the beginning of 2020, among others the initial agreement in the trade dispute between the United States and China and the current orderly withdrawal of the United Kingdom from the European Union. These developments are what prompted the International Monetary Fund (IMF) to show some confidence in January 2020 by publishing its forecast for an acceleration in global growth to 3.3 percent in 2020 (2019: 2.9 percent). For the eurozone, the IMF expects a slight increase in economic output to 1.3 percent following 1.2 percent in 2019. Germany is anticipated to be the primary driver of this improvement (1.1 percent in 2020 after 0.5 percent in 2019).

For the interest rate environment in Europe in 2020, market participants expect the European Central Bank (ECB) to continue its loose monetary policy, led by further bond purchases and negative interest rates. Based on these expectations, the GRENKE Consolidated Group is projecting capital market interest rates to rise moderately at best in 2020.

After a record year in 2019, the Federal Association of German Leasing Companies (BDL) is cautious about the prospects for the German leasing market in 2020 and expects new business to merely remain stable. The BDL points to the gloomy investment mood in the German industrial sector as a reason.

7.4.2 BUSINESS PERFORMANCE AND FUTURE BUSINESS STRATEGY

7.4.2.1 New Business Development at the GRENKE Group

Based on the above projections for the development of the economy and the industry environment, GRENKE expects new business in the Leasing business to grow by between 14 and 18 percent in 2020. This growth should be driven by the core markets of Germany, France and Italy and other important international markets. GRENKE Group Leasing plans to open six new locations in Brazil, Finland and Spain, among other places, in the 2020 fiscal year within the scope of its cell division strategy. In addition to these new locations, the first location in the United States is scheduled to open in the first half of 2020 in the state of Arizona based on the franchise model. The CM2 margin on new business is expected to remain at a profitable and risk-adequate level. GRENKE Group Factoring expects new business to grow by 25 percent in the 2020 financial year.

7.4.2.2 Results of Operations of the GRENKE Consolidated Group

Consolidated Group net profit is anticipated to reach a range of EUR 153 to 165 million in the 2020 fiscal year. Compared to a level of EUR 142.1 million in 2019, this represents growth of 8 to 16 percent. This expectation is based on the assumption of a largely stable loss rate of 1.5 to 1.6 percent (2019: 1.5 percent) compared to the prior year. Despite continued investment in the internationalisation strategy, the sales strategy and in digital offers, the cost-income ratio, based on the new calculation method, is expected to be below 46 percent. Starting in the 2020 fiscal year, GRENKE will calculate the cost-income ratio excluding the expenses for the settlement of claims and risk provisions, thereby adapting to the standard calculation method used in the financial sector. The cost-income ratio calculated using the new method was 44.5 percent for the 2019 fiscal year.

GRENKE also aims to continue its attractive dividend policy and the appropriate participation of shareholders in the Company's success for the 2020 financial year. The payout ratio will likely remain above 25 percent in 2020.

The following are the main risks that could lead to a deviation to the Company's planning:

- A significant reversal in the trend on the capital markets (interest rate risk): Rising coupons on sovereign bonds – especially in the upper rating categories – from economic or inflation-related expectations could make these bonds relatively more attractive and lead to wider spreads on the capital markets. This could result in temporary liquidity bottlenecks, as well as related changes in the general refinancing environment for companies. Although the GRENKE Consolidated Group can generally pass on higher refinancing costs in its terms and conditions, this is usually possible only after a certain time lag.
- Significant changes in the business policies of banks and financial services units of IT manufacturers that could motivate their stronger return to the leasing business: This could lead to increased (margin) competition and subsequent price pressure. The likelihood of such a development in 2020 is rather low since it requires comparatively long lead times. In addition, the small-ticket sector is unlikely to be affected as it has high barriers to entry. Operating profitably in this segment fundamentally requires a high degree of processing efficiency and low direct costs.
- Strong rise in losses: Traditionally, there is a time lag between weaker economic development and a rise in losses. Therefore, even a sharp economic downturn in 2020 should only lead to a noticeable increase in losses over time. In the past, the Consolidated Group's risk management system has proven to be an effective means to control losses, with the result that the loss rate increased only slightly, even in economically difficult times. Today, most economic observers expect the global economy to recover in 2020. Based on this assessment, the Consolidated Group estimates the likelihood of a cyclical downturn in 2020 to be very low.
- Changes resulting from the legal environment: Changes in the tax laws and regulations applicable in the respective countries could, for example, lead to higher tax expenses and payments. In addition, increasing regulatory requirements in individual markets may result in higher administrative expenses.

7.4.2.3 Development of the GRENKE Consolidated Group's Financial Position and Net Assets

Based on the expected development of the Consolidated Group's net profit, GRENKE expects the equity base to strengthen further in the 2020 fiscal year. The Consolidated Group remains by its long-term benchmark of 16 percent for our equity ratio in the current year (2019: 17.5 percent).

The GRENKE Consolidated Group expects increasing cash flow from operating activities that will allow the planned investments to be financed entirely internally.

In addition, based on its equity base and cash flow development, the GRENKE Consolidated Group expects to be able to refinance the high volume of new business anticipated in 2020 through its access to a variety of instruments on the capital market at risk-adequate terms.

7.4.2.4 Non-Financial Performance Indicators

Based on the expected growth in new business and the potential acquisition of franchise companies, the GRENKE Consolidated Group expects to continue to increase its workforce in the 2020 fiscal year. The average number of employees in the GRENKE Consolidated Group is expected to increase by 10 to 15 percent in 2020 (2019: 1,675 employees).

With respect to the equal participation of women and men in management positions, the target for second and third management levels was increased to 30 percent each for the 2020 fiscal year (2019: 25 percent each).

The number of trainees and dual-study students in Germany should increase by an upper single-digit percentage range in the 2020 fiscal year (2019: 54).

The percentage of GRENKE Consolidated Group employees participating in voluntary as well as mandatory training (training quota) is expected to be in the range of 85 to 90 percent in the 2020 fiscal year, which is roughly the same level as in the prior year (91 percent).

7.4.2.5 General Statement on Future Development

The Board of Directors is confident that the GRENKE Consolidated Group is well equipped to continue its longstanding profitable growth course into the 2020 fiscal year and beyond. By consolidating the network in existing markets, developing new regional markets, expanding the product and service range and expanding the direct and online sales, the Consolidated Group intends to strengthen its position as one of Europe's leading providers of financial services to SMEs, with a focus on small-ticket financing. against this background, the Board of Directors anticipates new business growth in the leasing business to remain above the medium-term target of 12 percent and be in the range of 14 to 18 percent in 2020. Given the high cost awareness of the organisation and the scalability of the business model, the cost-income ratio is expected to remain below 46 percent. The Board of Directors considers this to be a very favourable level. At the same time, the Consolidated Group's solid equity base will provide it with the financing necessary for its expected growth.

8. ACQUISITION-RELATED INFORMATION

8.1 SHARE TRANSACTIONS OF GOVERNING BODIES

Information on share transactions by governing bodies during the reporting year can be found on the Company's homepage at www.grenke.de/grenke-group/investor-relations/corporate-governance/notifiable-securities.

8.2 EXPLANATORY REPORT ON THE DISCLOSURES PURSUANT TO SECTION 289A (1) AND 315A (1) HGB

The shares of GRENKE AG 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). The Company's fully paid-up share capital amounts to EUR 46,353,918.00 and is divided into 46,353,918 registered shares each with a notional interest in the share capital of EUR 1.00. All shares carry the same rights, and there are no restrictions on voting rights, preference shares or special control rights.

In July 2014, Wolfgang and Anneliese Grenke, together with their sons Moritz Grenke, Roland Grenke and Oliver Grenke (the Grenke family) formed a family holding under the name Grenke Beteiligung GmbH & Co. KG to ensure continuity and a stable shareholder structure. On September 17, 2014, the Grenke family contributed all of their shares held in GRENKE AG to this company. The pooling agreement previously concluded by the members of the Grenke family was cancelled upon the contribution of the shares in Grenke Beteiligung GmbH & Co. KG.

As per December 31, 2019, the family holding, Grenke Beteiligung GmbH & Co. KG, held 18,905,958 shares in the Company, corresponding to 40.79 percent of the share capital. Grenke Vermögensverwaltung GmbH is the general partner of Grenke Beteiligung GmbH & Co. KG. Wolfgang, Anneliese, Moritz, Roland and Oliver Grenke are limited partners. Grenke Vermögensverwaltung GmbH does not hold an interest in Grenke Beteiligung GmbH & Co. KG's assets and earnings. Wolfgang Grenke and Anneliese Grenke each have the right to sole representation as Executive Director. Wolfgang Grenke exercises significant influence over Grenke Vermögensverwaltung GmbH and, therefore, indirectly over Grenke Beteiligung GmbH & Co. KG. Wolfgang Grenke simultaneously acts as Deputy Chair of the Supervisory Board of GRENKE AG. By decision of September 1, 2014, the German Federal Financial Supervisory Authority exempted

Grenke Beteiligung GmbH & Co. KG and Grenke Vermögensverwaltung GmbH from the duties of Section 35 (1) sentence 1 and Section 35 (2) sentence 1 WpÜG according to Section 37 WpÜG (obligation to make a mandatory offer for the shares of GRENKE AG).

The Board of Directors is not aware of any other restrictions agreed on between shareholders that relate to voting rights or the transfer of shares, excluding the vesting periods for shares within the scope of share-based remuneration mentioned in the remuneration report (for more information please refer to the remuneration report).

The Articles of Association of GRENKE AG do not provide for any regulations that deviate from the statutory regulations on the appointment of members of the Board of Directors by the Supervisory Board. These stipulate that the members of the Board of Directors are appointed for a maximum of five years. Reappointment is permitted.

The Board of Directors of GRENKE AG consists of at least two members. The Supervisory Board determines the number of members of the Board of Directors and decides on their appointment and dismissal and the conclusion, amendment, and termination of their contracts of employment. The Supervisory Board can appoint a Chairman and Deputy Chairman of the Board of Directors as well as alternate members of the Board of Directors.

In accordance with statutory requirements, amendments to the Articles of Association must be adopted by a resolution of the Annual General Meeting. Unless otherwise required by law, the resolutions of the Annual General Meeting are passed by a simple majority of the votes cast and, if legislation requires, a capital majority as well as a majority vote by a simple majority of the share capital represented. The Supervisory Board is authorised to resolve amendments to the Articles of Association that relate solely to their wording. In addition, the Supervisory Board is authorised to amend the wording of Article 4 of the Articles of Association governing the amount and division of the share capital, among other things, to reflect the utilisation of Authorised Capital and after the end of the authorisation period.

There are no compensation agreements with the members of the Board of Directors or with employees in the event of a takeover bid. No further disclosures are made pursuant to DRS 20 K211 (conditions of a change of control in case of a takeover bid) because such disclosures could be extremely disadvantageous to the parent company.

Detailed information about authorised and contingent capital is presented in the notes to the consolidated financial statements in section 4.17 entitled "Equity".

8.3 PERSONNEL CHANGES IN THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

Please refer to the section "Changes in the Governing Bodies" on p. 52.

9. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289F AND 315D HGB

As a listed stock corporation and as a parent company, GRENKE AG is required to submit a Corporate Governance Statement pursuant to Sections 289f and 315d HGB that contains the Declaration of Conformity in accordance with Section 161 AktG, disclosures on corporate management practices, a description of the working practices of the Board of Directors and the Supervisory Board, information on compliance with the minimum levels of participation of women and men on the Supervisory Board and a description of the diversity concept.

The Declaration of Conformity in accordance with Section 161 AktG of GRENKE AG and the Corporate Governance Statement are available online at www.grenke.de/en/investor-relations/corporate-governance. The information listed there forms part of the combined management report.

10. MANAGEMENT REPORT OF GRENKE AG

In the following management report, the development of GRENKE AG (the "Company") in the 2019 fiscal year is discussed in addition to the information reported on the GRENKE Consolidated Group. The Company's financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). In terms of the economic environment and sector trends, there were no material differences to report that would have affected the Company's development alone.

10.1 CORPORATE JUDICIARY FRAMEWORK, AFFILIATION TO THE CONSOLIDATED GROUP

GRENKE AG was created in 1997 under the former name GRENKELEASING AG. Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien (the "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 lease 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. Together with the consolidated subsidiaries and structured entities of GRENKE AG under IFRS, these form the GRENKE Consolidated Group.

OVERVIEW OF BRANCHES AND SUBSIDIARIES

The Company has branches in Berlin, Bielefeld, Bremen, Cologne, Dortmund, Dresden, Düsseldorf, Erfurt, Freiburg, Frankfurt am Main, Hamburg, Hanover, Heilbronn, Kassel, Kiel, Kieselbronn, Leipzig, Magdeburg, Mannheim, Mönchengladbach, Munich, Neu-Ulm, Nuremberg, Potsdam, Regensburg, Rostock, Saarbrücken and Stuttgart. It also holds 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. In the third quarter of 2019, Europa Leasing GmbH merged with GRENKE AG with retroactive effect as per January 1, 2019. In the first quarter of 2019, a new subsidiary, GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, Baden-Baden / Germany, was founded, and, the majority of the GRENKE AG sales staff was transferred to GRENKE BUSINESS SOLUTIONS GmbH & Co. KG. GRENKE BUSINESS SOLUTIONS GmbH & Co. KG is assuming the sales activities for GRENKE AG. General partner of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG is the likewise newly founded subsidiary GRENKE Management Services GmbH, Baden-Baden / Germany.

As per the end of the reporting year, GRENKE AG held a 100 percent interest in each of the following entities outside of Germany:

INVESTMENTS OUTSIDE OF GERMANY

ENTITY	REGISTERED OFFICE
GRENKELEASING GmbH	Vienna / Austria
GRENKELEASING AG	Zurich / Switzerland
GRENKEFACTORING AG	Basel / Switzerland
GRENKELEASING s.ro.	Prague / Czechia
GRENKE ALQUILER S.L.	Barcelona / Spain
GRENKELEASING ApS	Herlev / Denmark
Grenkefinance N.V.	Vianen / Netherlands
GRENKE LIMITED	Dublin / Ireland
GRENKE FINANCE PLC	Dublin / Ireland
GRENKE LOCATION SAS	Schiltigheim / France
GRENKE Locazione S.r.l.	Milan / Italy
GRENKELEASING AB	Stockholm / Sweden
Grenke Leasing Ltd.	Guildford / UK
GRENKELEASING Sp. z o.o.	Poznan / Poland
GRENKELEASING Magyarország Kft.	Budapest / Hungary
GRENKE LEASE Sprl	Brussels / Belgium
Grenke Renting S.R.L.	Bucharest / Romania
GRENKE RENTING S.A.	Lisbon / Portugal
GRENKELEASING Oy	Vantaa / Finland
GRENKELEASING s.ro.	Bratislava / Slovakia
GRENKELOCATION SARL	Munsbach / Luxembourg
GRENKELEASING d.o.o.	Ljubljana / Slovenia
GRENKE RENT S.L.	Madrid / Spain
GRENKE Kiralama Ltd. Sti.	Istanbul / Turkey
GRENKE Renting Ltd.	Sliema / Malta
GC Locação de Equipamentos LTDA	São Paulo / Brazil
GRENKE Locação de Equipamentos LTDA	São Paulo / Brazil
GC Leasing Middle East	Dubai / UAE
GRENKE Hrvatska d.o.o.	Zagreb / Croatia
FCT "GK"-Compartment "G2"	Pantin / France

10.2. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The annual financial statements of GRENKE AG as per December 31, 2019, 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.

The comparability of GRENKE AG's statement of financial position in the reporting year compared to the prior year is impaired by additions to assets and liabilities resulting from the merger with the former Europa Leasing GmbH. The income and expenses of Europa Leasing GmbH are also included in the corresponding income statement items of GRENKE AG in the 2019 fiscal year, which limits the comparability with the previous year.

SELECTED KEY FIGURES FROM THE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

EURK	2019	2018
Income from leases	738,045	613,486
Expenses from leases	512,095	443,392
PROFIT FROM LEASES	**225,949**	**170,094**
Net interest income	–7,405	–6,233
Other operating income	61,447	47,954
General and administrative expenses	96,076	87,222
Staff cost	25,701	31,346
Depreciation and impairment	177,860	128,060
NET PROFIT	**38,471**	**30,486**

EURK	DEC. 31, 2019	DEC. 31, 2018
Investments in associated companies	527,221	468,098
Leased assets	538,305	389,442
Property, plant and equipment	22,969	21,564
Other assets	37,805	37,692
Receivables	44,338	42,767
Equity	473,227	471,839
Bank liabilities	1,946	19
Payables	37,240	34,893
Accruals and deferrals	452,848	383,263
TOTAL ASSETS	**1,373,663**	**1,199,037**

10.2.1 RESULTS OF OPERATIONS

The profit from leases increased 33 percent to EUR 225.9 million in the reporting year (previous year: EUR 170.1 million). Net interest income amounted to EUR –7.4 million after EUR –6.2 million in the previous year. In addition to the interest portions included in the lease-purchase contracts, which are forwarded to the KGaA in the context of 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 hybrid bonds.

Other operating income in the reporting year increased to EUR 61.4 million (previous year: EUR 48.0 million). The reason for this sharp increase was intra-group licence and warranty fees and allocations for information technology. The apportionment received from the holding company GRENKE Investitionen Verwaltungs KGaA also recorded a significant increase due to a higher number of new contracts concluded and a rise in the contract portfolio. In addition, consulting costs (also for previous years) were invoiced to foreign subsidiaries in the reporting year.

Commission expenses increased in the reporting year to EUR 14.2 million (previous year: EUR 8.4 million). General and administrative expenses, which also include staff costs, rose in the course of the Company's growth and continued expansion and optimisation of IT systems from their level of EUR 87.2 million in the previous year to EUR 96.1 million in the reporting year.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment rose from EUR 128.1 million in the previous year to EUR 177.9 million as a result of a higher level of leased assets. Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business fell from EUR 7.9 million in the previous year to EUR 4.9 million in the reporting year.

The result from normal business activity in the 2019 fiscal year amounted to EUR 49.3 million compared to EUR 31.1 million in the previous year. Following an extraordinary expense in the amount of EUR 8.0 million and tax expenses of EUR 2.7 million (previous year: EUR 0.7 million), net profit amounted to EUR 38.5 million (previous year: EUR 30.5 million). Extraordinary expenses reflect the effect of the merger with Europa Leasing GmbH, which resulted from the difference between the net assets of Europa Leasing GmbH and the carrying amount of the interest in Europa Leasing GmbH owned by GRENKE AG.

10.2.2 REPORT ON FINANCIAL POSITION AND NET ASSETS

GRENKE AG's total assets were 15 percent higher as per the December 31, 2019 reporting date, rising to EUR 1,373.7 million after EUR 1,199.0 million in the previous year. This increase resulted from various factors, including an increase in investments in associated companies to EUR 527.2 million (previous year: EUR 468.1 million) resulting from the execution of various capital measures. Lease assets increased by 38 percent to EUR 538.3 million following EUR 389.4 million in the prior year, mainly as a result of contracts concluded under collaborations with development banks. The Company also repurchased lease assets in several tranches from the KGaA in the year under review, which serve as collateral for the sold lease receivables. Property, plant and equipment increased from EUR 21.6 million in the prior year to EUR 23.0 million, while other assets remained essentially unchanged at EUR 37.8 million (previous year: EUR 37.7 million). Receivables from banks increased to EUR 74.6 million as per December 31, 2019 (previous year: EUR 71.5 million) while receivables from customers rose to EUR 44.3 million (previous year: EUR 42.8 million).

Accruals and deferrals increased by 18 percent to EUR 452.8 million (previous year: EUR 383.3 million). The majority of this item continued to relate to deferrals from forfaiting instalments of lease contracts. While liabilities to banks in their absolute amount remained insignificant for the Company's financial position at the end of the reporting year, liabilities to customers increased by 7 percent to EUR 37.2 million compared to EUR 34.9 million as per the end of the previous fiscal year.

The Company's other liabilities increased by 18 percent to EUR 204.0 million (previous year: EUR 172.5 million). This item mainly consists of liabilities to associated companies.

The Company's equity increased to EUR 473.2 million (previous year: EUR 471.8 million), resulting in an equity ratio as per the December 31, 2019 reporting date of 34.5 percent (previous year: 39.3 percent).

10.2.3 LIQUIDITY AND REFINANCING

The financing of new business in leasing during the reporting year continued to be on a broad basis. 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 EUR 84.1 million (previous year: EUR 10.2 million).

Private placements can also be carried out directly or indirectly by the wholly-owned subsidiary GRENKE FINANCE PLC, Dublin/Ireland. A total of 15 new bonds were issued, and 2 bonds were increased in the reporting year. The nominal volume amounted to EUR 2,770.2 million. In return, bonds with a volume of EUR 271.0 million were redeemed. The Irish subsidiary also has access to 8 revolving loan facilities with a combined volume of EUR 338.7 million and a money market facility of EUR 35.0 million. This money market facility and one of the revolving loan facilities can also be utilised by other subsidiaries.

There are also 7 ABCP programmes Consolidated Group-wide with a potential total volume of EUR 947.8 million and GBP 150.0 million. Under these programmes, GRENKE FINANCE PLC, the KGaA and GRENKE Leasing Ltd. UK, 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, 2019, the commercial paper programme had been utilised up to an amount of EUR 226.5 million (previous year: EUR 302.5 million).

10.3 OVERALL STATEMENT ON THE COMPANY'S BUSINESS PERFORMANCE AND FINANCIAL POSITION

At the time of the finalising the 2019 annual financial statements and management report, the Company had an excellent economic position to allow it to continue its international expansion, expand new business and again achieve a net profit at the level of the reporting year.

10.4 TWO-LEVEL MODEL

Under the two-level model, the lease items of the new business are partially rented from the KGaA. The KGaA's rent receivables are sold to financial institutions via structured entities as part of three ABCP programmes or locally to two savings banks (forfeited). The underlying contractual agreements secure financing for new business, even if volumes increase.

10.5 DIVIDENDS

The Board of Directors and the Supervisory Board propose a dividend of EUR 0.88 per share for the 2019 fiscal year at the Annual General Meeting to be held on May 19, 2020. In the previous year, the Company distributed a dividend of EUR 0.80 per share.

10.6 EMPLOYEES

In the reporting year, the number of full-time employees (excluding the Board of Directors) declined to an average of 340 (previous year: 396). The reason for this decline was the transfer of the majority of the sales staff to the newly founded GRENKE BUSINESS SOLUTIONS GmbH&Co KG. The staff turnover rate was 11.9 percent (previous year: 8.8 percent). The staff turnover rate among the management and senior executives continued to be at a lower level.

10.7 REPORT ON RISKS, OPPORTUNITIES, AND FORECASTS

10.7.1 RISKS AND OPPORTUNITIES

The risk 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 currency risk because it does not enter into cross-border transactions with countries outside the eurozone.

10.7.2 REPORT ON FORECASTS AND OUTLOOK

After the solid business performance in the reporting year, the Board of Directors is also very confident about the prospects for the current 2020 fiscal year. The Board of Directors anticipates upper single-digit growth in new business in Germany, and a net profit at GRENKE AG at a similar level to the past two fiscal years, depending on the investment income and profit transfers of the subsidiaries. The key factors that influenced the business development in the year 2019 are expected to continue to be an influence in the 2020 fiscal year and the years thereafter. Details on the Consolidated Group development can be found in the section "Report on Forecasts and Outlook" in the combined management report.

Baden-Baden, January 31, 2020

The Board of Directors

EXPANDING OUR PRESENCE
GRENKE GROUP locations

148

Cell divisions in full-year 2019:

United Arab Emirates, Belgium, Canada, Spain

MARK KINDERMANN
Member of the Board

“CLOSE proximity to our customers and partners is as important to us now as on the first day. Your ADDED VALUE is the focus of our attention.”

ALWAYS THERE FOR YOU
Employees

1,675

15 % more employees than in the prior year (GRENKE Consolidated Group; prior year: 1,456)

EMBARKING ON A CAREER
Number of trainees

78

on 10 different career paths

PROXIMITY TO THE CUSTOMER
Regions / Markets

32

Close to our customers on 5 continents

CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2019

CONSOLIDATED INCOME STATEMENT

EURK	NOTE	JAN. 1 TO DEC. 31, 2019	JAN. 1 TO DEC. 31, 2018
			ADJUSTED[1]
Interest and similar income from financing business[2]	4.1	423,631	367,815
Expenses from interest on refinancing and deposit business	4.1	54,693	46,749
NET INTEREST INCOME		**368,938**	**321,066**
Settlement of claims and risk provision	4.2	125,926	91,751
Of which, impairment losses		121,137	87,496
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION		**243,012**	**229,315**
Profit from service business	4.3	101,661	85,582
Profit from new business	4.4	54,253	46,048
Gains(+) / losses (–) from disposals	4.5	-2,241	–2,581
INCOME FROM OPERATING BUSINESS		**396,685**	**358,364**
Staff costs	4.6	115,800	102,701
Depreciation and impairment	4.7	28,732	17,226
Selling and administrative expenses (not including staff costs)	4.8	74,879	78,120
Other operating expenses	4.9	10,571	7,803
Other operating income	4.10	7,596	5,702
OPERATING RESULT		**174,299**	**158,216**
Result from investments accounted for using the equity method		–237	–71
Expenses / income from fair value measurement		–309	71
Other interest income		1,726	1,248
Other interest expenses		4,779	2,873
EARNINGS BEFORE TAXES		**170,700**	**156,591**
Income taxes	4.13	28,640	25,097
NET PROFIT		**142,060**	**131,494**
Ordinary shareholders and hybrid capital holders of GRENKE AG		142,060	131,494
Earnings per share (basic/diluted in EUR)	4.14	2.92	2.79
Average number of shares outstanding	4.14	46,353,918	45,436,949

1 Previous year's amounts adjusted (see note 2.1 in the notes to the consolidated financial statements).
2 Interest and similar income based on effective interest method: EUR 9,068k (previous year: EUR 6,014k).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURK	NOTE	JAN. 1 TO DEC. 31, 2019	JAN. 1 TO DEC. 31, 2018
			ADJUSTED[1]
NET PROFIT		142,060	131,494
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS			
Appropriation to / reduction of hedging reserve	4.15	–2,186	–1
thereof: income tax effects		312	0
Change in currency translation differences		2,360	–90
thereof: income tax effects		0	0
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS			
Change in value of equity instruments recognised in other comprehensive income (option under IFRS 9)		60	2,295
thereof: income tax effects		0	0
Appropriation to / reduction of reserve for actuarial gains and losses	5.16	–565	430
thereof: income tax effects		137	–116
OTHER COMPREHENSIVE INCOME		–331	2,634
TOTAL COMPREHENSIVE INCOME		141,729	134,128
Ordinary shareholders and hybrid capital holders of GRENKE AG		141,729	134,128

1 Previous year's amounts adjusted (see note 2.1 in the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURK	NOTE	DEC. 31, 2019	DEC. 31, 2018	JAN. 1, 2018
			ADJUSTED[1]	ADJUSTED[1]
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5.1	434,379	333,626	203,357
Derivative financial instruments that are assets	7.3	946	1,874	2,161
Lease receivables	5.2	1,901,181	1,570,755	1,255,568
Other current financial assets	5.3	252,504	160,430	115,920
Trade receivables	5.4	9,272	7,666	5,786
Lease assets for sale		24,038	16,586	7,104
Tax assets		27,450	27,488	22,671
Other current assets	5.5	322,680	280,457	243,825
TOTAL CURRENT ASSETS		2,972,450	2,398,882	1,856,392
NON-CURRENT ASSETS				
Lease receivables	5.2	3,744,735	3,126,784	2,617,250
Derivative financial instruments that are assets	7.3	1,492	1,842	1,344
Other non-current financial assets	5.3	96,650	82,692	80,306
Investments accounted for using the equity method		4,923	4,910	4,732
Property, plant and equipment	5.6	109,092	85,326	55,463
Right-of-use assets	5.10	50,315	0	0
Goodwill	5.7	106,555	106,584	83,580
Other intangible assets	5.8	37,899	41,913	35,402
Deferred tax assets	5.9	21,967	15,997	16,346
Other non-current assets		1,404	1,230	1,226
TOTAL NON-CURRENT ASSETS		4,175,032	3,467,278	2,895,649
TOTAL ASSETS		7,147,482	5,866,160	4,752,041

1 Previous year's amounts adjusted (see note 2.1 in the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURK	NOTE	DEC. 31, 2019	DEC. 31, 2018 ADJUSTED[1]	JAN. 1, 2018 ADJUSTED[1]
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Financial liabilities	5.11	1,716,313	1,520,095	1,261,525
Lease liabilities	5.10	12,148	0	0
Derivative liability financial instruments	7.3	8,506	1,406	1,199
Trade payables		35,890	28,156	20,550
Tax liabilities		3,059	10,688	20,092
Deferred liabilities	5.13	30,219	27,545	25,070
Current provisions	5.14	0	0	1,627
Other current liabilities	5.12	31,583	30,348	23,810
Deferred lease payments		23,634	24,724	36,421
TOTAL CURRENT LIABILITIES		1,861,352	1,642,962	1,390,294
NON-CURRENT LIABILITIES				
Financial liabilities	5.11	3,924,353	3,092,431	2,533,181
Lease liabilities	5.10	38,679	0	0
Derivative liability financial instruments	7.3	7,445	1,557	760
Deferred tax liabilities	5.9	61,676	47,103	40,756
Pensions	5.16	5,128	4,348	4,419
Non-current provisions	5.14	99	105	53
Other non-current liabilities		0	0	1,050
TOTAL NON-CURRENT LIABILITIES		4,037,380	3,145,544	2,580,219
EQUITY	5.17			
Share capital		46,354	46,354	44,313
Capital reserves		289,314	289,314	93,611
Retained earnings		712,672	616,257	520,509
Other components of equity		410	729	–1,905
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRENKE AG		1,048,750	952,654	656,528
Additional equity components[2]		200,000	125,000	125,000
TOTAL EQUITY		1,248,750	1,077,654	781,528
TOTAL LIABILITIES AND EQUITY		7,147,482	5,866,160	4,752,041

1 Previous year's amounts adjusted (see note 2.1 in the notes to the consolidated financial statements).
2 Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

CONSOLIDATED STATEMENT OF CASH FLOWS

	EURK	JAN. 1 TO DEC. 31, 2019	JAN. 1 TO DEC. 31, 2018
			ADJUSTED[1]
	EARNINGS BEFORE TAXES	**170,700**	**156,591**
	NON-CASH ITEMS CONTAINED IN EARNINGS AND RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES		
+	Depreciation and impairment	28,732	17,226
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	–81	71
– / +	Net income from non-current financial assets	2,455	1,625
– / +	Other non-cash effective income / expenses	5,446	5,691
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	3,448	715
–	Additions to lease receivables	–2,835,286	–2,398,771
+	Payments by lessees	1,973,492	1,654,782
+	Disposals / reclassifications of lease receivables at residual carrying amounts	352,585	308,343
–	Interest and similar income from leasing business	–409,846	–357,455
+ / –	Decrease / increase in other receivables from lessees	–6,239	–9,031
+ / –	Currency translation differences	–23,083	1,625
=	Change in lease receivables	–948,377	–800,507
+	Addition to liabilities from refinancing	2,146,190	2,071,442
–	Payment of annuities to refinancers	–1,320,429	–1,441,075
–	Disposal of liabilities from refinancing	–52,925	–43,810
+	Expenses from interest on refinancing	49,934	46,797
+ / –	Currency translation differences	16,356	–2,354
=	Change in refinancing liabilities	839,126	631,000
+ / –	Increase / decrease in liabilities from deposit business	192,480	178,746
– / +	Increase / decrease in loans to franchisees	–61,594	–42,979
	CHANGES IN OTHER ASSETS / LIABILITIES		
– / +	Increase / decrease in other assets	–96,978	–81,089
– / +	Increase / decrease in lease assets from operating leases	–15,864	–12,360
+ / –	Increase / decrease in deferred lease payments	–1,090	–13,231
+ / –	Increase / decrease in other liabilities	22,346	12,169
=	CASH FLOW FROM OPERATING ACTIVITIES	**140,749**	**53,668**
– / +	Income taxes paid / received	–28,397	–31,635
–	Interest paid	–4,779	–2,873
+	Interest received	1,726	1,248
=	NET CASH FLOW FROM OPERATING ACTIVITIES	**109,299**	**20,408**
–	Payments for the acquisition of property, plant and equipment and intangible assets	–22,289	–15,565
– / +	Payments for / proceeds from the acquisition of subsidiaries	–390	–35,575
–	Payments for the acquisition of associated entities	–250	–249
–	Payments for the acquisition of financial assets	0	–150
+	Proceeds from the sale of property, plant and equipment and intangible assets	1,523	941
=	CASH FLOW FROM INVESTING ACTIVITIES	**–21,406**	**–50,598**

1 Previous year's amounts adjusted (see note 2.1 in the notes to the consolidated financial statements).

CONTINUED ON NEXT PAGE

CONSOLIDATED STATEMENT OF CASH FLOWS(CONTINUED)

	EURK	JAN. 1 TO DEC. 31, 2019	JAN. 1 TO DEC. 31, 2018
			ADJUSTED[1]
+ / –	Borrowing / repayment of bank liabilities	–487	–1,420
–	Repayment of lease liabilities	–10,608	0
+	Proceeds from cash capital increase	0	196,761
+	Net proceeds from hybrid capital	73,714	0
–	Interest coupon payments on hybrid capital	–9,375	–6,786
–	Dividend payments	–37,083	–31,019
=	**CASH FLOW FROM FINANCING ACTIVITIES**	**16,161**	**157,536**
	CASH FUNDS AT BEGINNING OF PERIOD		
	Cash in hand and bank balances	333,626	203,357
–	Bank liabilities from overdrafts	–3,112	–111
=	**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**	**330,514**	**203,246**
+ / –	Change due to currency translation	–262	–78
=	**CASH FUNDS AFTER CURRENCY TRANSLATION**	**330,252**	**203,168**
	CASH FUNDS AT END OF PERIOD		
	Cash in hand and bank balances	434,379	333,626
–	Bank liabilities from overdrafts	–73	–3,112
=	**CASH AND CASH EQUIVALENTS AT END OF PERIOD**	**434,306**	**330,514**
	CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD (= TOTAL CASH FLOW)	104,054	127,346
	Net cash flow from operating activities	109,299	20,408
+	Cash flow from investing activities	–21,406	–50,598
+	Cash flow from financing activities	16,161	157,536
=	**TOTAL CASH FLOW**	**104,054**	**127,346**

1 Previous year's amounts adjusted (see note 2.1 in the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURK	SHARE CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS / CONSOLI-DATED NET PROFIT	HEDGING-RESERVE	RESERVE FOR ACTUARIAL GAINS / LOSSES
EQUITY AS PER JAN. 1, 2019 (ADJUSTED)	**46,354**	**289,314**	**616,257**	**–7**	**–828**
Adjustment to IFRS 16 accounting standard (lessee)	–	–	–745	–	–
EQUITY AS PER JAN. 1, 2019 (FULLY ADJUSTED)	**46,354**	**289,314**	**615,512**	**–7**	**–828**
Net profit	–	–	142,060	–	–
Other comprehen-sive income	–	–	–	–2,186	–565
Dividend payment in 2019 for 2018	–	–	–37,083	–	–
Interest coupon payment on hybrid capital (net)	–	–	–	–	–
Interest coupon for hybrid capital (net)	–	–	–6,531	–	–
Issuance of hybrid capital	–	–	–1,088	–	–
Cost of issuance of hybrid capital	–	–	–198	–	–
EQUITY AS PER DEC. 31, 2019	**46,354**	**289,314**	**712,672**	**–2,193**	**–1,393**
EQUITY AS PER JAN. 1, 2018 (AS REPORTED)	**44,313**	**93,611**	**530,373**	**–6**	**–1,258**
Adjustment to IFRS 16 accounting standard (lessor)	–	–	–9,864	–	–
EQUITY AS PER JAN. 1, 2018 (ADJUSTED)	**44,313**	**93,611**	**520,509**	**–6**	**–1,258**
Net profit	–	–	131,494	–	–
Other comprehen-sive income	–	–	–	–1	430
Dividend payment in 2018 for 2017	–	–	–31,019	–	–
Interest coupon payment on hybrid capital (net)	–	–	–	–	–
Capital increase (conversion of capital reserves in the context of the stock split)	2,041	195,703	–	–	–
Interest coupon for hybrid capital (net)	–	–	–4,727	–	–
EQUITY AS PER DEC. 31, 2018	**46,354**	**289,314**	**616,257**	**–7**	**–828**

CURRENCY TRANSLATION	REVALUATION RESERVE FOR EQUITY INSTRU-MENTS (IFRS 9)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLD-ERS OF GRENKE AG	ADDITIONAL EQUITY COMPONENTS	TOTAL EQUITY
–731	2,295	952,654	125,000	1,077,654
12	–	–733	–	–733
–719	2,295	951,921	125,000	1,076,921
–	–	142,060	–	142,060
2,360	60	–331	–	–331
–	–	–37,083	–	–37,083
–	–	0	–6,531	–6,531
–	–	-6,531	6,531	0
–	–	–1,088	75,000	73,912
–	–	–198	–	–198
1,641	2,355	1,048,750	200,000	1,248,750
–619	0	666,414	125,000	791,414
–22	–	–9,886	–	–9,886
–641	0	656,528	125,000	781,528
–	–	131,494	–	131,494
–90	2,295	2,634	–	2,634
–	–	–31,019	–	–31,019
–	–	–	–4,727	–4,727
–	–	197,744	–	197,744
–	–	–4,727	4,727	0
–731	2,295	952,654	125,000	1,077,654

SEBASTIAN HIRSCH
Member of the Board

"It is our job to make your job EASIER. So you can concentrate on what really counts: your customers."

CONSISTENT PROFITABILITY AND FINANCIAL STRENGTH

Equity ratio and Consolidated Group net profit

17.5 %

GRENKE Consolidated Group maintained a solid equity ratio in the 2019 fiscal year.

+8.1 %

Consolidated Group net profit in 2019 increased to EUR 142.1 million – settling within our interim revised target range of EUR 138 to 148 million.

DYNAMIC GROWTH

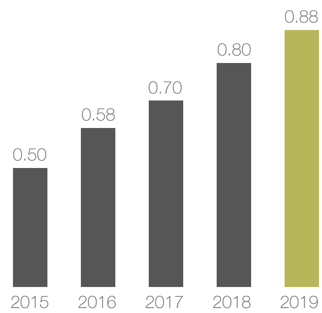
New business volume (in EUR millions)

3,566.6

Record new business volume achieved at GRENKE Group and building a solid foundation for future earnings growth.

SUSTAINABLE DIVIDEND POLICY

Dividend increases (in EUR)



STELLAR REPUTATION

BBB+

rating with stable outlook was awarded to GRENKE AG again in 2019 by Standard & Poor's.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2019

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 Consolidated Group ("the GRENKE Consolidated Group"). GRENKE AG is also a listed parent company trading on an organised market as defined by Section 2 (11) WpHG.

The GRENKE Consolidated 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 per December 31, 2019 (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 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 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 section "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 January 31, 2020, submitted to the Supervisory Board for review and approval, and released for publication.

2. CHANGES IN ACCOUNTING

2.1 FIRST-TIME ADOPTED, REVISED AND NEW ACCOUNTING STANDARDS

The consolidated financial statements of GRENKE AG have taken into account all standards and interpretations to be applied in the EU for the 2019 fiscal year.

The following amendments to standards whose application was mandatory as per the 2019 fiscal year had no impact or only an immaterial effect on the consolidated financial statements of GRENKE AG:

- Annual Improvements to IFRS: 2015–2017 Cycle
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

The new accounting standards that are of significance for the Consolidated Group are explained below.

2.1.1 IFRIC 23 „UNCERTAINTY OVER INCOME TAX TREATMENTS“

IFRIC 23 clarifies the requirements for the recognition and measurement of uncertain income tax items. In assessing assumptions and estimates, an entity shall assess whether it is likely that the tax jurisdiction will accept the income tax treatment. The supplementary provisions have no material effect on the consolidated financial statements, as GRENKE has already been following the interpretation for accounting.

2.1.2 IFRS 16 „LEASES“

In January 2016, the IASB published the new standard IFRS 16 “Leases”, which was endorsed into European law on October 31, 2017. IFRS 16 replaces the previous IAS 17 standard on lease accounting and the interpretations IFRIC 4, SIC-15 and SIC-27.

2.1.3 IFRS 16 „LEASES“ – THE CONSOLIDATED GROUP AS LESSEE

The main change introduced by IFRS 16 concerning accounting by the lessee is the elimination of the distinction between operating leases and finance leases. For all leases, the lessee is required to recognise assets for the rights-of-use obtained (known as the “right-of-use approach”) and liabilities for the payment obligations entered into.

Simplified application is granted for leases of low-value assets (so-called “low-value” leases) and for short-term leases with a term of up to one year (so-called “short-term” leases). Simplified application consists of an option to apply the recognition and disclosure requirements of IFRS 16.

The GRENKE Consolidated Group applied IFRS 16 “Leases” for the first time in the 2019 fiscal year. The Consolidated Group’s transition to IFRS 16 as lessee was made according to the modified retrospective approach. The comparative prior-year figures were not adjusted using this approach. The cumulative conversion effect resulting from the first-time adoption as a lessee was recognised directly in equity (retained earnings EUR –745k and other components of equity EUR +12k) in the opening balance sheet as per January 1, 2019. The equity reported in the balance declined by a total of EUR 733k compared to its level under IAS 17. The tables reconciling the Consolidated Group’s statement of financial position as per January 1, 2019 are presented in Note 2.1.5 “FIRST-TIME ADOPTION OF IFRS 16”.

The initial adoption of IFRS 16 as lessee resulted in higher depreciation and amortisation of EUR 10,882k in the consolidated income statement for the 2019 fiscal year due to the amortisation of capitalised rights-of-use assets and additional interest expenses of EUR 584k from lease liabilities. Rental/lease expenses decreased by EUR 11,206k as a result of IFRS 16. In the consolidated statement of cash flows, the first-time adoption as lessee led to an increase in net cash flow from operating activities and a decrease in cash flow from financing activities. The latter decreased by EUR 10,608k due to the repayment of the principal included in the lease instalments.

2.1.4 IFRS 16 „LEASES“ – THE CONSOLIDATED GROUP AS LESSOR

In accordance with IFRS 16, the lessor continues to differentiate between finance leases and operating leases, as was the case under IAS 17. A lease is classified as a finance lease when it transfers substantially all of the risks and rewards of ownership. If this is not the case, a lease is classified as an operating lease.

Changes resulting from IFRS 16 affecting the lessor’s accounting concerned mainly the definitions. Next to the changes for the information in the notes to the consolidated financial statements, the definition of a lease and the definition of initial direct costs have been modified or clarified under IFRS 16 (see IFRS 16 BC64).

In implementing IFRS 16, the effect of the standard’s amendment on the accounting for lessors was examined again during the fiscal year. Contrary to our assessment in the previous year, GRENKE’s accounting policies as lessor have been adjusted (explained below) in addition to the change in the notes to the consolidated financial statements.

This adjustment relates to the initial direct costs (IDCs) attributable to the conclusion of the lease contract, the definition of which was made more specific as part of the introduction of IFRS 16 and thereby slightly modified. Under IAS 17, initial direct costs were capitalised as additional costs that can be directly attributed to the negotiation and conclusion of a lease contract. Under IFRS 16, the initial direct costs are capitalised as additional costs incurred in acquiring a lease that would not have been incurred without the lease’s conclusion.

As a result of this specification, the scope of the initial direct costs has been reduced, which in turn reduces the initial recognition of the net investment in the lease and increases the interest rate underlying the lease. When determining the initial net investment value, the initial direct costs must be taken into account, which – as a result of the retrospective nature of the adjustment – has led to a reduction in the profit from new business and, at the same time, to an increase in the net interest income. There were also minor changes to gains/losses from disposals due to the change in the carrying amounts of lease receivables upon disposal.

The Consolidated Group’s transition to IFRS 16 as lessor was carried out in accordance with the general requirements of IAS 8, as IFRS 16 does not contain any special transition provisions for lessors. Accordingly, the general accounting provisions of IAS 8 were applied upon the first-time adoption of a new standard. A change in an accounting policy pursuant to IAS 8.22 must be made retrospectively. An additional balance sheet as per January 1, 2018 was therefore included in the consolidated financial statements because accounting policies were applied retrospectively due to the first-time adoption of IFRS 16.

As a result of the retrospective adoption of IFRS 16 for lessors, the total lease receivables from finance leases declined by EUR 12,299k in the opening balance sheet as per January 1, 2018. The lease assets from operating leases recorded under the line item "Property, plant and equipment" increased by EUR 48k in the opening balance sheet as per January 1, 2018. This increase resulted from the increase in lease assets from operating leases from contracts that are in the subsequent lease phase and can be terminated at any time (an addition of EUR 137k). In contrast, the lease assets from contracts that were already classified as operating leases at the beginning of the lease declined by EUR 89k. In total, the retrospective IFRS 16 adjustment for finance and operating leases on the part of the lessor as per January 1, 2018 resulted in a total reduction in total assets of EUR 11,134k, as well as a decline in equity of EUR 9,886k. Except for an amount of EUR 22k, the change in equity reflects the one-time transition effect from the standard's first-time adoption, which was offset against retained earnings.

A significant change in presentation in the consolidated income statement resulted from the effect on the net interest income and profit from new business already described. In the comparable 2018 period, net interest income had increased by EUR 38,126k and profit from new business had decreased by EUR 37,243k. Profit from operating leases increased by EUR 135k. Net profit overall had increased by EUR 384k.

2.1.5 FIRST-TIME ADOPTION OF IFRS 16

The following tables summarise the impact of the first-time adoption of IFRS 16, based on GRENKE's published consolidated statement of financial position as per December 31, 2017 through the opening balance sheet as per January 1, 2018. Furthermore, the effect on the GRENKE Consolidated Group statement of financial position as per December 31, 2018, the statement of financial position as per January 1, 2019 and the retrospective effects on the consolidated income statement and consolidated statement of comprehensive income for the 12 months as per December 31, 2018 are presented. The changes shown in the tables in the column " IFRS 16 adjustment" have resulted exclusively from the amendments made to IFRS 16 and are presented separately due to the retrospective recognition for lessors and the modified retrospective recognition for lessees.

EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (INCREASE / DECREASE) AS PER JANUARY 1, 2018

EURK	PUBLISHED CONSOLIDATED STATEMENT OF FINANCIAL POSITION DEC. 31, 2017[1]	IFRS 16 ADJUSTMENT LESSOR	OPENING STATEMENT OF FINANCIAL POSITION JAN 1, 2018
CURRENT ASSETS			
Lease receivables	1,333,294	–77,726	1,255,568
TOTAL CURRENT ASSETS	**1,934,118**	**–77,726**	**1,856,392**
NON-CURRENT ASSETS			
Lease receivables	2,551,823	65,427	2,617,250
Property, plant and equipment	55,415	48	55,463
Deferred tax assets	15,229	1,117	16,346
TOTAL NON-CURRENT ASSETS	**2,829,057**	**66,592**	**2,895,649**
TOTAL ASSETS	**4,763,175**	**–11,134**	**4,752,041**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	42,004	–1,248	40,756
TOTAL NON-CURRENT LIABILITIES	**2,581,467**	**–1,248**	**2,580,219**
EQUITY			
Other components of equity	–1,883	–22	–1,905
Unappropriated surplus	108,753	–9,864	98,889
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRENKE AG	**666,414**	**–9,886**	**656,528**
TOTAL EQUITY	**791,414**	**–9,886**	**781,528**
TOTAL LIABILITIES AND EQUITY	**4,763,175**	**–11,134**	**4,752,041**

1 Published in the 2018 Annual Report as a result of retrospective recognition under IFRS 9.

EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (INCREASE / DECREASE) AS PER JANUARY 1, 2019

EURK	PUBLISHED CONSOLIDATED STATEMENT OF FINANCIAL POSITION DEC. 31, 2018	IFRS 16 ADJUSTMENT LESSOR	ADJUSTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION JAN. 1, 2019	IFRS 16 ADJUSTMENT LESSEE	FULLY ADJUSTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION JAN. 1, 2019
CURRENT ASSETS					
Lease receivables	1,605,173	–34,418	1,570,755	–	1,570,755
Other current financial assets	280,457	–	–	–544	279,913
TOTAL CURRENT ASSETS	**2,433,300**	**–34,418**	**2,398,882**	**–544**	**2,398,338**
NON-CURRENT ASSETS					
Lease receivables	3,098,837	27,947	3,126,784	–	3,126,784
Property, plant and equipment	89,980	–4,654	85,326	–381	84,945
Right-of-use assets	0	–	–	40,072	40,072
Deferred tax assets	15,203	794	15,997	221	16,218
TOTAL NON-CURRENT ASSETS	**3,443,191**	**24,087**	**3,467,278**	**39,912**	**3,507,190**
TOTAL ASSETS	**5,876,491**	**–10,331**	**5,866,160**	**39,368**	**5,905,528**
CURRENT LIABILITIES					
Lease liabilities	0	–	–	9,080	9,080
Other current liabilities	30,348	–	–	–370	29,978
TOTAL CURRENT LIABILITIES	**1,642,962**	**–**	**–**	**8,710**	**1,651,672**
NON-CURRENT LIABILITIES					
Lease liabilities	0	–	–	31,391	31,391
Deferred tax liabilities	47,991	–888	47,103	–	47,103
TOTAL NON-CURRENT LIABILITIES	**3,146,432**	**–888**	**3,145,544**	**31,391**	**3,176,935**
EQUITY					
Retained earnings	625,737	–9,480	616,257	–745	615,512
Other components of equity	692	37	729	12	741
Total equity attributable to shareholders of GRENKE AG	962,097	–9,443	952,654	–733	951,921
TOTAL EQUITY	**1,087,097**	**–9,443**	**1,077,654**	**–733**	**1,076,921**
TOTAL LIABILITIES AND EQUITY	**5,876,491**	**–10,331**	**5,866,160**	**39,368**	**5,905,528**

EFFECT ON THE CONSOLIDATED INCOME STATEMENT (INCREASE / DECREASE) FOR THE 12 MONTHS AS PER DECEMBER 31, 2018

EURK	PUBLISHED CONSOLIDATED INCOME STATEMENT DEC. 31, 2018	IFRS 16 ADJUSTMENT LESSOR	ADJUSTED CONSOLIDATED INCOME STATEMENT DEC. 31, 2018
NET INTEREST INCOME	**282,940**	**38,126**	**321,066**
Settlement of claims and risk provision	91,875	–124	91,751
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	**191,065**	**38,250**	**229,315**
Profit from operating leases	90	135	225
Profit from new business	83,291	–37,243	46,048
Gains(+) / losses (–) from disposals	–2,473	–108	–2,581
INCOME FROM OPERATING BUSINESS	**357,330**	**1,034**	**358,364**
Other operating expenses	7,830	–27	7,803
EARNINGS BEFORE TAXES	**155,530**	**1,061**	**156,591**
Income taxes	24,420	677	25,097
NET PROFIT	**131,110**	**384**	**131,494**
Ordinary shareholders and hybrid capital holders of GRENKE AG	131,110	384	131,494
Earnings per share (basic and diluted in EUR)	2.78	0.01	2.79

OTHER DISCLOSURES FOR IFRS 16 FIRST-TIME ADOPTION AS A LESSEE

As part of the transition to IFRS 16 from the lessee's perspective, rights-of-use for leased assets in the amount of EUR 40,072k were recognised as per January 1, 2019. Of this amount, EUR 35,753k was attributable to leased properties, EUR 3,943k to leased vehicles and EUR 376k to rights-of-use for other leases. The rights-of-use recognised include assets in the amount of EUR 381k that were accounted for as property, plant and equipment under finance leases until December 31, 2018 according to IAS 17. The previous carrying amounts of assets and liabilities under finance leases according to IAS 17 correspond to the amounts of the rights-of-use assets and related lease liabilities recognised as per January 1, 2019 under IFRS 16.

On the liabilities side of the balance sheet, the transition to IFRS 16 resulted in the recognition of lease liabilities in the amount of EUR 40,471k, of which EUR 9,080k were due within one year. The effect resulting from the lessee's first-time adoption of IFRS 16 reduced the equity reported in the balance by EUR 733k. Overall, the first-time adoption as a lessee led to an increase in total assets of EUR 39,368k as per January 1, 2019. Due to changes in the exercise of options within the scope of first-time adoption, total assets increased slightly compared to the original forecast. This was specifically the result of the determination of the incremental borrowing rate and the option of retroactive maturity determination.

The following table shows the reconciliation of lease liabilities in the opening balance sheet as per January 1, 2019 based on the operating leases previously recognised as off-balance sheet liabilities as per December 31, 2018.

RECONCILIATION OF LEASE LIABILITIES

EURK	
Operating lease obligations as per December 31, 2018	42,021
Simplified application for short-term leases	–466
Simplified application for low-value leases	–22
Discounting by using incremental borrowing rate	–1,432
ADDITIONAL LEASE LIABILITIES RESULTING FROM FIRST-TIME ADOPTION OF IFRS 16 AS PER JANUARY 1, 2019	**40,101**
Lease liabilities under finance leases as per December 31, 2018	370
TOTAL LEASE LIABILITIES AS PER JANUARY 1, 2019	**40,471**

EFFECT ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (INCREASE / DECREASE) FOR THE 12 MONTHS AS PER DECEMBER 31, 2018

EURK	PUBLISHED CONSOLIDATED INCOME STATEMENT DEC. 31, 2018	IFRS 16 ADJUSTMENT LESSOR	ADJUSTED CONSOLIDATED INCOME STATEMENT DEC. 31, 2018
Change in currency translation differences	–149	59	–90
OTHER COMPREHENSIVE INCOME	**2,575**	**59**	**2,634**
TOTAL COMPREHENSIVE INCOME	**133,685**	**443**	**134,128**
Ordinary shareholders and hybrid capital holders of GRENKE AG	133,685	443	134,128

Upon first-time adoption, lease liabilities were discounted as per January 1, 2019 using their individual incremental borrowing rates. The weighted-average incremental borrowing rate amounted to 1.27% per annum as per January 1, 2019. The respective interest rates were determined on the basis of government bond yields of the respective country with matching maturities, supplemented by lessee and contract-specific parameters to reflect economic reality.

Upon first-time adoption of IFRS 16, the GRENKE Consolidated Group its role as lessee has made use of simplification provisions, whereby the simplification options have been used in a uniform manner for all leases.

The Consolidated Group has made use of the simplification provision to refrain from reassessing whether the existing agreements constitute or include a lease. The option to disregard the initial direct costs in the measurement of the right-of-use at the time of first-time adoption was also used. In addition, leases whose terms end within the next 12 months after the date of initial application were classified as current leases. In the case of low-value lease assets, the simplification rule was also applied, so that no right-of-use assets and corresponding liabilities were recognised in the balance sheet as was the case with short-term leases.

Applying the modified retrospective method, newly recognised right-of-use assets from former operating leases were accounted for as if IFRS 16 had already been applied at the time the lease asset was available. For discounting, however, the incremental borrowing rate as per January 1, 2019 was used. In this context, the option provided for the first-time adoption of retroactive maturity determination was used. For a detailed presentation of the accounting and valuation methods applicable since IFRS 16, please refer to Note 3.3.2.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED BUT NOT YET IMPLEMENTED

2.2.1 ACCOUNTING STANDARDS RECENTLY PUBLISHED BUT NOT YET IMPLEMENTED

In addition to the applicable mandatory IFRS standards mentioned above, the IASB has also published other amended IASs and IFRSs that will only become mandatory at a later date. Several of these standards have already been endorsed into European law by the EU. Voluntary early application of these standards is expressly permitted. GRENKE AG is not making use of this option. These standards will be implemented in the consolidated financial statements when their adoption becomes mandatory. These changes are not expected to have a material impact on the reporting in the consolidated financial statements of GRENKE AG.

ACCOUNTING STANDARD OR INTERPRETATION	TITLE	APPLICABLE TIME FRAME SET BY IASB	ADOPTION BY GRENKE	ENDORSED BY EU (AS PER JAN. 20, 2020)
Various standards	Amendments to References to the Conceptual Framework of the IASB	01/01/2020	01/01/2020	Yes
IAS 1 and IAS 8	Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding the “Definition of Materiality”	01/01/2020	01/01/2020	Yes
IFRS 9, IFRS 7 and IAS 39	Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”	01/01/2020	01/01/2020	Yes
IFRS 3	Amendments to IFRS 3 “Business Combinations “	01/01/2020	01/01/2020	No
IFRS 17	IFRS 17 “Insurance Contracts”	01/01/2021	01/01/2021	No

The EU has decided not to endorse into European law the IFRS 14 „Regulatory Deferral Accounts“ (first-time adoption: January 1, 2016) interim standard and instead wait until the standard's final adoption. The IASB has postponed the date of the first-time adoption of „Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures“ indefinitely.

AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK

The previous conceptual framework from the year 2010 was replaced by the framework published in March 2018. The principles of financial reporting were restructured, partially revised and supplemented. The main changes occurred specifically to the definition, recognition and measurement of assets and liabilities and the distinction between the net profit for the period and other comprehensive income. The framework itself was applicable immediately and therefore did not have a specific deadline for its first adoption.

As a result of the changes to the conceptual framework, several references within individual standards and interpretations were changed. The IASB issued a statement entitled "Amendments to References to the Conceptual Framework" in order to update the references to the current version. These amendments are to be applied for the first time as per January 1, 2020.

AMENDMENTS TO IAS 1 AND IAS 8 REGARDING THE „DEFINITION OF MATERIAL"

The amendment published on October 31, 2018, provides a more precise and uniform definition of the materiality of financial statement information. At the same time, there is a harmonisation taking place of the differing definitions of materiality contained in the conceptual framework and in the standards (IAS 1 and IAS 8) themselves. The amendments are to be applied for the first time as per January 1, 2020.

AMENDMENTS TO IFRS 3

An amendment to IFRS 3 was published on October 22, 2018 that clarifies how a business is defined. The amendment is intended to resolve the application issues that have increasingly arisen in the past in connection with the assessment of whether an entity has acquired a business or a group of assets. The amended definition clarifies that a business operation is a group of activities and assets that includes a minimum of one input and one process focused on providing outputs of goods and services to customers. The reference to cost reduction has been eliminated. Alternatively, an optional concentration test as part of the new regulations shall facilitate the simplified identification of the business operations. The amendments are to be applied for the first time as per January 1, 2020, subject to endorsement into EU law.

IBOR REFORM: AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7

On September 26, 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7, thereby completing the first phase of the project "IBOR Reform and its Effects on Financial Reporting". The amendments address accounting issues in the run-up to the transition to alternative benchmark interest rates and are aimed at continuing existing hedge accounting relationships. The amendments relate specifically to certain simplifications in connection with the rules on hedge accounting.

- In assessing the probability that a planned transaction will occur, it must be assumed that the reform will not change the interest rate reference parameter underlying the hedged cash flows.
- In assessing whether a hedging relationship is effective, an unchanged benchmark interest rate is also to be assumed.
- If a non-contractual benchmark component is hedged, the determination of the separately identifiable risk component required at the inception of the hedge is sufficient.

An exception to the retrospective assessment under IAS 39 was also introduced and applies only to the hedging relationships that are directly affected (underlying transaction or hedging instrument). It allows hedge accounting to be continued even if the hedging relationship is no longer effective. A further simplification is provided with regard to the criterion of separate identifiability in macro hedging: If a hedged underlying transaction within a macro hedge was designated as such, this assessment does not need to be renewed at a later date. Furthermore, the effects of the changes on the hedging relationships must be explained in the notes. The amendments are to be applied for the first time as per January 1, 2020, subject to endorsement into EU law.

IFRS 17

The new IFRS 17 accounting standard for insurance contracts published in May 2017 will replace IFRS 4. The new standard is not only relevant for insurance companies but also affects all companies issuing insurance contracts within the scope of the standard. IFRS 17 pursues the goal of consistent, principle-based accounting for insurance contracts and provides for the measurement of insurance liabilities at current settlement value instead of historical cost. The amendments are to be applied for the first time as per January 1, 2021, subject to endorsement into EU law.

3. GENERAL ACCOUNTING POLICIES

3.1 COMPOSITION OF THE CONSOLIDATED GROUP

The Consolidated Group consists of GRENKE AG and 42 consolidated entities (previous year: 40), of which 6 (previous year: 5) are consolidated structured entities. The Consolidated Group holds either directly or indirectly 100% of the interest in 38 (previous year: 36) entities controlled by the Consolidated Group. A total of 4 of the consolidated entities (previous year: 4) are held by third parties. Three of the structured entities concern parts of investees (silos). Furthermore, 2 associated entities (previous year: 2 associated entities) have been included in the consolidated financial statements using the equity method. 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 Consolidated Group") after eliminating all material intra-group transactions. Uniform accounting principles are applied Consolidated Group-wide to the consolidated financial statements.

Affiliated entities are consolidated as per the date control is assumed by the GRENKE Consolidated Group and are no longer consolidated as per the date that control ceases.

FOR MORE INFORMATION ON THIS TOPIC, 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.

3.1.2 STRUCTURED ENTITIES

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.

3.1.3 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% to 50%.

Associated entities are accounted for in the consolidated financial statements using the equity method and initially recognised at acquisition cost. The share in the 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 fiscal 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:

	Closing rate Dec. 31, 2019	Average rate 2019	Closing rate Dec. 31, 2018	Average rate 2018
GBP	0.8508	0.8778	0.8945	0.8847
HUF	330.53	325.30	320.98	318.89
CHF	1.0854	1.1124	1.1269	1.1550
BRL	4.5157	4.4134	4.4440	4.3085
TRY	6.6843	6.3578	6.0588	5.7077

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 for an agreed time period.

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

Under a finance lease, 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 per 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 per 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 those leases where the GRENKE Consolidated 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. 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 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

The GRENKE Consolidated Group has applied IFRS 16 “Leases” since January 1, 2019. The adoption of IFRS 16 results in changes in the Consolidated Group's accounting policies. The changes in accounting and valuation methods affecting the GRENKE Consolidated Group in its role as lessee are presented below.

The following sections describe the accounting policies in their applicable form since the first-time adoption of IFRS 16. Deviating first-time adoption provisions for the first-time transition from IAS 17 to IFRS 16 are presented in Note 2.1.5 “FIRST-TIME ADOPTION OF IFRS 16” and may deviate from the accounting policies described here. Deviations result from the special transitional provisions for contracts classified as finance leases under IAS 17 and from the exercise of first-time adoption options for contracts classified as operating leases under IAS 17. Such first-time adoption options relate, for example, to the failure to include initial direct costs in the determination of the right-of-use, discounting at the incremental borrowing rate as per January 1, 2019, retroactive maturity determination and the identification of short-term leases based on residual maturity.

Under IFRS 16, a right-of-use is generally capitalised on the date of the lease's availability for use and a corresponding lease liability is recognised if a lease exists in accordance with IFRS 16, so the distinction between finance and operating leases under IAS 17 “Leases” no longer applies to the GRENKE Consolidated Group in its role as lessee, as the opportunity and risk-based approach has been replaced by a uniform rights-of-use approach for lessees under IFRS 16. Since the introduction of IFRS 16, former operating leases, for which neither leased assets nor lease liabilities were previously recognised under IAS 17, are now also recognised in the consolidated statement of financial position with a right-of-use and a corre-sponding 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 so-called “short-term” and “low-value” leases, which the GRENKE Consolidated Group does not recognise as a right-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 12 months and that do not include purchase options. “Low-value” leases are leases where the underlying asset is of minor value. In the GRENKE Consolidated 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. The lease payments comprise the following amounts:

- fixed payments less any lease incentives,
- variable lease payments linked to an index or interest rate,
- payments expected to be made under residual value guarantees,
- the exercise price of a call option to be exercised with reasonable certainty, and
- penalties for termination of the lease, if the term takes into account that the lessee will exercise a termination option.

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 Consolidated 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. 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 right-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 right-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 right-of-use recognised is amortised over its useful life and, if necessary, impaired in accordance with IAS 36 “Impairment of Assets”.

3.4 MEASUREMENT OF FAIR VALUES

The GRENKE Consolidated Group measures 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 Consolidated 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 Consolidated 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 Consolidated Group classifies financial assets and liabilities in the following categories pursuant to the provisions of IFRS 9:

Financial assets:

- Amortised Cost (AC)
- Fair Value OCI without Recycling (FVOCIoR)
- Fair Value P&L (FVPL)

Financial liabilities:

- Amortised Cost (AC)
- Fair Value P&L (FVPL)

Pursuant to the provisions of IFRS 7, the GRENKE Consolidated Group divides the IFRS 9 items into the following categories:

Financial assets:

- Cash and cash equivalents
- Lease receivables
- Other financial assets (factoring receivables, receivables from the lending business, receivables from franchisees [refinancing], 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,

as well as 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 (so-called "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 determining the business model, such as how the performance within the respective portfolio is measured and which persons holding key positions in the Company this is 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), and
- in the case of financial assets that do not qualify for either the "Hold" or "Hold and Sell" business models (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 financial 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 & Sell" business models.

IFRS 9 provides for four types of subsequent measurement of financial assets

- Measurement at amortised cost (AC)
- Measurement at fair value through OCI with recycling (FVOCImR)
- Measurement at fair value through OCI without recycling (FVOCIoR)
- Measurement at fair value through P&L (FVPL)

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 per the first day of the first reporting period following the change in the business model. No reclassifications took place during the reporting periods.

FINANCIAL ASSETS AT AMORTISED COST

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 held 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, which are measured at their transaction price. 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, which 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 per the settlement date.

At the GRENKE Consolidated 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 (FVOCI)

The fair value measurement through comprehensive income with recycling (FVOCImR) is applied to financial assets whose cash flows also comply with the SPPI criterion and have been assigned to the "Hold & 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 15 percent investment in Finanzchef24 GmbH as FVOCI without recycling (FVOCIoR). 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 so 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 (FVPL)

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, FVOCImR, FVOCIoR) 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 Consolidated Group does not hold any financial assets at fair value through profit or loss as per the reporting date except for derivatives. Derivative financial instruments held by the GRENKE Consolidated 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% 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 his or her 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 Consolidated Group did not hold any financial assets at fair value through profit or loss as per the reporting date except for derivatives. Derivative Financial Instruments held by the GRENKE Consolidated 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
- an independent 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 provisions of IFRS provide the option to delay the application of the accounting regulations for hedging relationships under IFRS 9 and, instead, continue to apply the accounting regulations for hedging relationships under IAS 39. The GRENKE Consolidated Group has made use of this option and, therefore, continues to apply the accounting regulations for hedging relationships under IAS 39.

IAS 39 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 Consolidated 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 Consolidated 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 Consolidated Group recognises changes in the fair value of interest rate and currency swaps 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. The underlying effectiveness is measured as per the end of each reporting period using the hypothetical derivative method (prospectively) and the dollar-offset method (retrospectively). For more information please see Note 7.3.

IAS 39.88 defines the different requirements that need to be met for hedge accounting. Under this standard, 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. A further requirement is a retrospective and prospective assessment of the effectiveness of the hedging relationship. A hedging relationship is deemed to be effective if the change in the fair value or cash flows of the hedged underlying transaction compensates the changes in the fair value or cash flows of the hedging instrument to a large extent on a prospective and retrospective basis. The effectiveness must lie within a range of 80 to 125%.

3.5.5 IMPAIRMENT OF FINANCIAL ASSETS AND PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES

At each balance sheet date, the GRENKE Consolidated 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 grouping of non-performing lease receivables and for overdue receivables is based on processing categories (see Notes 3.18.2 and 3.18.3). Determination is based on the expectations prevailing at that time.

The impairment provisions under IFRS 9 are applied to debt securities measured at amortised cost or fair value through other comprehensive income (FVOCI), 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 treated and reported separately. 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.

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 a POCI remains in this approach until it is derecognised, i.e. there is no transfer to another level. The GRENKE Consolidated Group does not hold any financial instruments classified as a POCI.

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 Consolidated 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 Consolidated 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). For financial assets that qualify as a POCI, the interest income is recognised using a credit-adjusted effective interest method at the amortised cost of those assets.

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 Consolidated 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 Consolidated 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 has deteriorated in a comparable manner as was observed in past 30-day-overdue cases. This is the case when the estimated probability of loss for the remaining term has doubled compared to the estimated probability of loss for the same period based on the information available at the conclusion of the contract. Credit is impaired if contractually agreed payments are more than 90 days past due or the contract was terminated by us. The GRENKE Consolidated 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 Consolidated 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 3.18.2). Otherwise, they will be considered credit-impaired and will be considered in Level 3.
- Loan receivables: The GRENKE Consolidated Group expects a significant deterioration in the credit quality of loan receivables when payments are delayed for more than 30 days, or the receivable is transferred internally to a special watch list. The criteria for this 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 or are in reorganisation or settlement are considered to be credit-impaired (Level 3).
- Non-current receivables from franchisees: The GRENKE Consolidated Group expects a significant deterioration in the credit quality of non-current receivables from franchisees when a payment is overdue for more than 30 days or after the second reminder. Receivables that are overdue for more than 90 days, among other things, are said to be credit-impaired.
- Trade receivables: The GRENKE Consolidated 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 not 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 and ABCP loans: 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 Consolidated 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 Consolidated Group transfers its contractual rights to receive the cash flows of an asset, but the opportunities and risks are not transferred to the buyer, then the receivable is not derecognised and a financial liability is recognised in the same amount.

An impairment also represents a derecognition. This is usually the case at the GRENKE Consolidated 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% 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 the recoverable amount on the basis of historical figures. Appropriate measurement is ensured through the use of maturity bands.

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	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 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 measured at cost, which is the excess of the purchase price over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity as per 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 so-called “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 was determined based on a value-in-use calculation using cash flow projections derived from four- or five-year financial plans approved by senior management.

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 individual assessment, is usually either three or five 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 Consolidated 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 3 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 6 to 7 years.

3.9.4 NON-COMPETITIVE CLAUSES

Non-competitive clauses contractually acquired in a business combination are recognised at fair value upon acquisition. The fair value is determined based on a net present value method, an excess profit method. Non-competitive clauses are subject to scheduled amortisation over the contractually agreed useful life which is typically 1 to 3 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

According to IAS 32, the hybrid bonds issued by GRENKE AG are to be fully classified as equity and reported under additional equity components. 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 Consolidated 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 interest rate on the market into a particular account and 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, which were acquired in the acquisition of 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 of 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 Consolidated Group primarily uses defined contribution plans.

3.14 TAXES

3.14.1 ACTUAL TAX ASSETS AND TAX LIABILITIES

Actual tax assets and 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 per 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 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 per 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 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:

- when 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; and
- if 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 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 net profit attributable to the ordinary shareholders of GRENKE AG by the weighted-average number of shares outstanding during the fiscal 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 Consolidated 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 identifying the contract with the customers, in which the contracting parties agreed to the contract; the corresponding rights of the goods or services to be transferred; the payment terms; the economic substance of the contract and whether the receipt of the consideration is probable.

The GRENKE Consolidated 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 Consolidated 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 consideration 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 Consolidated 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 Consolidated 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 Consolidated 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 REVENUE FROM SERVICE AND PROTECTION BUSINESS

Revenue 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 Consolidated 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 are 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 RIGHT-OF-USE FEES

Right-of-use fees (licence fees and franchise fees) are recognised on an accruals basis in accordance with the economic substance of the underlying contract. These performance obligations are fulfilled and recognised as revenue over a period of time. Revenue is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.4 SERVICE FEES FOR MAKING LEASE ASSETS AVAILABLE FOR USE

Service fees for making the lease asset available for use are recognised at the point in time when the performance obligation has been fulfilled.

3.16.5 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.

3.16.6 REVENUE FROM REMINDER FEES

Revenue from reminder fees is realised when due payment obligations are paid. The GRENKE Consolidated Group fulfils its performance obligation at the payment date. Income is, therefore, recognised at a certain point in time.

3.16.7 OTHER REVENUE TO LESSEES

Other revenue to lessees, such as those for an additional print out of the invoice, are realised at the time the invoice is issued or the performance obligation is fulfilled.

3.16.8 INTEREST INCOME

Interest and similar income from financing business is recognised using the effective interest method. An exception is interest-like 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 so-called "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.

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 (so-called "silo" structure) was determined for the structured entities, ABCP programmes of CORAL PURCHASING Limited, Kebnekaise Funding Limited, and Opusalpha Purchaser Limited. Although this concerns so-called 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 Consolidated 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 Consolidated Group. The opportunities and risks of the receivables of the silos remain in the GRENKE Consolidated Group. In the case of a 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 and FCT GK 4, shares of the funds are held by two subsidiaries and are included in consolidation. The shares that are directly and indirectly held by the Consolidated Group are an indication for the inclusion in the scope of consolidation, but not the decisive criteria since all assumptions contained in IFRS 10 must be met for consolidation. FCT GK 2 is included in the scope of consolidation since all control factors are met, and the Consolidated Group controls the entity 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. In contrast to FCT GK 2 and FCT GK 4, there are no participating interests in the case of FCT GK 3 (all other parameters are identical). As with FCT GK 2 and FCT GK 4, consolidation is based on control criteria and not ownership because voting rights or similar rights are not the decisive criteria for determining control. For, FCT GK 2, FCT GK 3 and FCT GK 4 control is to be confirmed, which results in a consolidation requirement.

As per December 31, 2019 and December 31, 2018 and during both years, the GRENKE Consolidated 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 LEASES – THE CONSOLIDATED GROUP AS LESSOR

Based on an analysis of its contractual conditions, the Consolidated Group, as lessor, has concluded that during the basic lease term all relevant opportunities and risks related to the ownership of the lease assets are transferred to the lessee in almost all leases. Accordingly, these leases are shown entirely as finance leases. In the case of individual Consolidated Group companies, the leases in the basic lease period are designed in such a way that the significant risks and rewards of ownership of the lease assets do not pass to the lessee. Consequently, these contracts are recorded as operating leases.

Determining the duration of a lease is a discretionary matter. The term of a lease comprises a non-terminable basic term during which a lessee is entitled to use an underlying asset. Extension periods are also included when the exercise of the underlying extension option by the lessee can be deemed sufficiently certain. Time periods resulting from the option to terminate the lease are also only taken into account if sufficient certainty is presented.

The contract terms of the GRENKE Consolidated Group do no provide early termination options for the lessee until the end of the agreed basic term, under which the lessee could unilaterally terminate the contract without GRENKE's consent. Early termination is only allowed by mutual agreement with a corresponding indemnification of damages made to GRENKE. Both the lessee and GRENKE are entitled to terminate the contract at the end of the agreed basic term.

It is possible, however, that after the end of the set basic term, by not giving notice at the end of the basic term, the lessee may obtain an extension of the period of use of the lease object, if GRENKE does not give notice of termination by the end of the basic term itself, e.g. in case of an attractive disposal opportunity. Experience has shown, however, that at the beginning of the contract it is impossible to judge with sufficient certainty whether the lease will continue to exist beyond the basic term. The term of the lease therefore corresponds to the basic term of the agreement. In assessing the existence of sufficient certainty, the GRENKE Consolidated Group takes into account all of the facts and circumstances that give the lessee an economic incentive to exercise or not exercise the extension option.

3.17.4 LEASES – THE CONSOLIDATED GROUP AS LESSEE

The GRENKE Consolidated 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 Consolidated 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.

3.17.5 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; and the determination of parameters for assessing the ongoing value of intangible assets and other non-financial assets 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 is available.

The key uncertainties in relation to estimates and the associated disclosure requirements are in the following areas:

3.18.1 ASSUMPTIONS MADE IN IMPAIRMENT TESTS FOR MEASURING GOODWILL

The cash flows used to measure goodwill under the discounted cash flow method are based on current business plans and internal plans for the next five years. This involved making assumptions as to future revenues and costs. Assumptions as to the future growth rates of the respective cash-generating unit were made on the basis of historical figures and historical income patterns that were projected into the future. These estimates and the underlying methodology may have a significant impact on the values determined. 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 FOR LEASE RECEIVABLES

Current lease receivables (so-called "performing lease receiv-ables") 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 Consolidated 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.

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. Variables from three areas are included in our 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. They reflect the expected payment behaviour of customers in the respective countries, which takes into account macroeconomic factors such as unemployment and gross domestic product. In addition, the PD for the markets most important for the GRENKE Consolidated Group is compared with externally available, country-specific future factors. This external, forward-looking risk assessment is primarily reflected in our internal country-specific parameters.
- 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 balance sheet date, there is some estimation uncertainty as to the level of EaD. Based on past experience, we make an assumption about the distribution of loss events during the observation period and consider them 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 why 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 (so-called "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 in 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 5% and 100%. The processing categories 0 and 1 are impaired in the context of current lease receivables.

3.18.3 DETERMINATION OF IMPAIRMENT 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 Consolidated 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 per the date of default. Since factoring receivables have a fixed due date, there are virtually no or only to a very limited extent estimation uncertainties about the amount and the time of the loss.
- LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be in the future as a quota of estimated EaD. LGDs are determined at the country level.

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 lists 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 2% and 100%. 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 Consolidated 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), so that no loan loss provisions were recognised 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 the historical experience of losses. In addition, future-oriented information is included by means of the use of a monthly updated corporate quick-rating process, which in addition to customer information analyses the payment behaviour. This payment behaviour is influenced by macroeconomic factors such as unemployment and gross domestic product.
- EaD: We calculate the EaD as the outstanding capital balance of receivables from the lending business. Since the time at which the loss event occurs is unknown as per the reporting date, there is some estimation uncertainty about the level of EaD. Based on past experience, we make an assumption about the future distribution of loss events during the observation period and consider them in our EaD model.
- GD: The LGD models reflect the past loss experience and determine how why 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 Consolidated 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 probability of default model is determined using expert estimates based on internal information.

- EaD: The EaD for trade receivables is defined as the outstanding amount as per the date of default. Since trade receivables have a fixed due date, there are virtually no or only to a very limited extent estimation uncertainties about the amount and timing of the loss.
- LGD: The LGD models reflect the past loss experience and determine how why 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.

The ECL model is validated at least once a year or based on the occasion and updated if necessary.

3.18.6 DETERMINATION OF IMPAIRMENT FOR RECEIVABLES FROM FRANCHISEES

Receivables from franchisees are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Consolidated 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 probability of default is determined using rating systems. In the determination of the rating, both qualitative rating factors and quantitative annual financial statement data are included. Furthermore, country rating information is included in the model. The rating of a franchise company cannot be better than the rating of the respective home country.
- EaD: The EaD for receivables from franchise companies is defined as the outstanding amount as per the date of default. Since receivables on franchise companies have fixed maturities or the loans are bullet loans and accrued interest is paid at least quarterly, the average EaD is not significantly different from the EaD defined above. For off-balance-sheet financial guarantees, EaD is recognised in the amount of the extended financial guarantees.
- LGD: The LGD models reflect the past loss experience and determine how why high the level of losses will be in the future as a quota of estimated EaD. As the GRENKE Consolidated Group does not have sufficient information on past losses in relation to franchise companies, an expert estimate that also includes regulatory requirements was used to determine the LGD.

The ECL model is validated at least once a year or based on the occasion and updated if necessary.

3.18.7 USE OF ESTIMATED RESIDUAL VALUES AT THE END OF THE LEASE TERM TO DETERMINE THE PRESENT VALUE OF LEASE RECEIVABLES

Non-guaranteed (calculated) 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 calculated at the end of the contract period are determined according to the expiration groups of the respective lease contract and include the expected subsequent-business and the expected proceeds from disposals at the end of the term, based on historical experience. For additions since January 1, 2019, residual values amounted to between 3.0% and 17.0% of the acquisition cost.

The calculated residual values are best estimated on the basis of statistical analyses. If the post-transaction recoverable amount is lower than expected (from the sale and subsequent lease), the existing lease receivables are impaired. However, an increase in the recoverable amount remains unrecognised.

The strong growth generated in earlier periods meant that expiring contracts resulted in increasingly higher expenses from the derecognition of carrying amounts at the end of the basic lease period. The corresponding revenue from subsequent leases, on the other hand, is only gradually recognised in profit and loss in later periods. The accounting for the respective assets in the subsequent lease period does not allow for offsetting the relevant income and expenses in the same period so as to reflect the actual economic situation. This can lead to a negative result from gains/losses from disposals (loss from disposals). Over the total period, the revenue still generated from subsequent leases is expected to result in a break-even result from disposals.

3.18.8 RECOGNITION OF LEASE ASSETS FOR SALE AT ESTIMATED RESIDUAL VALUES

Lease assets for sale are measured on the basis of the average sales proceeds per age group realised in the past fiscal year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. As per the end of the reporting period, the residual values used amounted to between 2.7% and 16.5% of the historical cost (previous year: between 2.7% and 15.4%). If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

3.18.9 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 the 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.

3.18.10 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 a 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.

3.18.11 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 fiscal 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 it is probable and adequately ensured that they can be realised. The assumptions are based on the management's assessment of the amount of uncertain tax items.

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 financing business are divided as follows:

EURK	2019	2018
Interest income from the leasing business	409,846	357,456*
Interest income from the refinancing of franchisees	4,406	2,834
Interest and similar income from the factoring business	5,470	4,985
Interest income from the bank's lending business	3,909	2,540
TOTAL	423,631	367,815

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.1.2 INTEREST EXPENSES FROM REFINANCING AND DEPOSIT BUSINESS

Interest expenses from the refinancing and deposit business are divided as follows:

EURK	2019	2018
Interest expenses from refinancing	49,562	42,361
Interest expenses from deposit business	5,131	4,388
TOTAL	54,693	46,749

4.2 SETTLEMENT OF CLAIMS AND RISK PROVISION

The expenses for the settlement of claims and risk provision are divided as follows:

EURK	2019	2018
SETTLEMENT OF CLAIMS AND RISK PROVISION IN LEASING BUSINESS	121,274	89,556
Impairment leasing business	117,576	86,691*
Settlement of claims and other risk provision in leasing business	3,275	2,543
Depreciation of terminated operating leases	296	91
Expenses from disposal of residual carrying amounts under operating leases	127	231
SETTLEMENT OF CLAIMS AND RISK PROVISION IN THE BANK'S LENDING BUSINESS	2,317	1,250
Impairment in bank's lending business	1,549	183
Other settlement of claims and risk provision in lending business	768	1,067
SETTLEMENT OF CLAIMS AND RISK PROVISION IN FACTORING BUSINESS	856	501
Impairment factoring business	533	178
Other settlement of claims and risk provision in factoring business	323	323
RISK PROVISIONS RECEIVABLES FROM FRANCHISEES (REFINANCING)	77	5
Impairment receivables from franchisees (refinancing)	77	5
SETTLEMENT OF CLAIMS AND RISK PROVISION TRADE RECEIVABLES	1,407	398
Impairment trade receivables	1,407	398
OTHER IMPAIRMENT	–5	41
TOTAL	125,926	91,751
thereof impairment	121,137	87,496*

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.3 PROFIT FROM SERVICE BUSINESS

This position contains income and expenses from the service and protection business (the processing of property insurance policies within the scope of the leasing business. Since the 2018 fiscal year, this position also includes revenue and expenses from operating leases. The revenue and expenses from the service business are comprised as follows:

EURK	2019	2018
Revenue from service and protection business	109,035	89,513
Expenses from service and protection business	7,644	4,156
PROFIT FROM SERVICE AND PROTECTION BUSINESS	101,391	85,357
Revenue from operating leases	16,536	8,526
Depreciation of lease assets from operating leases	16,266	8,301*
PROFIT FROM OPERATING LEASES	270	225*
TOTAL	101,661	85,582*

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.4 PROFIT FROM NEW BUSINESS*

The profit from the new business of contracted leases is comprised as follows:

EURK	2019	2018
Capitalised initial direct costs	32.558	27.431
Revenue from lease down payments	14.889	12.121
Service fees for making lease assets available for use	6.790	6.273
Other	16	223
PROFIT FROM NEW BUSINESS	54.253	46.048

* The first-time adoption of IFRS 16 resulted in a change in the presentation of this line item.

Based on the calculations related 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 that the costs incurred are still included in the corresponding items of the income statement.

4.5 GAINS (+) / LOSSES (–) FROM DISPOSALS

EURK	2019	2018*
Revenue from subsequent leases	69,155	61,247
Capital losses from disposal after end of the basic lease term	–73,430	–59,190
Capital gains/losses from the mutually agreed early dissolution of contracts	3,046	1,819
Depreciation of lease assets in the subsequent lease period	–1,012	–6,457
PROFIT	–2,241	–2,581

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

Revenue from subsequent leases relates to lease income recognised after the end of the basic term of the respective lease. These revenues are offset by depreciation and capital losses from the disposal of lease assets following the end of the basic lease term and capital gains/losses from the mutually agreed early dissolution of contracts.

4.6 STAFF COSTS

In the reporting year, GRENKE Consolidated Group's headcount (not including the Board of Directors) averaged 1,707 employees (previous year: 1,494). Additionally, the Consolidated Group employed 68 trainees (previous year: 63).

NUMBER OF EMPLOYEES	2019	2018
Europe	1,664	1,461
of which in Germany	672	589
of which in France	180	160
of which in Italy	212	190
Other countries	43	33
GRENKE CONSOLIDATED GROUP	1,707	1,494

The average number of employees (excluding the Board of Directors) based on full-time equivalents was 1,675 (previous year: 1,456).

Staff costs consist of the following:

EURK	2019	2018
Salaries	95,358	83,440
Social Security and pension expenses	20,442	19,261
TOTAL	115,800	102,701

A total net pension expense of EUR 523k (previous year: EUR 635k) for existing defined pension plans was recognised in staff costs in the 2019 fiscal year. The staff costs also include EUR 1,478k (previous year: EUR 1,386k) for the employee participation programme of the French subsidiary.

Expenses by category are as follows:

EURK	2019	2018
Staff costs	115,800	102,701
Own work capitalised	2,114	1,320
TOTAL STAFF COSTS	117,914	104,021

4.7 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EURK	2019	2018
Other intangible assets	10,988	11,161
Operating and office equipment	6,041	5,112
Goodwill	0	0
Office buildings	727	953
Rights-of-use*	10,976	0
TOTAL	28,732	17,226

* Limited comparability with prior-year figures as a result of the first-time adoption of IFRS 16 (see Note 2.1.3).

The year-on-year increase in depreciation and amortisation resulted primarily from the first-time adoption of IFRS 16 (see Note 5.10). For further details on impairment losses on property, plant and equipment, goodwill and other intangible assets, please see Notes 5.6 through 5.8.

Expenses by category are as follows:

EURK	2019	2018
Depreciation, amortisation and impairment	28,732	17,226
Depreciation and amortisation of operating leases recorded in the profit from service business	16,266	8.301*
Depreciation and amortisation of operating leases recorded in gains/losses from disposals	1,012	6,457*
Depreciation and amortisation of operating leases recorded in the risk provisions of the leasing business	296	91
TOTAL DEPRECIATION/AMORTISATION	46,306	32,075*

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.8 SELLING AND ADMINISTRATIVE EXPENSES (NOT INCLUDING STAFF COSTS)

Selling and administrative expenses are divided into the following categories:

EURK	2019	2018
Operating expenses*	21,681	28,024
Consulting and audit fees	14,036	11,862
Distribution costs (excl. commissions and bonuses)	17,575	17,113
Administrative expenses	12,988	10,844
Other taxes	2,986	2,478
IT project costs	5,204	7,492
Remuneration of the Supervisory committees	409	307
TOTAL	74,879	78,120

* Limited comparability with prior-year figures as a result of the first-time adoption of IFRS 16. (see Note 2.1.3).

The decline in operating expenses compared to the previous year essentially resulted from the first-time adoption of IFRS 16, the impact of which on the consolidated income statement is explained in Note 2.1.3.

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 are as follows:

EURK	2019	2018
Selling and administrative expenses*	74,879	78,120
Expenses from the service and protection business	7,644	4,156
Commissions and bonuses paid to dealers and recorded in profit from new business	61,367	46,366
TOTAL SELLING AND ADMINISTRATIVE EXPENSES*	143,890	128,642

* Limited comparability with prior-year figures as a result of the first-time adoption of IFRS 16. (see Note 2.1.3).

4.9 OTHER OPERATING EXPENSES

Other operating expenses are divided as follows:

EURK	2019	2018
Currency translation differences	7,019	4,905
Revenue deductions	1,707	1,739
Capital losses from the disposal of operating and office equipment	12	109
Commission expenses from banking business and factoring business	607	72
Maintenance expenses for lease assets	0	65
Other items	1,226	913
TOTAL	10,571	7,803

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.10 OTHER OPERATING INCOME

Other operating income is divided as follows:

EURK	2019	2018
Revenue from overdue payment fees	1,625	1,389
Revenue from franchisees	1,678	1,252
Maintenance revenues	148	0
Commission income from banking business	711	1,024
Other revenue from lessees	791	729
Revenue from the disposal of merchandise	464	412
Change in inventory	–183	–246
Prior-period income	1,259	199
Insurance compensation	16	73
Rental income	113	67
Capital gains from the disposal of non-current assets	93	37
Reversal of other provisions	147	15
Other items	734	751
TOTAL	7,596	5,702

4.11 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following shows revenue from contracts with customers (IFRS 15):

EURK	NOTE	SEGMENT	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)				
Gross revenue from service and protection business (service business)	4,3	Leasing	109,035	89,513
Service fee for making lease assets available for use	4,4	Leasing	6,790	6,273
Revenue from franchisees	4,10	Leasing	1,678	1,252
Revenue from reminder fees	4,10	Leasing	1,602	1,366
Revenue from reminder fees	4,10	Factoring	23	23
Other revenue from lessees	4,10	Leasing	791	729
Disposal of lease assets	4,2/4,5	Leasing	165,003	152,491
Commission income from banking business	4,10	Banking	711	1,024
TOTAL			285,633	252,671*

* The presentation of this item was adjusted as a result of the first-time adoption of IFRS 16.

4.12 REVENUE AND OTHER REVENUE

The following shows revenue from contracts with customers (IFRS 15) and other revenue (IFRS 9, IFRS 16):

EURK	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)	285,633	252,671*
OTHER REVENUE (IFRS 9, IFRS 16)		
Interest and similar income from financing business	423,631	367,815
Revenue from operating leases	16,536	8,526
Portions of revenue from lease down payments	14,889	12,121
TOTAL	740,689	641,133*

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.13 INCOME TAXES

EURK	2019	2018
Current taxes	20,806	17,414
Corporate and trade taxes (Germany)	–75	234
Foreign income taxes	20,881	17,180
Deferred taxes	7,834	7,683
Germany	4,376	4,237
International	3,458	3,446
TOTAL	28,640	25,097

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

Current taxes include tax benefits of EUR 473k from prior years (previous year: tax benefits of EUR 1,127k).

4.13.1 RECONCILIATION FROM 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%) is as follows:

APPLICABLE TAX RATE	2019	2018
Trade tax	14.51 %	14.51 %
Corporate income tax	15.00 %	15.00 %
Solidarity surcharge (5.5% of corporate income tax)	0.83 %	0.83 %
EXPECTED AVERAGE TAX RATE GRENKE AG	30.34 %	30.34 %
Non-deductible expenses	0.51 %	0.39 %
Changes due to foreign taxes	–9.76 %	–8.11 %
Effective changes in tax rates	–0.33 %	–0.04 %
tax-free income	–0.09 %	–0.06 %
Utilisation of non-capitalised loss carryforwards	–0.43 %	–0.37 %
Back payments and tax refunds from previous years	–0.28 %	–0.72 %
Tax credits	–2.71 %	–6.71 %
Other	–0.47 %	1.31 %
EFFECTIVE AVERAGE TAX RATE FOR THE CONSOLIDATED GROUP	16.78 %	16.03 %

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.14 EARNINGS PER SHARE

The calculation of both diluted and basic earnings per share is based on the net profit attributable to shareholders of GRENKE AG of EUR 135,529k (previous year: EUR 126,383k*). There was no dilutive effect in either fiscal year 2019 or the previous year. Earnings per share amounted EUR 2.92 for the year under review (previous year: EUR 2.79*).

NUMBER	2019	2018
Shares outstanding at beginning of period	46,353,918	44,313,102
Average number of shares outstanding at end of period	46,353,918	45,436,949
Shares outstanding at end of period	46,353,918	46,353,918

EURK	2019	2018
Net profit attributable to GRENKE AG ordinary shareholders	135,529	126,767
Net profit attributable to GRENKE AG hybrid capital holders	6,531	4,727
NET PROFIT	142,060	131,494

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

4.15 OTHER COMPREHENSIVE INCOME

Other comprehensive income before taxes with respect to hedging relationships is as follows:

EURK	2019	2018
Gains (losses) from interest rate contracts arising in the current period	27	11
Gains (losses) from cross-currency swaps arising in the current period	–2,537	0
Reclassification amounts in the income statement	12	–12
INCOME FROM HEDGE RELATIONSHIPS	–2,498	–1

5. SELECTED NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 CASH AND CASH EQUIVALENTS

EURK	DEC. 31, 2019	DEC. 31, 2018
Bank balances	222,189	142,371
Balances at central banks	212,166	191,214
Cash in hand	24	41
TOTAL	434,379	333,626

For the statement of cash flows, cash and cash equivalents are divided as follows:

EURK	DEC. 31, 2019	DEC. 31, 2018
Cash and cash equivalents as per the statement of financial position	434,379	333,626
Less current account liabilities	73	3,112
CASH AND CASH EQUIVALENTS AS PER THE STATEMENT OF CASH FLOWS	434,306	330,514

5.2 LEASE RECEIVABLES

The following table shows the maturity of non-discounted lease payments from leases that were classified as finance leases at their inception.

EURK	DEC. 31, 2019	DEC. 31, 2018*
Lease payments outstanding under finance leases as per reporting date		
Up to 1 year	1,996,233	1,664,493
1 to 2 years	1,582,594	1,321,882
2 to 3 years	1,108,753	920,931
3 to 4 years	652,298	542,265
4 to 5 years	269,898	222,537
More than 5 years	44,678	30,258
TOTAL	5,654,454	4,702,366
+ non-guaranteed residual values	700,089	517,815
GROSS INVESTMENT	6,354,543	5,220,181
– unrealised (outstanding) finance income	766,434	574,210
NET INVESTMENT	5,588,109	4,645,971

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

The reconciliation of gross investment only contains current contracts as per the end of the reporting period. 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, 2019	DEC. 31, 2018*
CHANGES IN LEASE RECEIVABLES FROM CURRENT CONTRACTS		
RECEIVABLES AT BEGINNING OF PERIOD	4,645,971	3,845,473*
+ Change during the period	942,138	800,498*
LEASE RECEIVABLES (CURRENT + NON-CURRENT) FROM CURRENT CONTRACTS AT END OF PERIOD	5,588,109	4,645,971*
CHANGES IN LEASE RECEIVABLES FROM TERMINATED CONTRACTS/ CONTRACTS IN ARREARS		
GROSS RECEIVABLES AT BEGINNING OF PERIOD	331,048	270,421
+ Additions to gross receivables during the period	133,647	113,028
– Disposals of gross receivables during the period	53,205	52,401
GROSS RECEIVABLES AT END OF PERIOD	411,490	331,048
TOTAL GROSS RECEIVABLES (CURRENT AND TERMINATED)	5,999,599	4,977,019*
IMPAIRMENT AT BEGINNING OF PERIOD	279,480	230,777
+ Additions of accumulated impairment during the period	74,203	48,703
IMPAIRMENT AT END OF PERIOD	353,683	279,480
Lease receivables (carrying amount, current and non-current) at beginning of period	4,697,539	3,885,117*
LEASE RECEIVABLES (CARRYING AMOUNT, CURRENT AND NON-CURRENT) AT END OF PERIOD	5,645,916	4,697,539*

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

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%), the GRENKE Consolidated Group remains the legal owner of the lease assets, which are used as collateral for the lease receivables. The risk concentration of the lease receivables results from the underlying receivables (as shown in the table below). There is also a low amount of bank guarantees (EUR 8.5 million) as well as guarantees and warranties from third parties for 4% of the lease receivables based on the carrying amount.

The following overview shows the gross receivables broken down into the default risk rating categories for lease receivables as defined in the GRENKE Consolidated Group and the level of impairment for lease receivables for each IFRS 9 impairment level. The GRENKE Consolidated Group does not hold any financial instruments classified as POCI as defined by IFRS 9. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

			2019	
EURK	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
GERMANY				
Categories 0: low risk	1,126,116	36,810	0	1,162,926
Category 1: higher risk	0	4,264	4,902	9,166
Categories 2-7: doubtful receivables	0	0	38,501	38,501
TOTAL GROSS RECEIVABLES FOR GERMANY	1,126,116	41,074	43,403	1,210,593
FRANCE				
Categories 0: low risk	1,163,401	71,353	0	1,234,754
Category 1: higher risk	0	14,022	20,809	34,831
CATEGORIES 2-7: DOUBTFUL RECEIVABLES	0	0	82,355	82,355
TOTAL GROSS RECEIVABLES FOR FRANCE	1,163,401	85,375	103,164	1,351,940
Italy				
Categories 0: low risk	1,138,609	93,867	0	1,232,476
Category 1: higher risk	0	23,203	20,171	43,374
CATEGORIES 2-7: DOUBTFUL RECEIVABLES	0	0	109,790	109,790
TOTAL GROSS RECEIVABLES FOR ITALY	1,138,609	117,070	129,961	1,385,640
Other countries				
Categories 0: low risk	1,728,858	102,447	0	1,831,305
Category 1: higher risk	0	35,448	32,677	68,125
Categories 2-7: doubtful receivables	0	0	151,996	151,996
TOTAL GROSS RECEIVABLES FOR OTHER COUNTRIES	1,728,858	137,895	184,673	2,051,426
SUMMARY CONSOLIDATED GROUP				
Categories 0: low risk	5,156,984	304,477	0	5,461,461
Category 1: higher risk	0	76,937	78,559	155,496
Categories 2-7: doubtful receivables	0	0	382,642	382,642
TOTAL CONSOLIDATED GROUP GROSS RECEIVABLES	5,156,984	381,414	461,201	5,999,599
Impairment	46,098	43,017	264,568	353,683
CARRYING AMOUNTS	5,110,886	338,397	196,633	5,645,916

Gross lease receivables increased by EUR 1,022,580k, or 20.6%, in the 2019 fiscal year.

The strongest increase was recorded in Level 1, with a change of EUR 819,425k (18.9%), which was driven by the volume growth in the leasing business.

Gross lease receivables in Level 2 increased by EUR 124,496k (48.5%). A significant increase (101.8%) was recorded among the other countries category. An increase in Level 2 receivables was also recorded in Germany, Italy and France – the countries where there is a concentration of risk. Those lease receivables were primarily in the in processing category 0, which means that they are current contracts not in arrears.

Level 3 risk positions increased by EUR 78,659k (20.6 %) in the fiscal year. This increase resulted from a rise in the number of receivables in processing categories 2-7 in Italy, France and other countries, which were terminated mainly due to payment defaults.

	DEC. 31, 2018			
EURK	STUFE 1	STUFE 2	STUFE 3	SUMME
GERMANY				
Categories 0: low risk	990,122	22,642	0	1,012,764
Category 1: higher risk	0	3,222	3,499	6,721
Categories 2-7: doubtful receivables	0	0	39,502	39,502
TOTAL GROSS RECEIVABLES FOR GERMANY	990,122	25,864	43,001	1,058,987
FRANCE				
Categories 0: low risk	986,197	65,138	0	1,051,335
Category 1: higher risk	0	10,340	18,668	29,008
CATEGORIES 2-7: DOUBTFUL RECEIVABLES	0	0	65,274	65,274
TOTAL GROSS RECEIVABLES FOR FRANCE	986,197	75,478	83,942	1,145,617
Italy				
Categories 0: low risk	966,917	67,966	0	1,034,883
Category 1: higher risk	0	19,291	12,276	31,567
CATEGORIES 2-7: DOUBTFUL RECEIVABLES	0	0	78,421	78,421
TOTAL GROSS RECEIVABLES FOR ITALY	966,917	87,257	90,697	1,144,871
Other countries				
Categories 0: low risk	1,394,323	46,578	0	1,440,901
Category 1: higher risk	0	21,741	27,204	48,945
Categories 2-7: doubtful receivables	0	0	137,698	137,698
TOTAL GROSS RECEIVABLES FOR OTHER COUNTRIES	1,394,323	68,319	164,902	1,627,544
SUMMARY CONSOLIDATED GROUP				
Categories 0: low risk	4,337,559	202,324	0	4,539,883
Category 1: higher risk	0	54,594	61,647	116,241
Categories 2-7: doubtful receivables	0	0	320,895	320,895
TOTAL CONSOLIDATED GROUP GROSS RECEIVABLES	4,337,559	256,918	382,542	4,977,019
Impairment	43,784	30,583	205,113	279,480
CARRYING AMOUNTS	4,293,775	226,335	177,429	4,697,539

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

The following table shows changes in impairment for current and non-current receivables for fiscal years 2019 and 2018:

EURK	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
IMPAIRMENT AS PER JAN. 1, 2019	43,784	30,583	205,113	279,480
Newly extended or acquired financial assets*	26,168	17,781	24,080	68,029
Reclassifications				
to Level 1	4,993	–3,495	–1,498	0
to Level 2	–4,035	10,900	–6,865	0
to Level 3	–2,259	–8,716	10,975	0
Change in risk provision due to change in level	–4,010	2,438	56,880	55,308
Mutual contract dissolution or payment for financial assets (without derecognition)	–18,321	–11,338	–11,617	–41,276
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	13,988	13,988
Change in models/risk parameters used in ECL calculation	–3,596	2,779	6,036	5,219
Derecognition of financial assets	–58	–433	–34,993	–35,484
Currency translation and other differences	193	169	800	1,162
Accrued interest	3,239	2,349	1,669	7,257
IMPAIRMENT AS PER DEC. 31, 2019	46,098	43,017	264,568	353,683

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the fiscal year that were allocated at their time of acquisition into Level 1 but were reallocated to another Level during the fiscal year.

Risk provisions for leasing receivables rose by a total of EUR 74,203k (26.5%), mainly from rises in Levels 2 and 3, while Level 1 remained largely unchanged despite an increase in gross receivables. The adjustment in the model parametres and the simultaneous increase in gross receivables led to an overall increase in risk provisions in Level 2 of EUR 12,434k (40.7%). The increase in risk provisions in Level 3 of EUR 59,455k (29.0%) resulted mainly from an increase in gross receivables, for which a deterioration in credit was identified. The deterioration was the result of either contractual payments that were overdue by more than 90 days or the termination of the contract.

EURK	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
IMPAIRMENT AS PER JAN. 1, 2018	**34,827**	**22,497**	**173,453**	**230,777**
Newly extended or acquired financial assets*	25,110	13,518	21,899	60,527
Reclassifications				
to Level 1	3,505	–1,885	–1,620	0
to Level 2	–1,961	8,321	–6,360	0
to Level 3	–1,547	–5,454	7,001	0
Change in risk provision due to change in level	–3,104	1,504	40,217	38,617
Mutual contract dissolution or payment for financial assets (without derecognition)	–15,684	–9,372	–9,399	–34,455
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	6,784	6,784
Change in models/risk parameters used in ECL calculation	0	0	5,759	5,759
Derecognition of financial assets	–51	–363	–33,079	–33,493
Currency translation and other differences	–38	–44	–1,496	–1,578
Accrued interest	2,727	1,861	1,954	6,542
IMPAIRMENT AS PER DEC. 31, 2018	**43,784**	**30,583**	**205,113**	**279,480**

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the fiscal year that were allocated at their time of acquisition into Level 1 but were reallocated to another Level during the fiscal year.

SENSITIVITY ANALYSIS

EURK	CHANGE	CHANGE IN RISK PROVISION
Change in discount rate	Increase of 1 %-point	1.115
Change in proportion of overdue customers	Increase of 50% in cases overdue 30 to 90 days	4.456
Change in proportion of overdue customers	Decrease of 50% in cases overdue 30 to 90 days	–5.926
Change in proportion of overdue customers	Increase of 20% in cases overdue >=90 days	5.667
Change in proportion of overdue customers	Decrease of 20% in cases overdue >=90 days	–3.221

A 1%-point interest rate increase in the discount rate of the value retention rates for lease receivables would increase the impairment loss by EUR 1,115k.

If our customers' expected payment behaviour deteriorated to the extent that as per the reporting date we would observe 50% more cases with 30 to 90 days overdue, we would be required to increase our risk provisions by around EUR 4,456k based on our total receivables as per December 31, 2019. In contrast, risk provisions would be reduced by EUR 5,926k based on the level of receivables as per the reporting date if our customers' expected payment behaviour improved to such an extent that we would observe 50% fewer cases with 30 to 90 days overdue per the reporting date.

Alternatively, if the payment behaviour of lessees deteriorated to the extent that we would observe 20% more non-terminated cases with 90 or more days overdue, we would have to increase risk provisions by around EUR 5,667k based on our total receivables as per December 31, 2019. Risk provisions would be reduced by EUR 3,221k based on the level of receivables as per the reporting date if we would observe 20% fewer cases of non-terminated lease receivables with 90 or more days overdue.

If the country risk in the three major markets – Germany, France and Italy – were to increase, resulting in an increase in the average probability of default in these countries of 10%, this would lead to an increase in risk provisions of EUR 6,116k, based on the lease receivables portfolio as per December 31, 2019. A reduction in country risk in the three markets associated with a 10% lower average probability of default would lead to a reduction in risk provisions of EUR 6,134k, based on the lease receivables portfolio as per December 31, 2019.

5.3 OTHER FINANCIAL ASSETS

EURK	DEC. 31, 2019	DEC. 31, 2018
OTHER CURRENT FINANCIAL ASSETS		
Instalments collected before end of month	824	831
ABCP-related loans	15,357	14,538
Receivables from franchisees (refinancing)	133,289	71,772
Receivables from factoring business	37,082	34,016
Receivables from refinancers	12,395	68
Loans (bank)	53,365	37,324
Other	192	1,881
TOTAL OTHER CURRENT FINANCIAL ASSETS	252,504	160,430
OTHER NON-CURRENT FINANCIAL ASSETS		
ABCP-related loans	17,882	18,771
Loans (bank)	73,263	58,037
Receivables from franchisees (refinancing)	0	0
Other investments	5,505	5,445
Other	0	439
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	96,650	82,692
TOTAL FINANCIAL ASSETS	349,154	243,122

The ABCP-related loans include predominantly liquidity reserves that are required to be granted to the sponsor of the programme as collateral for the refinancing volumes under the respective agreements. These loans are based on the refinancing volume and the origin of the receivables refinanced through the structured entities.

Receivables from franchisees include receivables resulting from the refinancing of leases and factoring contracts concluded by franchise operators. As collateral for loan receivables or in forfaiting agreements, the franchisees have assigned both the title to the lease assets and the claim to lease receivables. For the franchisees involved in the factoring business, all claims against the factoring customers have been assigned. The collateralised leasing and factoring receivables fully exceed the receivables from franchisees as per the reporting date. The interest income generated in this context of EUR 4,406k (previous year: EUR 2,834k) (see also Note 4.1.1) is reported as interest income within the net interest income. Refinancing granted in foreign currencies is translated using the closing rate.

Factoring receivables contain traditional factoring services focused on small-ticket factoring. Deductibles amounting to EUR 1,728k (previous year: EUR 1,701k) serve as collateral that is agreed upon with individual factoring clients at the beginning of each year. Collateral as per December 31, 2019 was utilised in the amount of EUR 59k (previous year: EUR 66k).

As per the end of the reporting period, the receivables from the lending business of GRENKE BANK AG include receivables from granting business start-up loans in the amount of EUR 35,309k (previous year: EUR 40,820k) and receivables from project financing in the amount of EUR 26k (previous year: EUR 129k). Total receivables from the lending business of EUR 126,628k (previous year: EUR 95,361k) also include receivables from granting microcredits in the amount of EUR 24,095k (previous year: EUR 18,698k), promotion loans of EUR 28,178k (previous year: EUR 14,149k) and other commercial loans of EUR 23,024k (previous year: EUR 12,505k). Interest income is recognised as such under net interest income.

The other investments under non-current financial assets contain the interest in Finanzchef24 GmbH in the amount of EUR 5,505k (previous year: EUR 5,445k). Finanzchef24 GmbH did not pay a dividend in the 2019 fiscal year.

The maximum credit risk, without taking into account collateral, credit deterioration systems and other tools are 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 Consolidated Group and the impairment for other financial assets for each IFRS 9 impairment level. The GRENKE Consolidated Group does not hold any financial instruments classified as POCI as defined by IFRS 9. The other investment amounting to EUR 5,505k is not reported in the following tables. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

	DEC. 31, 2019				
	LEVEL 1	LEVEL 2	LEVEL 3	SIMPLIFIED METHOD	TOTAL
Low risk	294,929	5,753	75	35,058	335,815
Doubtful receivables	0	0	13,774	815	14,589
TOTAL GROSS RECEIVABLES	**294,929**	**5,753**	**13,849**	**35,873**	**350,404**
Impairment	1,554	408	4,689	104	6,755
CARRYING AMOUNTS	**293,375**	**5,345**	**9,160**	**35,769**	**343,649**

	DEC. 31, 2018				
	LEVEL 1	LEVEL 2	LEVEL 3	SIMPLIFIED METHOD	TOTAL
Low risk	195,632	2,849	39	32,601	231,121
Doubtful receivables	0	0	10,373	528	10,901
TOTAL GROSS RECEIVABLES	**195,632**	**2,849**	**10,412**	**33,129**	**242,022**
Impairment	629	177	3,437	102	4,345
CARRYING AMOUNTS	**195,003**	**2,672**	**6,975**	**33,027**	**237,677**

The following overview shows changes in impairment for other financial assets:

EURK	LEVEL 1	LEVEL 2	LEVEL 3	SIMPLIFIED METHOD	TOTAL
IMPAIRMENT AS PER JAN. 1, 2019	**629**	**177**	**3,437**	**102**	**4,345**
Newly extended or acquired financial assets	620	107	944	102	1,773
Reclassifications					
to Level 1	42	–35	–7	0	0
to Level 2	–56	70	–14	0	0
to Level 3	–39	–52	94	–3	0
Change in risk provision due to change in level	–11	151	1,063	0	1,203
Payments for financial assets (without derecognition)	–61	–30	–374	–98	–563
Change due to changed status in legal prosecution	0	0	89	0	89
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0	0
Change in models/risk parameters used in ECL calculation	426	20	–313	0	133
Derecognition of financial assets	0	0	–238	0	–238
Currency translation and other differences	4	0	8	1	13
Accrued interest	0	0	0	0	0
IMPAIRMENT AS PER DEC. 31, 2019	**1,554**	**408**	**4,689**	**104**	**6,755**

Risk provisions on other financial assets increased by EUR 2,410k (55%) in the fiscal year. The increase is mainly due to a rise in risk provisions compared to the previous year of around EUR 1,851k (53%) for receivables from the lending business. Risk provisions for receivables from the factoring business rose by EUR 482k (63%) and risk provisions for receivables from franchisees (refinancing) rose by EUR 77k (87%).

Risk provisions for receivables from the lending business rose in all three levels, especially in Level 1 by around EUR 850k (157%). This increase was mainly due to the volume growth in the loan portfolio and an adjustment in risk parameters. The increase in Level 2 risk provisions amounted to approximately EUR 230k (129%). That increase was due largely to the growth of the credit portfolio volume in Level 2. The increase in Level 3 risk provisions amounted to approximately EUR 775k (28%). The main reasons for the change in risk provisions resulted from new additions and reclassifications to Level 3 as well as changes in risk parameters.

The increase in risk provisions for receivables from the factoring business is predominantly due to an increase in Level 3 receivables, a major reason being the increase in receivables from the factoring business in Italy and a related increase in risk provisions.

The increase in risk provisions for receivables from franchisees (refinancing), is essentially due to the increase in the receivables portfolio.

EURK	LEVEL 1	LEVEL 2	LEVEL 3	SIMPLIFIED METHOD	TOTAL
IMPAIRMENT AS PER JAN. 1, 2018	730	567	3,632	67	4,996
Newly extended or acquired financial assets	189	0	295	101	585
Reclassifications					
to Level 1	67	–67	0	0	0
to Level 2	–13	20	–7	0	0
to Level 3	–19	–38	65	–8	0
Change in risk provision due to change in level	–38	5	878	0	845
Payments for financial assets (without derecognition)	–472	–187	–949	–59	–1,667
Change due to changed status in legal prosecution	0	0	36	0	36
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0	0
Change in models/risk parameters used in ECL calculation	191	–123	–411	0	–343
Derecognition of financial assets	–6	0	–106	0	–112
Currency translation and other differences	0	0	4	1	5
Accrued interest	0	0	0	0	0
IMPAIRMENT AS PER DEC. 31, 2018	629	177	3,437	102	4,345

5.4 TRADE RECEIVABLES

Trade receivables of EUR 9,272k (previous year: EUR 7,666k) mainly relate to receivables from franchisees as well as receivables from resellers and third parties resulting from the disposal of lease assets, of which EUR 6,160k (previous year: EUR 2,449k) were past due. Of total trade receivables, an amount of EUR 4,935k (previous year: EUR 3,519k) is impaired. This impairment was recognised using the method described in Note 3.18.

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.

Trade receivables contain other receivables from franchisees in the amount of EUR 1,696k (previous year: EUR 1,216k), which concern primarily franchise fees and right-of-use fees.

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 Consolidated Group. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

	DEC. 31, 2019		
	SIMPLIFIED METHOD	LEVEL 3	TOTAL
Low risk	3,253	–	3,253
Doubtful receivables	–	10,954	10,954
TOTAL GROSS RECEIVABLES	3,253	10,954	14,207
Impairment	141	4,794	4,935
CARRYING AMOUNTS	3,112	6,160	9,272

	DEC. 31, 2018		
	SIMPLIFIED METHOD	LEVEL 3	TOTAL
Low risk	5,337	–	5,337
Doubtful receivables	–	10,954	10,954
TOTAL GROSS RECEIVABLES	5,337	5,848	11,185
Impairment	120	3,399	3,519
CARRYING AMOUNTS	5,217	2,449	7,666

5.5 OTHER CURRENT ASSETS

EURK	DEC. 31, 2019	DEC. 31, 2018
VAT receivables	297,652	261,959
Orders in progress	4,574	4,383
Prepaid expenses	5,328	4,215
Prepayments	5,570	3,578
PAYMENT CLEARING ACCOUNTS	4,557	1,390
Amounts in transit	2,339	2,383
Insurance claims	659	713
Creditors with debit balances	544	641
Merchandise	487	324
Current advances	44	131
Other items	926	740
TOTAL	322,680	280,457

5.6 PROPERTY, PLANT AND EQUIPMENT

5.6.1 OVERVIEW OF FISCAL YEAR 2019

EURK	LAND AND BUILDINGS	ASSETS UNDER CONSTRUC-TION	OPERATING AND OFFICE EQUIPMENT	LEASE ASSETS FROM OPERAT-ING LEASES	TOTAL
ACQUISITION COSTS JAN. 1, 2019	24,263	1,873	40,300*	67,481**	133,917
Currency translation differences	0	0	126	–1,304	–1,178
Additions	102	3,816	11,228	52,663	67,809
Of which additions in the context of a business combination	0	0	0	0	0
Disposals	0	0	3,431	25,756	29,187
Reclassifications	0	0	0	0	0
ACQUISITION COSTS DEC. 31, 2019	24,365	5,689	48,223	93,084	171,361
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2019	8,574	0	26,706*	13,692**	48,972
Currency translation differences	0	0	74	–463	–389
Additions to depreciation	727	0	6,041	17,574	24,342
Additions to impairment	0	0	0	0	0
Disposals of depreciation	0	0	3,035	7,621	10,656
Reclassifications	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2019	9,301	0	29,786	23,182	62,269
NET CARRYING AMOUNTS DEC. 31, 2019	15,064	5,689	18,437	69,902	109,092

* Adjustment in balances carried forward compared to the prior year based on IFRS 16; see Note 2.1.5.

** Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

5.6.2 OVERVIEW OF FISCAL YEAR 2018

EURK	LAND AND BUILDINGS	ASSETS UNDER CONSTRUC-TION	OPERATING AND OFFICE EQUIPMENT	LEASE ASSETS FROM OPERAT-ING LEASES	TOTAL
ACQUISITION COSTS JAN. 1, 2018	23,920	0	36,045	28,572	88,537
Currency translation differences	0	0	–47	–1,300	–1,347
Additions	343	1,873	5,781	57,817	65,814
Of which additions in the context of a business combination	0	0	117	17,273	17,390
Disposals	0	0	913	17,608	18,521
Reclassifications	0	0	0	0	0
ACQUISITION COSTS DEC. 31, 2018	24,263	1,873	40,866	67,481	134,483
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2018	7,621	0	22,350	3,103	33,074
Currency translation differences	0	0	–17	–281	–298
Additions to depreciation	953	0	5,112	14,849	20,914
Additions to impairment	0	0	0	0	0
Disposals of depreciation	0	0	554	3,979	4,533
Reclassifications	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2018	8,574	0	26,891	13,692	49,157
NET CARRYING AMOUNTS DEC. 31, 2018	15,689	1,873	13,975	53,789	85,326

* Figures adjusted due to IFRS 16 (see Note 2.1).

Pursuant to the GRENKE Consolidated 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). Depreciation on lease assets in the subsequent lease phase is recognised in gains/losses from disposals (see Note 4.5).

The table below shows the maturities of the non-discounted lease payments from leases that were classified as operating leases at the beginning of the lease:

EURK	DEC. 31, 2019	DEC. 31, 2018
OUTSTANDING LEASE PAYMENTS UNDER OPERATING LEASES AS PER THE REPORTING DATE		
up to 1 year	20,624	14,650
1 to 2 years	13,939	10,775
2 to 3 years	8,345	5,343
3 b to is 4 years	5,112	2,992
4 to 5 years	1,824	1,375
more than 5 years	35	0
TOTAL	49,879	35,135

5.7 GOODWILL

5.7.1 OVERVIEW AND DEVELOPMENT

EURK	2019	2018
ACQUISITION COST		
As per Jan. 1	–29	84,734
Foreign currency translation effects	0	–1,571
Acquisitions and adjustments to first-time consolidation	107,709	24,575
As per Dec. 31		107,738
ACCUMULATED AMORTISATION FROM IMPAIRMENT	1,154	
As per Jan. 1	0	1,154
Impairment loss of the fiscal year	1,154	0
As per Dec. 31		1,154
CARRYING AMOUNTS		
As per Jan. 1	106,584	83,580
AS PER DEC. 31	106,555	106,584

No goodwill arose from acquisitions during the 2019 fiscal year (see Note 6.1). The purchase price allocation for the companies acquired in the prior year; namely, GRENKE HRVATSKA D.O.O. (formerly GC RENTING CROATIA D.O.O.), Zagreb/Croatia, and GC LEASING MIDDLE EAST FZCO, Dubai/UAE was finalised in the first quarter of 2019. Compared to the recognition on December 31, 2018, there have not been any changes to the preliminary fair values of assets and liabilities. For further information, please refer to Note 6.2.

For further information on the business combinations concluded in the previous year, please refer to the notes to the consolidated financial statements as per December 31, 2018.

Carrying amounts of material goodwill relate to the following cash-generating units:

EURK	DEC. 31, 2019	DEC. 31, 2019
Grenke Renting S.A. (Lisbon) – Portugal	28,472	28,472
GC Locação de Equipamentos LTDA (São Paulo) – Brazil	12,497	12,698
GC Leasing Middle East FZCO (Dubai) – UAE	13,342	13,088
GRENKE Hrvatska d.o.o. (Zagreb) – Croatia	12,406	12,451
GRENKELEASING d.o.o. (Ljubljana) – Slovenia	5,106	5,106
GRENKE RENT S.L. (Madrid) – Spain	5,015	5,015
GRENKELEASING Sp. z o.o. (Poznan) – Poland	4,202	4,159
GRENKE Kiralama Ltd. Sti. (Istanbul) – Turkey	2,646	2,919
GRENKEFACTORING AG (Basel) – Switzerland	4,181	4,027

5.7.2 GOODWILL IMPAIRMENT TEST

GRENKE AG tests goodwill for impairment 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 basic assumptions used in calculating the cash flows that may be generated by the respective entities are based on new business growth rates of the cash-generating units of up to 35% (previous year: 52%) in the Leasing segment in individual regions and individual years. The discount factors, specific to countries, financial structure, and currencies, range between 4.9% and 26.1% (previous year: between 4.4% and 22.9%). These discount factors reflect the cost of capital after taxes.

Discount factors are calculated based on the "capital asset pricing model" (CAPM), taking into account a risk-free interest rate of 0.20% (previous year: 1.25%) and a beta factor of 0.94 (previous year: 0.84) for the cash-generating units in the Leasing and Banking segments. A beta factor of 0.78 (previous year: 0.75) was used for the cash-generating units in the Factoring segment. Cash flows after a five-year period were generally carried forward using a growth rate of 1.0% (previous year: 1.0%). Forecasts for the development of new business have proven to be stable in the past. Due to the particular business alignment of the Consolidated Group, the forecasting parameters available on the market are not suitable for providing forecasting quality, since they relate only to the entire leasing market, which is heavily influenced by the leasing of property, capital goods, and vehicles. Therefore, forecasts for the development of new business are based on the Company's past experience.

The key underlying assumptions for the significant cash-generating units are shown in the table below:

	DISCOUNT RATE	NEW BUSINESS GROWTH RATES IN THE RESPECTIVE PLANNING YEARS	PERPETUAL GROWTH RATE
Grenke Renting S.A. (Lisbon) – Portugal	9.0% (Vorjahr: 8.5%)	5.0% bis 9.9% (Vorjahr: 5.0% bis 6.0%)	1.0% (Vorjahr: 1.0%)
GC Locação de Equipamentos LTDA (São Paulo) – Brazil	15.5% (Vorjahr: 17.4%)	35.0% bis 35.0% (Vorjahr: 22.5% bis 52.0%)	5.8% (Vorjahr: 6.1%)
GC Leasing Middle East FZCO (Dubai) – UAE	13.8% (Vorjahr: 12.6%)	22.0% bis 25.0% (Vorjahr: 22.0% bis 25.0%)	2.1% (Vorjahr: 2.2%)
GRENKE Hrvatska d.o.o. (Zagreb) – Croatia	9.4% (Vorjahr: 9.3%)	3.0% bis 15.0% (Vorjahr: 3.0% bis 15.0%)	1.0% (Vorjahr: 1.0%)

The key assumptions of the parameters used correspond to the approach mentioned above, which holds true for all cash-generating units. The perpetual growth rates for the key cash-generating units Brazil and Dubai (UAE) are based on the countries' respective rates of inflation.

5.7.3 SENSITIVITY OF ASSUMPTIONS

The fair value 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 fair values determined for the cash-generating units, the major value drivers for each unit are reviewed annually. A sensitivity test was performed on discount rates and growth rates of new business that are the key determinants used in the discounted cash flow model.

The management is of the opinion that realistic changes to the assumptions used for implementing impairment tests within the Consolidated Group do not result in any additional impairment. The changes arising since the routine annual impairment test have not affected the parameters for the evaluation of the individual cash-generating units.

5.8 OTHER INTANGIBLE ASSETS

5.8.1 OVERVIEW OF FISCAL YEAR 2019

EURK	DEVELOPMENT COSTS	SOFTWARE LICENCES	CUSTOMER RELATIONS/ NON-COMPETITIVE CLAUSES	TOTAL
ACQUISITION COSTS AS PER JAN. 1, 2019	19,952	11,437	45,840	77,229
Currency translation differences	0	4	–167	–163
Additions	5,797	1,347	0	7,144
Disposals	0	164	0	164
Additions through business combinations	0	0	0	0
Reclassifications	0	0	0	0
ACQUISITION COSTS AS PER DEC. 31, 2019	25,749	12,624	45,673	84,046
ACCUMULATED AMORTISATION AS PER JAN. 1, 2019	6,484	8,343	20,489	35,316
Currency translation differences	0	1	–94	–93
Additions	3,261	1,735	5,992	10,988
Disposals	0	64	0	64
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS PER DEC. 31, 2019	9,745	10,015	26,387	46,147
NET CARRYING AMOUNTS DEC. 31, 2019	16,004	2,609	19,286	37,899

5.8.2 OVERVIEW OF FISCAL YEAR 2018

EURK	DEVELOPMENT COSTS	SOFTWARE LICENCES	CUSTOMER RELATIONS/ NON-COMPETITIVE CLAUSES	TOTAL
ACQUISITION COSTS AS PER JAN. 1, 2018	14,530	9,192	35,965	59,687
Currency translation differences	0	–1	–453	–454
Additions	5,422	2,262	0	7,684
Disposals	0	16	0	16
Additions through business combinations	0	0	10,328	10,328
Reclassifications	0	0	0	0
ACQUISITION COSTS AS PER DEC. 31, 2018	19,952	11,437	45,840	77,229
ACCUMULATED AMORTISATION AS PER JAN. 1, 2018	3,466	6,692	14,127	24,285
Currency translation differences	0	–4	–115	–119
Additions	3,018	1,666	6,477	11,161
Disposals	0	11	0	11
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS PER DEC. 31, 2018	6,484	8,343	20,489	35,316
NET CARRYING AMOUNTS DEC. 31, 2018	13,468	3,094	25,351	41,913

Additions to “customer relations/non-competitive clauses” resulted exclusively from business combinations in the reporting year and in previous years.

5.9 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are divided as follows:

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT	
EURK	DEC. 31, 2019	DEC. 31, 2018*	2019	2018*
DEFERRED TAX ASSETS				
Tax-loss carryforwards	19,330	9,555	–9,816	–4,268
Lease receivables	3,900	9,917	5,879	2,695
Liabilities	15,226	19,163	4,619	–14,085
Pensions	1,001	820	–318	19
Others	7,689	5,752	–2,713	–234
TOTAL	47,146	45,207	–2,349	–15,873
DEFERRED TAX LIABILITIES				
Lease receivables	53,618	40,328	9,578	3,890
Intangible assets	9,654	10,377	–710	–5,239
Liabilities	3,852	6,041	1,151	7,907
Others	19,731	19,567	164	16,998
TOTAL	86,855	76,313	10,183	23,556
DEFERRED TAX EXPENSE/(INCOME)			7,834	7,683
DEFERRED TAX LIABILITIES, NET	39,709	31,106	–	–
REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS AFTER OFFSETTING:				
DEFERRED TAX ASSETS	21,967	15,997	–	–
DEFERRED TAX LIABILITIES	61,676	47,103	–	–

* Prior-year figures adjusted due to IFRS 16 (see Note 2.1).

In the 2019 fiscal year, EUR 449k in deferred tax liabilities were recognised directly in equity (previous year: release of deferred tax liabilities of EUR 116k). These are a result of the recognition of the cash flow hedge reserve and the recognition of actuarial losses or gains. In addition, there was a reduction of EUR 0k (previous year: EUR 983k) of deferred tax liabilities directly in equity as part of the capital increase.

The tax rate increased from 16.03% to 16.78%, mainly due to the decline in tax benefits.

No deferred tax assets were recognised for tax-loss carryforwards of EUR 19,367k (previous year: EUR 19,337k). Of the unrecognised tax-loss carryforwards, EUR 8,268k will expire until 2036. Expenses decreased by EUR 149k (previous year: EUR 86k) due to the recognition of previously unrecognised tax losses, EUR 561k (previous year: EUR 69k) were due to changes in the tax rate and EUR 8k (previous year: EUR 80k) to the derecognition of previously recognised temporary differences and capitalised tax-loss carryforwards. The Company did not recognise any deferred tax liabilities in the 2019 or 2018 fiscal years for the accumulated results of its subsidiaries.

5.10 LEASES – THE CONSOLIDATED GROUP AS LESSEE

In the following, we present the effects on the GRENKE Consolidated Group in its role as lessee from the new standard IFRS 16 “Leases”. With regard to IFRS 16, we refer to the following sections:

- 2 “CHANGES IN ACCOUNTING”, Notes 2.1
- 3. “General ACCOUNTING Principles”, Notes 3.3.2 and Notes 3.17.4
- 9 “OTHER DISCLOSURES”, Notes 9.3

5.10.1 RIGHTS-OF-USE

In the consolidated statement of financial position, the GRENKE Consolidated Group capitalised the rights-of-use granted to it under the underlying leases for the first time in the 2019 fiscal year. The following overview shows the allocation and development of the rights-of-use:

OVERVIEW OF FISCAL YEAR 2019

EURK	PROPERTIES	VEHICLES	OTHER	TOTAL
Acquisition costs as per Dec. 31, 2019	78,354	7,992	619	86,965
thereof additions in 2019	10,510	3,055	0	13,565
Accumulated depreciation as per Dec. 31, 2019	32,709	3,615	326	36,650
thereof additions in 2019	8,643	2,244	89	10,976
NET CARRYING AMOUNTS AS PER DEC. 31, 2019	**45,645**	**4,377**	**293**	**50,315**

In the previous year, under the provisions of the superseded accounting standard IAS 17, no rights-of-use for leases were recognised. As per December 31, 2018, only assets amounting to EUR 381k from some lease contracts for vehicles from the GRENKE Consolidated Group's vehicle fleet and classified as finance leases were recorded in the statement of financial position under the item "Property, plant and equipment". These assets were reclassified to the line item "rights-of-use" as per January 1, 2019, upon the first-time adoption of IFRS 16.

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 Consolidated Group. The rights-of-use in the "Other" segment concern contracts for advertising space (EUR 214k) and an IT computer centre (EUR 79k).

The lease contracts for vehicles are largely concluded for a term of 3 years. The office lease contracts have contractually fixed terms between 2 and 12 years. Office lease contracts also feature extension options of between 1 and 6 years. In reference to the exercise of discretion by the GRENKE Consolidated Group when including these extension options when determining the lease term under IFRS 16, please refer to Note 3.17.4. 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 per December 31, 2019, lease liabilities amounted to EUR 50,827k. The first-time recognition of lease liabilities reflects the first-time adoption of the new standard IFRS 16 "Leases", which has been mandatory since the 2019 financial year. In accordance with IAS 17, no lease liabilities were recognised in the previous year. There were only minor lease liabilities amounting to EUR 370k from finance leases for vehicles in the Consolidated Group's own fleet. However, these were not recognised as a separate line item but instead recognised as other liabilities.

The interest expenses for the recognised lease liabilities for the GRENKE Consolidated Group as lessee amounted to EUR 598k in the 2019 fiscal year. Based on the interest expenses to be recognised from the aforementioned vehicle finance leases (EUR 14k), interest expenses were EUR 584k higher in the 2019 fiscal year due to the first-time adoption of IFRS 16. The repayment volume of lease liabilities in the current fiscal year totalled EUR 10,608k. For a maturity analysis of the expected cash outflows from the recognised lease liabilities, see Note 7.2 "MATURITY OF FINANCIAL OBLIGATIONS".

5.10.3 ADDITIONAL INFORMATION AND EFFECTS

The additional effects of IFRS 16 on the GRENKE Consolidated Group as the lessee are summarised in the following table:

EURK	2019
Expenses for short-term leases	573
Expenses for of low-value leases	2
Expenses for variable lease payments not included in the measurement of lease liabilities	0
Income from the subleasing of rights-of-use	94
Gains or losses from sale and leaseback transactions	0

In the 2019 fiscal year, the total cash outflow for leases amounted to EUR 11,781k. In the consolidated statement of cash flows, the repayment portions included in the rental/leasing instalments are recognised as cash outflows in the cash flow from financing activities. The interest portions included in the instalments are presented as a reduction in net cash flow from operating activities. Payments for "short-term" and "low-value" leases are included in the cash flow from operating activities.

Leases already entered into by the GRENKE Consolidated Group as lessee but that have not yet started may lead to future cash outflows of EUR 845k. The renewal and termination options that are not included in the measurement of the lease liability could reduce future cash outflows by EUR 7,609k 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 Consolidated Group's financial liabilities consist of current and non-current financial liabilities.

EURK	DEC. 31, 2019	DEC. 31, 2018
FINANCIAL LIABILITIES		
CURRENT FINANCIAL LIABILITIES		
Asset-based	403,975	277,983
Senior unsecured	758,420	782,102
Committed development loans	83,122	83,527
Liabilities from deposit business*	469,910	372,131
Other bank liabilities	886	4,352
thereof current account liabilities	73	3,112
TOTAL CURRENT FINANCIAL LIABILITIES	1,716,313	1,520,095
NON-CURRENT FINANCIAL LIABILITIES		
Asset-based	512,943	550,665
Senior unsecured	2,813,124	2,066,659
Committed development loans	177,761	149,286
Liabilities from deposit business	420,525	325,821
TOTAL NON-CURRENT FINANCIAL LIABILITIES	3,924,353	3,092,431
TOTAL FINANCIAL LIABILITIES	5,640,666	4,612,526

* thereof EUR 6,300k from banks (previous year: EUR 5,513k).

The GRENKE Consolidated 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-based 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 469,910k (previous year: EUR 372,131k) include an amount of EUR 111,590k as per the end of the reporting period (previous year: EUR 74,309k) 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 per the reporting date, these credit lines were utilised in the amount of EUR 73k (previous year: EUR 3,112k).

Current and non-current lease receivables totalling EUR 1,087,159k (previous year: EUR 1,022,345k) 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.

As per December 31, 2019, the volume of non-current financial liabilities with remaining maturities of one to five years or more was as follows:

EURK		TOTAL AMOUNT	1 TO 5 YEARS	MORE THAN 5 YEARS	SECURED AMOUNT
TYPE OF LIABILITY					
	2019	512,943	511,706	1,237	512,943
ASSET-BASED	(Vorjahr)	550,665	549,380	1,285	550,665
	2019	2,813,124	2,099,900	713,224	0
SENIOR UNSECURED	(Vorjahr)	2,066,659	1,820,172	246,487	0
	2019	177,761	175,537	2,224	177,761
COMMITTED DEVELOPMENT LOANS	(Vorjahr)	149,286	145,689	3,597	149,286
	2019	420,525	415,525	5,000	0
LIABILITIES FROM DEPOSIT BUSINESS	(Vorjahr)	325,821	320,821	5,000	0

Further details on the refinancing sources and the main categories of financial liabilities are discussed below.

5.11.2 ASSET-BASED FINANCIAL LIABILITIES

5.11.2.1 STRUCTURED ENTITIES

The following consolidated structured entities were in place as per the balance sheet date: Opusalpha Purchaser II Limited (HeLaBa), Kebnekaise Funding Limited (SEB AB), CORAL PURCHASING Limited (DZ Bank), FCT "GK"-COMPARTMENT "G 2" (UniCredit), FCT "GK"-COMPARTMENT "G 3" (HSBC), FCT "GK"-COMPARTMENT "G 4" (HeLaBa). 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 Consolidated Group had several asset-backed commercial paper programmes (ABCPs) with a total volume of EUR 947,802k (previous year: EUR 792,500k) and GBP 150,000k (previous year: GBP 100,000k) as per the end of the reporting period.

	DEC. 31, 2019	DEC. 31, 2018
Programme volume in local currency		
EURK	947,802	792,500
GBPk	150,000	100,000
Programme volume in EURk	1,124,107	904,291
Utilisation in EURk	860,064	750,549
Carrying amount in EURk	761,560	661,644
thereof current	334,040	204,476
thereof non-current	427,520	457,168

The ABCP programmes grant GRENKE FINANCE PLC, Grenke Investitionen Verwaltungs KGaA and GRENKE LEASING Ltd. UK 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 Great Britain, GBP transactions and GBP-based leases, are involved.

The maturities of the individual ABCP programmes can be found in the following table:

ABCP PROGRAMME	SPONSORING BANK	MATURITY UNTIL
Opusalpha Purchaser II Limited	HeLaBa	Apr 22
Kebnekaise Funding Limited	SEB AB	October 2020
CORAL PURCHASING Limited	DZ-Bank	December 2020
FCT “GK”-COMPARTMENT “G 2”	UniCredit	Apr 20
FCT “GK”-COMPARTMENT “G 3”	HSBC	Sep 20
FCT “GK”-COMPARTMENT “G 4”	HeLaBa	June 2022

5.11.2.3 SALES OF RECEIVABLES AGREEMENTS

Sales of receivables agreements are currently in place with Stadtsparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, the Commerzbank subsidiary mBank S.A., Deutsche Bank Brazil, as well as with Norddeutsche Landesbank for receivables in the UK.

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 per the end of the reporting period was EUR 153,634k (previous year: EUR 155,489k) and generally coincided with the value of the receivables sold.

	DEC. 31, 2019	DEC. 31, 2018
Programme volume in local currency		
EURk	20,000	25,000
GBPk	100,000	100,000
PLNk	80,000	80,000
BRLk	185,000	110,000
Programme volume in EURk	197,298	180,142
Utilisation in EURk	153,634	155,489
Carrying amount in EURk	153,634	155,489
thereof current	68,798	67,885
thereof non-current	84,836	87,604

5.11.2.4 RESIDUAL LOANS

The residual loans serve 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.

EURK	DEC. 31, 2019	DEC. 31, 2018
Carrying amount	1,724	11,515
thereof current	1,137	5,622
thereof non-current	587	5,893

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, 2019	DEC. 31, 2018
Bonds	2,764,192	1,932,187
thereof current	336,652	270,165
thereof non-current	2,427,540	1,662,022
Promissory notes	431,587	480,223
thereof current	92,449	85,932
thereof non-current	339,138	394,291
Commercial paper	226,500	302,500
Revolving credit facility	114,319	106,381
thereof current	67,873	96,035
thereof non-current	46,446	10,346
Money market trading	11,770	10,026
Overdrafts	3,829	3,004
Accrued interest	19,347	14,440

The following table lists the refinancing volumes of the individual instruments:

	DEC. 31, 2019	DEC. 31, 2018
Bonds EURk	3.500.000	2.500.000
Commercial paper EURk	750.000	500.000
Revolving credit facility EURk	330.000	235.000
Revolving credit facility PLNk	100.000	100.000
Revolving credit facility CHFk	125.000	55.000
Revolving credit facility THRk	125.000	55.000
Money market trading EURk	35.000	35.000

5.11.3.1 BONDS

Unless stated otherwise, three-month Euribor is the reference interest rate for floating-rate bonds, debentures, and private placements. The discounts and the initial expenses directly corresponding to the transaction concerned are reversed over the term of the debt securities using the effective interest method.

All debentures are bullet debt securities and are subject to constant rating. If the Standard & Poor's rating were to be downgraded, the agreed interest rate would be contractually adjusted (increased). As a downgrade is not expected, no hedge has been concluded to date.

5.11.3.2 DEBT ISSUANCE PROGRAMME

The relevant terms and conditions for bonds using the debt issuance programme are as follows:

		TERM	INTEREST COUPON	CARRYING AMOUNT DEC. 31, 2019	CARRYING AMOUNT DEC. 31, 2018	NOMINAL AMOUNT DEC. 31, 2019	NOMINAL AMOUNT DEC. 31, 2018
DESCRIPTION	FROM	TO	PERCENT P. A.	EURK	EURK	EURK	EURK
Euro bond	13/12/2012	13/12/2019	3.75	0	40,922	0	41,000
Euro bond	04/03/2014	04/03/2019	2.17	0	29,998	0	30,000
Euro bond	26/11/2014	27/05/2019	1.50	0	144,977	0	145,000
Euro bond	27/04/2015	27/04/2020	0.73	29,988	29,939	30,000	30,000
Euro bond	21/05/2015	27/04/2020	0.93	19,993	19,963	20,000	20,000
Euro bond	04/12/2015	05/10/2020	1.375	119,872	119,700	120,000	120,000
Euro bond	21/01/2016	21/01/2026	2.616	25,922	25,909	26,000	26,000
Euro bond	09/03/2016	09/04/2021	1.50	174,833	174,700	175,000	175,000
Euro bond	15/06/2016	15/06/2021	0.875	20,000	20,000	20,000	20,000
Euro bond	29/11/2016	02/02/2022	1.125	280,305	190,000	280,000	190,000
Euro bond	27/02/2018	18/01/2019	0.02	0	10,000	0	10,000
Euro bond	03/03/2018	03/03/2022	1.041	19,983	19,975	20,000	20,000
Euro bond	14/03/2018	06/04/2020	0.70	42,989	42,946	43,000	43,000
Euro bond	14/03/2018	09/03/2020	0.729	39,997	39,976	40,000	40,000
Euro bond	20/03/2018	20/03/2019	0.573	0	24,997	0	25,000
Euro bond	06/07/2018	06/07/2021	0.738	24,977	24,961	25,000	25,000
Euro bond	06/07/2018	06/07/2021	0.695	34,967	34,945	35,000	35,000
Euro bond	07/09/2018	07/10/2022	0.875	199,202	198,911	200,000	200,000
Euro bond	13/10/2018	02/01/2019	0.02	0	20,000	0	20,000
Euro bond	20/11/2018	17/02/2020	0.17	9,999	9,990	10,000	10,000
Euro bond	05/12/2018	05/12/2024	0.970	14,979	14,975	15,000	15,000
Euro bond	28/03/2018	05/04/2023	1.00	266,380	199,451	267,000	200,000
Euro bond	11/05/2018	19/03/2021	0.02	19,919	19,850	20,000	20,000
Euro bond	15/05/2018	15/05/2025	1.423	54,897	54,878	55,000	55,000
Euro bond	22/05/2018	20/01/2021	0.02	19,937	19,874	20,000	20,000
Euro bond	28/08/2018	28/08/2024	1.048	29,943	29,930	30,000	30,000
Euro bond	16/11/2018	05/10/2023	1.50	298,749	298,417	300,000	300,000
Euro bond	12/12/2018	17/02/2020	0.14	10,000	9,998	10,000	10,000
Euro bond	28/01/2019	28/01/2022	0.957	9,988	0	10,000	0
Euro bond	29/01/2019	29/01/2029	2.237	11,469	0	11,500	0
Euro bond	26/02/2019	05/04/2024	1.625	299,163	0	300,000	0
Euro bond	16/04/2019	16/04/2029	2.04	19,954	0	20,000	0
Euro bond	25/04/2019	25/04/2024	1.131	19,966	0	20,000	0
Euro bond	15/05/2019	15/05/2026	1.287	29,919	0	30,000	0
Euro bond	27/05/2019	27/11/2024	1.015	49,846	0	50,000	0
Euro bond	12/07/2019	12/07/2021	Euribor 3M + 0.65	19,966	0	20,000	0
Euro bond	09/10/2019	09/10/2026	0.681	26,443	0	26,500	0
Euro bond	10/10/2019	10/10/2022	0.244	9,989	0	10,000	0
Euro bond	12/11/2019	09/01/2025	0.625	299,019	0	300,000	0

In 2019, a total of 11 new EUR-denominated bonds were issued with an aggregated nominal volume of EUR 798,000k. In addition, four new foreign currency bonds were issued. The terms and conditions of the EUR-denominated bonds issued are listed in the table above. In addition, the bond from November 29, 2016 was increased by a total of EUR 90,000k and the bond from March 28, 2018 was increased by a total of EUR 67,000k. The terms and conditions are listed in the table below.

	TERM		INTEREST COUPON	PREMIUM	NOMINAL AMOUNT DEC. 31, 2019	NOMINAL AMOUNT DEC. 31, 2018
DESCRIPTION	FROM	TO	PERCENT P. A.	EURK	EURK	EURK
Euro bond	25/01/2019	05/04/2023	1.00	–52	20,000	0
Euro bond	07/05/2019	02/02/2022	1.25	291	30,000	0
Euro bond	17/05/2019	05/04/2023	1.00	150	30,000	0
Euro bond	17/07/2019	02/02/2022	1.25	377	20,000	0
Euro bond	02/09/2019	02/02/2022	1.25	826	40,000	0
Euro bond	17/09/2019	05/04/2023	1.00	406	17,000	0

A total of 6 bonds with an aggregated nominal volume of EUR 271,000k were redeemed as scheduled in the past fiscal year.

In addition, the following bonds denominated in foreign currencies were outstanding.

	TERM		INTEREST COUPON	CARRYING AMOUNT DEC. 31, 2019	CARRYING AMOUNT DEC. 31, 2018	NOMINAL AMOUNT DEC. 31, 2019	NOMINAL AMOUNT DEC. 31, 2018
DESCRIPTION	FROM	TO	PERCENT P. A.	EURK	EURK	FOREIGN CURRENCY	FOREIGN CURRENCY
CHF bond	15/09/2018	15/09/2020	0.45	64,446	62,005	70,000	70,000
JPY bond	02/07/2019	02/07/2029	0.95	57,176	0	7,000,000,000	0
HKD bond	13/09/2019	13/09/2029	2.84	56,932	0	500,000,000	0
JPY bond	20/09/2019	20/09/2022	0.50	8,182	0	1,000,000,000	0
SEK bond	11/10/2019	11/10/2021	0.65	23,903	0	250,000,000	0

5.11.3.3 PROMISSORY NOTES (PN)

The terms and conditions for the promissory notes denominated in euro are listed in the following table:

	TERM		INTEREST COUPON	CARRYING AMOUNT DEC. 31, 2019	CARRYING AMOUNT DEC. 31, 2018	NOMINAL AMOUNT DEC. 31, 2019	NOMINAL AMOUNT DEC. 31, 2018
DESCRIPTION	FROM	TO	PERCENT P. A.	EURK	EURK	EURK	EURK
EUR-PN	06/12/2010	30/06/2020	4.850	750	1,500	750	1,500
EUR-PN	06/12/2010	30/06/2020	4.850	750	1,500	750	1,500
EUR-PN	21/12/2012	21/12/2020	2.80	1,000	2,000	1,000	2,000
EUR-PN	31/01/2014	31/01/2019	2.25	0	10,000	0	10,000
EUR-PN	28/07/2014	28/07/2019	1.644	0	9,997	0	10,000
EUR-PN	26/03/2015	26/03/2019	0.84	0	2,500	0	2,500
EUR-PN	29/03/2016	29/03/2019	0.78	0	9,999	0	10,000
EUR-PN	29/04/2016	29/04/2026	2.35	10,976	10,972	11,000	11,000
EUR-PN	30/05/2016	01/04/2019	0.72	0	20,000	0	20,000
EUR-PN	05/09/2016	05/09/2019	0.52	0	9,997	0	10,000
EUR-PN	20/10/2016	20/10/2026	1.702	19,946	19,938	20,000	20,000
EUR-PN	26/11/2016	26/11/2019	0.714	0	10,000	0	10,000
EUR-PN	05/01/2018	05/01/2020	0.770	20,000	20,000	20,000	20,000
EUR-PN	24/01/2018	24/01/2022	1.058	9,990	9,985	10,000	10,000
EUR-PN	23/02/2018	23/02/2027	2.083	19,944	19,935	20,000	20,000
EUR-PN	18/07/2018	18/07/2020	0.630	25,000	25,000	25,000	25,000
EUR-PN	01/09/2018	01/09/2021	0.654	10,000	10,000	10,000	10,000
EUR-PN	20/11/2018	20/11/2020	0.521	10,000	10,000	10,000	10,000
EUR-PN	05/02/2018	05/02/2021	0.62	25,000	25,000	25,000	25,000
EUR-PN	05/02/2018	05/02/2021	0.626	10,000	10,000	10,000	10,000
EUR-PN	14/02/2018	14/02/2028	2.13	5,000	5,000	5,000	5,000
EUR-PN	14/02/2018	14/02/2028	2.00	4,989	4,988	5,000	5,000
EUR-PN	14/02/2018	14/02/2028	1.979	9,965	9,959	10,000	10,000
EUR-PN	26/02/2018	26/02/2021	0.65	10,000	10,000	10,000	10,000
EUR-PN	24/04/2018	24/04/2028	1.865	4,963	4,958	5,000	5,000
EUR-PN	24/04/2018	24/04/2028	1.865	39,702	39,665	40,000	40,000
EUR-PN	06/07/2018	06/07/2023	0.82	9,984	9,978	10,000	10,000
EUR-PN	06/07/2018	15/12/2027	1.773	4,984	4,981	5,000	5,000
EUR-PN	25/07/2018	25/07/2022	0.68	10,000	10,000	10,000	10,000
EUR-PN	15/08/2018	15/08/2023	0.92	8,000	8,000	8,000	8,000
EUR-PN	03/09/2018	03/09/2021	0.47	10,000	10,000	10,000	10,000
EUR-PN	04/09/2018	04/09/2022	0.69	20,000	20,000	20,000	20,000
EUR-PN	15/11/2018	15/11/2021	0.95	30,000	30,000	30,000	30,000
EUR-PN	25/01/2019	25/01/2029	2.282	10,000	0	10,000	0
EUR-PN	29/03/2019	29/03/2022	0.78	10,000	0	10,000	0

The terms and conditions for the promissory notes denominated in Swiss francs are listed in the following table:

	TERM		INTEREST COUPON	CARRYING AMOUNT DEC. 31, 2019	CARRYING AMOUNT DEC. 31, 2018	NOMINAL AMOUNT DEC. 31, 2019	NOMINAL AMOUNT DEC. 31, 2018
DESCRIPTION	FROM	TO	PERCENT P. A.	EURK	EURK	CHFK	CHFK
CHF-PN	24/05/2016	10/04/2019	0.34	0	1,613	0	1,818
CHF-PN	27/07/2016	10/07/2019	0.29	0	2,396	0	2,700
CHF-PN	24/10/2016	10/10/2019	0.45	0	3,550	0	4,000
CHF-PN	07/03/2017	07/03/2022	0.81	9,203	8,859	10,000	10,000
CHF-PN	17/09/2019	17/09/2024	0.28	9,205	0	10,000	0

In the reporting year, all repayments were on schedule.

The terms and conditions for the other promissory notes in foreign currency can be found in the following table:

	TERM		INTEREST COUPON	CARRYING AMOUNT DEC. 31, 2019	CARRYING AMOUNT DEC. 31, 2018	NOMINAL AMOUNT DEC. 31, 2019	NOMINAL AMOUNT DEC. 31, 2018
DESCRIPTION	FROM	TO	PERCENT P. A.	EURK	EURK	CHFK	CHFK
PLN-PN	25/09/2017	25/09/2020	3.50	2,349	2,325	10,000	10,000
PLN-PN	16/10/2018	16/10/2021	3.18	9,397	9,299	40,000	40,000
GBP-PN	15/12/2017	15/12/2020	2.34	17,511	16,575	15,000	15,000
DKK-PN	06/07/2018	06/07/2021	0.37	6,960	10,446	52,000	78,000
DKK-PN	08/04/2019	08/04/2022	0.88	13,384	0	100,000	0
SEK-PN	06/07/2018	06/07/2021	0.64	5,743	8,776	60,000	90,000
SEK-PN	08/10/2018	08/10/2021	0.84	6,892	10,532	72,000	108,000

5.11.3.4 COMMERCIAL PAPER

The GRENKE Consolidated 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 per December 31, 2019, EUR 226,500k (previous year: EUR 302,500k) of the commercial paper programme was utilised.

5.11.3.5 REVOLVING CREDIT FACILITY

The GRENKE Consolidated Group has the ability to borrow short-term funds with maturities of typically one month at any time through 8 revolving credit facilities with a total volume of EUR 330,000k (part of which may be utilised in Swiss franc, Danish krone, Swedish krona and the British pound). These facilities are available to GRENKE FINANCE PLC, Dublin/Ireland with a portion also available to GRENKELEASING AG, Zurich, Switzerland, GRENKELEASING AB Stockholm/Sweden, GRENKELEASING ApS, Herlev/Denmark and Grenke Leasing Ltd., Guildford/Great Britain. GRENKELEASING AG, Zurich, Switzerland, also has a further loan facility available with a total volume of CHF 20,000k. There is also an additional facility with SEB AB that gives GRENKLEASING Sp. Z.o.o. access to short-term funds at any time up to a volume of PLN 100,000k and a fixed maturity of three years. 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.

These facilities are available from Deutsche Bank AG, DZ Bank AG, HSBC Trinkaus & Burkhardt AG, Norddeutsche Landesbank, SEB AG, Credit Lyonnais, Landesbank Hessen-Thüringen and Commerzbank AG.

As per December 31, 2019, the revolving credit facilities were utilised in the amount of EUR 45,000k, PLN 73,000k, GBP 23,000k, DKK 23,000k, HRK 70,000k and CHF 13,000k (previous year: EUR 75,000k, PLN 72,000k and CHF 16,500k).

5.11.3.6 MONEY MARKET TRADING

GRENKE FINANCE PLC, Dublin/Ireland, GRENKELEASING AG, Zurich, Switzerland, Grenke Leasing Ltd. (UK), GRENKELEASING Magyarország Kft, Hungary and GRENKELEASING Sp.z o.o, Poland have a non-committed money market facility totalling EUR 35,000k from Bayerische Landesbank.

As per December 31, 2019, these credit lines were utilised in an amount of CHF 11,500k and GBP 0k and PLN 5,000k (previous year: CHF 5,000k and GBP 5,000k).

5.11.4 COMMITTED DEVELOPMENT LOANS

There are various collaborations in the form of global loans between the GRENKE AG, GRENKE BANK AG and the development banks Kreditanstalt für Wiederaufbau, NRW Bank, Thüringer Aufbaubank, Investitionsbank Berlin, LfA Förderbank Bayern and the ILB Investitionsbank des Landes Brandenburg. These collaborations facilitate the integration of public funding in 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.

In addition, GRENKE BANK AG in cooperation with KfW offers a nationwide "ERP Startgeld" programme providing funds to business start-ups and young companies. KfW provides both low-interest loans and an 80% exemption from liability for the firm's bank. The maximum loan amount is limited to EUR 100k each.

In addition to the development loan programme "KfW Startgeld" of KfW-Mittelstandsbank, GRENKE BANK AG also offers the business development programme "Startfinanzierung 80" in the state of Baden-Württemberg. The programme targets start-ups and is jointly offered by L-BANK and Bürgschaftsbank Baden-Württemberg. The low-interest loans are offered by L-Bank, and the Bürgschaftsbank provides an 80% default guarantee.

The following table shows the carrying amounts of the development loans utilised at the individual development banks.

EURK	DEC. 31, 2019	DEC. 31, 2018
Description		
NRW Bank	69,439	70,971
Thüringer Aufbaubank	4,104	5,170
Investitionsbank Berlin	0	611
LfA Förderbank Bayern	0	2,442
Investitionsbank des Landes Brandenburg	3,006	5,151
KfW	182,555	146,461
Landeskreditbank Baden-Württemberg – Förderbank	1,778	1,996
Accrued interest	1	11
TOTAL DEVELOPMENT LOANS	**260,883**	**232,813**

5.11.5 RECONCILIATION OF FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES OF THE STATEMENT OF CASH FLOWS

EURK	DEC. 31, 2019	DEC. 31, 2018
BANK LIABILITIES (EXCLUDING OVERDRAFTS)		
Opening balance	1,214	2,572
Currency translation	60	62
Cash-effective change	–461	–1,420
Closing balance	813	1,214
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**813**	**1,214**

5.12 OTHER CURRENT LIABILITIES

EURK	DEC. 31, 2019	DEC. 31, 2018
Value-added tax	12,257	10,706
Debtors with credit	13,553	11,865
Liabilities for salaries	1,282	1,383
Contingent consideration	0	1,102
Outstanding charges from refinancers	215	1,021
Contributions to social security	1,063	799
Wages/church tax	755	670
Customer payments being settled	958	607
Liabilities from car leases	325	348
Deferred income	132	301
Liabilities from security deposits	194	143
Liabilities from other taxes	131	55
Settlement accounts with companies	4	3
Other	714	1,345
TOTAL	31,583	30,348

5.13 DEFERRED LEASE PAYMENTS

The line item deferred lease payments contains contractual liabilities of EUR 4,548k (previous year: EUR 28,132k). 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 per December 31, 2019 will be recognised as revenue in the following year.

5.14 PROVISIONS

5.14.1 CURRENT PROVISIONS

This line item includes liability risks of GRENKE BANK AG, which were fully reversed in the 2018 fiscal year.

5.14.2 NON-CURRENT PROVISIONS

This item includes risk provisions for financial guarantees in accordance with the IFRS 9 provisions for impairment. All financial guarantees in the GRENKE Consolidated Group are assigned to impairment Level 1 under IFRS 9 both in the current year and in the previous year. Accordingly, there were no reclassifications between the impairment levels under IFRS 9. The change in the provision was only the result of new financial guarantees, the disposal of financial guarantees, as well as currency translation. Items other than those mentioned above have not led to any change in the provisions, which developed as follows:

2019

EURK	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
IMPAIRMENT AS PER BEGINNING OF FISCAL YEAR	105	0	0	105
Newly extended or acquired financial assets	4	0	0	4
Disposal of financial assets or payment for financial assets (without derecognition)	7	0	0	7
Currency translation and other differences	–3	0	0	–3
IMPAIRMENT AS PER END OF FISCAL YEAR	99	0	0	99

2018

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
IMPAIRMENT AS PER BEGINNING OF FISCAL YEAR	53	0	0	53
Newly extended or acquired financial assets	66	0	0	66
Disposal of financial assets or payment for financial assets (without derecognition)	12	0	0	12
Currency translation and other differences	–2	0	0	–2
IMPAIRMENT AS PER END OF FISCAL YEAR	105	0	0	105

Please refer to Note 9.3 for more information on the maximum default risk for financial guarantees and irrevocable credit commitments.

5.15 DEFERRED LIABILITIES

The item deferred liabilities consists of the following:

EURK	DEC. 31, 2019	DEC. 31, 2018
Consulting services	2,514	2,115
Personnel services	7,128	6,171
Other costs	20,576	19,259
TOTAL	30,219	27,545

All deferred liabilities are of a current nature.

5.16 PENSIONS

5.16.1 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 GRENKELEASING 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 523k (previous year: EUR 635k) was recognised for existing pension plans in the 2019 fiscal year.

The weighted-average duration of the predominant share of the pension obligations amounts to 18.6 years (previous year: 18.2 years).

The pension provisions were calculated on the basis of the following parameters:

	DEC. 31, 2019	DEC. 31, 2018
Discount rate	0.80%	1.60%
Estimated future pension increases	1.50%	1.70%
Mortality tables applied	Richttafeln 2018 G*	Richttafeln 2018 G*

* Source: Prof Klaus Heubeck

The development of the defined benefit obligations was as follows:

EURK	2019	2018
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	1,781	1,787
Interest expense	28	27
Current service cost	0	0
Benefits paid	–60	–59
Actuarial gains and losses recognised in equity	112	26
Past service costs resulting from amendments to plan	0	0
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	1,861	1,781

5.16.1.1 PENSIONS IN GERMANY

The pension obligations of GRENKE BANK AG relate to direct and vesting pension commitments that were made in the past predominantly for former employees.

5.16.1.2 PENSIONS IN SWITZERLAND

Under the Swiss Occupational Pension Act (BVG), every employer must grant pensions to entitled employees after termination of employment. The GRENKE Consolidated 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:

	DEC. 31, 2019	DEC. 31, 2018
Discount rate	0.30 %	0.90 %
Estimated future salary increases	2.00 %	2.50 %
Estimated future pension increases*	0.00 %	0.00 %
Mortality tables applied	BVG 2015	BVG 2015

* Assuming a 0% pension increase as no pensions are currently being paid to employees.

On the basis of the actuarial report, the following income and expenses were recognised:

	DEC. 31, 2019	DEC. 31, 2018
Service cost	523	635
Interest expense	56	44
Income from interest on plan assets	34	26

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 (Professional Pension Act). The fund manages the assets and is responsible for the investment strategy within statutory regulations. The investments consist exclusively of direct entitlements against the pension fund.

As per December 31, 2019, the provision for pensions recognised under non-current liabilities amounted to EUR 3,267k (previous year: EUR 2,567k). This amount comprises the present value of the obligations (DBO) of EUR 7,197k (previous year: EUR 6,004k), the fair value of the plan assets of EUR 3,930k (previous year: EUR 3,437k) and an actuarial gain of EUR 623k (previous year: loss of EUR 572k).

EURK	2019	2018
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	6,004	6,514
Interest expense	56	44
Current service cost	523	635
Benefits paid	205	164
Contributions of the participants of the plan	–236	–919
Actuarial gains and losses recognised in equity	681	–666
Past service cost	–289	0
Currency translation differences from foreign plans	253	232
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	7,197	6,004
CHANGE IN PLAN ASSETS		
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	3,437	3,882
Expected return	34	26
Employer's contributions	292	243
Contributions of the participants of the plan	205	164
Benefits paid	–236	–919
Actuarial gains and losses recognised in equity	58	–94
Currency translation differences from foreign plans	140	135
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	3,930	3,437

The actuarial gains and losses included in the revaluation of defined benefit obligations result from the following:

	DEC. 31, 2019	DEC. 31, 2018
Changes in demographic assumptions	0	0
Changes in financial assumptions	692	–248
Experience-based gains/losses	–11	–419
TOTAL	681	–667

Experience-based adjustments to plan assets amounted to EUR 58k (previous year: EUR –94k). Employer contributions for the subsequent period are estimated at EUR 306k.

5.16.1.3 SENSITIVITY ANALYSIS

A change in the assumptions above applied to determine the DBO as per December 31, 2019 and December 31, 2018 would increase or decrease the DBO as follows:

DEC. 31, 2019	CHANGE OF ASSUMPTIONS IN PERCENTAGE POINTS	INCREASE OF ASSUMPTIONS CHANGE OF DBO IN EURK	DECREASE OF ASSUMPTIONS CHANGE OF DBO IN EURK
Discount rate	0.25	–428	462
Future salary increases	0.25	77	–75
Future pension increases	0.25	58	–56
Dec. 31, 2018			
Discount rate	0.25	–352	378
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.

5.16.2 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 2019, they amounted to a total of EUR 5,264k (previous year: EUR 1,978k) 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.

5.17 EQUITY

5.17.1 SHARE CAPITAL

For the details of changes in equity, please see the consolidated statement of changes in equity.

GRENKE AG's share capital remained unchanged compared to December 31, 2018 and amounted to EUR 46,353,918.00 divided into 46,353,918 no-par value shares. Each no-par value ordinary share has a notional interest in the share capital of EUR 1.00. 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 Company's net profit.

5.17.2 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). This can be undertaken by issuing new shares in return for cash and/or contribution in kind until May 2, 2023. Authorised capital amounted to EUR 2,359k as per December 31, 2019.

5.17.3 CONTINGENT CAPITAL

By resolution of the Annual General Meeting on May 14, 2019, the Board of Directors, with the consent of the Supervisory Board, is authorised 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.

5.17.4 AUTHORISATION TO ACQUIRE TREASURY SHARES IN ACCORDANCE WITH SECTION 71 (1) NO. 8 AKTG

The Company was granted authorisation to acquire treasury shares until May 11, 2020 by the Annual General Meeting of May 12, 2015 in accordance with Section 71 (1) No. 8 AktG. The Company has not made use of this authorisation.

5.17.5 UNAPPROPRIATED SURPLUS

On May 14, 2019, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for fiscal year 2018 in the amount of EUR 43,047,901.71. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

2018 unappropriated surplus	43,047,901,71 EUR
Distribution of a dividend of EUR 0.80 per share for a total of 46,353,918 shares	37,083,134,40 EUR
Profit carryforwards (to new account)	5,964,767,31 EUR

The Board of Directors will propose to the Annual General Meeting the distribution of a dividend of EUR 0.88 per share for the 2019 fiscal year. This distribution has not been recognised as a liability as per December 31, 2019.

5.17.6 RESERVES

The capital reserves of EUR 289,314k (previous year: EUR 289,314k) mainly result from the IPO of GRENKE AG in April 2000 and the capital increases in February 2013, May 2014, May 2016 and June 2018. In addition to GRENKE AG's retained earnings, retained earnings of the Consolidated Group also comprise the retained earnings and profits of the consolidated subsidiaries and consolidated structured entities.

5.17.7 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%. 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 per the first possible early redemption day and thereafter at five-year intervals. The first possible date for early redemption is 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. If GRENKE Consolidated Group's Tier 1 core capital ratio falls below 5.125%, 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% 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.

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 7.00%. 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 March 31, 2019, GRENKE AG made a scheduled payment of EUR 9,375,000.00 to hybrid capital holders (previous year: EUR 6,785,958.90).

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%. 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.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 CHANGES IN THE SCOPE OF CONSOLIDATION

6.1.1 GRENKE BUSINESS SOLUTIONS GMBH & CO. KG, BADEN-BADEN/GERMANY

In the first quarter of 2019, the new subsidiary GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, Baden-Baden/Germany was established. In this context, the predominant portion of GRENKE AG's sales personnel was transferred to GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, which assumed the sales activities for GRENKE AG. Newly founded GRENKE Management Services GmbH, Baden-Baden/Germany is the general partner of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG. Both entities have been included in the scope of consolidation since their establishment.

6.1.2 FCT „GK"-COMPARTMENT „G4" (FCT GK 4)

In the third quarter of 2019, FCT "GK" COMPARTMENT "G4" (FCT GK 4), a structured entity, was included in the scope of consolidation for the first time.

6.1.3 MERGER OF EUROPA LEASING GMBH INTO GRENKE AG

In the third quarter, Europa Leasing GmbH was merged into GRENKE AG with retroactive effect as per January 1, 2019. This had no impact on the consolidated financial statements.

6.2 FURTHER CHANGES AND DISCLOSURES

6.2. GRENKE HRVATSKA D.O.O., ZAGREB/CROATIA

The purchase price allocation of GRENKE HRVATSKA D.O.O. (formerly: GC RENTING CROATIA D.O.O.) Zagreb/Croatia, which was acquired in the previous year, was finalised in the first quarter of 2019. There were no changes compared to the values recognised as per December 31, 2018. For further information on the business combinations concluded in the previous year, please refer to the Company's notes to the consolidated financial statements as per December 31, 2018.

6.2.2 LEASING MIDDLE EAST FZCO, DUBAI/UAE

The purchase price allocation of GC LEASING MIDDLE EAST FZCO, Dubai/UAE, which was acquired in the previous year, was finalised in the first quarter of 2019. There have been no changes to the preliminary fair values of the assets and liabilities. For further information on the business combinations concluded in the previous year, please refer to the Company's notes to the consolidated financial statements as per December 31, 2018.

6.2.3 CONTINGENT CONSIDERATION

Liabilities from contingent consideration amounted to EUR 0k as per December 31, 2019 (previous year: EUR 1,102k) and resulted in the prior year from the acquisitions of GRENKE RENTING LTD. Sliema/Malta and GC Locação de Equipamentos LTDA, São Paulo/Brazil. In addition, receivables from contingent consideration of EUR 158k (previous year: EUR 0k) relating to the acquisition of GC Leasing Middle East FZCO Dubai/UAE were recorded under this line item in the reporting year. Within the scope of the contingent consideration, income from the reversal of liabilities relating to GC Locação de Equipamentos LTDA, São Paulo/Brazil of EUR 712k and income from the addition to receivables relating to GC Leasing Middle East FZCO Dubai/UAE of EUR 158k were recorded under other operating income as non-period income in the reporting year. Furthermore, the liability from contingent consideration relating to GRENKE RENT-ING LTD. Sliema/Malta was increased by EUR 316k through profit and loss. The changes in contingent consideration were based on changes to risk provisions in the leasing portfolio. The amount of contingent consideration is calculated using a probability matrix that is based on a portfolio analysis and takes past experience into account.

7. DISCLOSURES ON FINANCIAL INSTRUMENTS

7.1 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

			VALUATION IN ACCORDANCE WITH IFRS 9				VALUATION IN ACCORDANCE WITH IFRS 16
EURK	MEASUREMENT CATEGORY	CARRYING AMOUNT DEC. 31, 2019	AT FAIR VALUE DIRECTLY IN EQUITY	AT FAIR VALUE THROUGH PROFIT AND LOSS	AMORTISED COST	IMPAIRMENT AMOUNT	
FINANCIAL ASSETS							
Cash and cash equivalents	AC	434,379			434,379		
Derivative financial instruments with positive fair value without hedging relationship	FVPL	2,410		2,410			
Derivative financial instruments with positive fair value with hedging relationship	n. a.	28	28				
Lease receivables	n. a.	5,645,916					5,645,916
Trade receivables	AC	9,272			9,272		
Other investments	FVOCIoR	5,505	5,505				
Other financial assets							
thereof receivables from the factoring business	AC	37,082			37,082		
thereof receivables from the lending business	AC	126,628			126,628		
thereof receivables from franchisees (refinancing)	AC	133,289			133,289		
thereof other financial assets	AC	46,650			46,650		
AGGREGATED CATEGORIES							
	AC				787,300		
	FVPL			2,410			
	FVOCIoR		5,505				
	n. a.		28				5,645,916
FINANCIAL LIABILITIES							
Financial debt							
thereof liabilities from the refinancing of lease receivables	AC	4,749,345			4,749,345		
thereof liabilities from the deposit business	AC	890,435			890,435		
thereof bank liabilities	AC	886			886		
Trade payables	AC	35,890			35,890		
Derivative financial instruments with negative fair value without hedging relationship	FVPL	13,309		13,309			
Derivative financial instruments with negative fair value with hedging relationship	n. a.	2,642	2,642				
Financial guarantees/irrevocable credit commitments	n. a.	99				99	
AGGREGATED CATEGORIES							
	AC				5,676,556		
	FVPL			13,309			
	n. a.		2,642			99	

Abbreviations:
FVPL: Financial assets and financial liabilities measured at fair value through profit and loss.
FVOCIoR: Financial assets measured at fair value through OCI without recycling.
AC: Financial assets and financial liabilities measured at amortised cost.
n. a.: not applicable/no category according to IFRS 7.8.

EURK	MEASUREMENT CATEGORY	CARRYING AMOUNT DEC. 31, 2019	VALUATION IN ACCORDANCE WITH IFRS 9: AT FAIR VALUE DIRECTLY IN EQUITY	VALUATION IN ACCORDANCE WITH IFRS 9: AT FAIR VALUE THROUGH PROFIT AND LOSS	VALUATION IN ACCORDANCE WITH IFRS 9: AMORTISED COST	VALUATION IN ACCORDANCE WITH IFRS 9: IMPAIRMENT AMOUNT	VALUATION IN ACCORDANCE WITH IFRS 16
FINANCIAL ASSETS							
Cash and cash equivalents	AC	333,626			333,626		
Derivative financial instruments with positive fair value without hedging relationship	FVPL	3,716		3,716			
Lease receivables	n. a.	4,697,539					4,697,539
Trade receivables	AC	7,666			7,666		
Other investments	FVOCIoR	5,445	5,445				
Other financial assets							
thereof receivables from the factoring business	AC	34,016			34,016		
thereof receivables from the lending business	AC	95,361			95,361		
thereof receivables from franchisees (refinancing)	AC	71,772			71,772		
thereof other financial assets	AC	36,528			36,528		
AGGREGATED CATEGORIES							
	AC				578,969		
	FVPL			3,716			
	FVOCIoR		5,445				
	n. a.						4,697,539
FINANCIAL LIABILITIES							
Financial debt							
thereof liabilities from the refinancing of lease receivables	AC	3,910,222			3,910,222		
thereof liabilities from the deposit business	AC	697,952			697,952		
thereof bank liabilities	AC	4,352			4,352		
Trade payables	AC	28,156			28,156		
Derivative financial instruments with negative fair value without hedging relationship	FVPL	2,948		2,948			
Derivative financial instruments with negative fair value with hedging relationship	n. a.	15	15				
Financial guarantees/irrevocable credit commitments	n. a.	105				105	
AGGREGATED CATEGORIES							
	AC				4,640,682		
	FVPL			2,948			
	n. a.		15			105	

Abbreviations:
FVPL: Financial assets and financial liabilities measured at fair value through profit and loss.
FVOCIoR: Financial assets measured at fair value through OCI without recycling.
AC: Financial assets and financial liabilities measured at amortised cost.
n. a.: not applicable/no category according to IFRS 7.8.

* Figures adjusted due to IFRS 16 (see Note 2.1).

Net gains and losses	Currency translation	Interest	Impairment	From disposal	Net profit
DEC. 31, 2019 (EURK)					
Financial assets (at amortised cost)	4,446	0	–79,130	–53,332	–128,016
At fair value through profit and loss	–9,084	–309	0	0	–9,393
Financial liabilities (at amortised cost)	-153	0	0	0	-153
DEC. 31, 2018 (EURK)					
Financial assets (at amortised cost)	–3,382	0	–49,233	–52,485	–105,100
At fair value through profit and loss	–650	71	0	0	–579
Financial liabilities (at amortised cost)	0	0	0	0	0

Total interest income calculated according to the effective interest method amounted to EUR 9,068k (previous year: EUR 6,014k). Total interest expenses for financial assets and financial liabilities not measured at fair value through profit and loss was EUR 4,779k (previous year: EUR 2,873k). For equity instruments classified as FVOCIoR, the gain recognised in other comprehensive income amounted to EUR 60k (previous year: EUR 2,295k).

Net gains from lease receivables are comprised of interest income, profit from new business, and profit from disposals. They amount to EUR 461,858k (previous year: EUR 400,922k). 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.

AS PER DEC. 31, 2019					
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	419,459	781,865	2,897,370	741,835
Liabilities from deposit business	111,590	134,645	223,675	415,525	5,000
Bank liabilities	73	813	0	0	0
Lease liabilities	0	3,173	8,980	29,250	12,554
Other liabilities	0	31,583	0	0	0
Trade payables	0	35,890	0	0	0
Financial guarantees	72,004	0	0	0	0
Irrevocable credit commitments	4,503	0	0	0	0
Derivative financial liabilities	0	3,049	5,457	7,445	0
TOTAL	188,170	628,612	1,019,977	3,349,590	759,389

7.1.1 FINANCIAL RISK STRATEGY

Please refer to the GRENKE AG combined group management report and management report for qualitative and quantitative disclosures regarding default risk, liquidity risk and market risk.

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 fiscal years. Some amounts do not match the amounts shown in the statement of financial position as they relate to undiscounted cash flows.

AS PER DEC. 31, 2018

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	471,730	735,308	2,473,878	262,716
Liabilities from deposit business	74,309	115,164	182,658	320,821	5,000
Bank liabilities	3,112	1,240	0	0	0
Lease liabilities	0	0	0	0	0
Other liabilities	0	29,246	1,102	0	0
Trade payables	0	28,156	0	0	0
Financial guarantees	75,691	0	0	0	0
Irrevocable credit commitments	5,420	0	0	0	0
Derivative financial liabilities	0	505	901	1,510	47
TOTAL	**158,532**	**646,041**	**919,969**	**2,796,209**	**267,763**

With respect to the disclosures on liquidity risk management, please refer to the explanations in the combined group management report and management report.

7.3 DERIVATIVE FINANCIAL INSTRUMENTS

7.3.1 DERIVATIVE FINANCIAL INSTRUMENTS WITH POSITIVE FAIR VALUE

EURK	DEC. 31, 2019	DEC. 31, 2018
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP		
Interest rate derivatives	28	0
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	**28**	**0**
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP		
Interest rate derivatives	380	285
Foreign currency forward contracts	2,030	3,431
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	**2,410**	**3,716**
TOTAL	**2,438**	**3,716**

7.3.2 DERIVATIVE FINANCIAL INSTRUMENTS WITH NEGATIVE FAIR VALUE

EURK	DEC. 31, 2019	DEC. 31, 2018
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP		
Interest rate derivatives	0	15
Cross-currency swaps	2,642	0
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	2,642	15
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP		
Interest rate derivatives	696	273
Foreign currency forward contracts	12,613	2,675
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	13,309	2,948
TOTAL	15,951	2,963

The GRENKE Consolidated Group reported negative fair values in connection with forward exchange contracts, interest rate swaps and in relation to cross-currency swaps (see Note 7.3.5) for the current fiscal year.

The forward exchange contracts are reported as derivatives without hedging relationship as defined by IFRS 9. As per December 31, 2019, forward exchange contracts on the British pound, Canadian dollar, Swiss franc, Hungarian forint, Danish krone, Swedish krona, Czech koruna, Croatian kuna, Australian dollar, Turkish lira, Singapore dollar, Norwegian krone and United Arab Emirates dirham had a negative fair value of EUR 12,613k (previous year: negative fair value of EUR 2,675k on the British pound, Canadian dollar, Swiss franc, Hungarian forint, Danish krone, Swedish krona, Czech koruna, Croatian kuna, Australian dollar, Turkish lira, Singapore dollar and United Arab Emirates dirham). Please refer to Note 7.3.4 for more detailed information.

The GRENKE Consolidated Group also reported negative fair value in connection to interest rate swaps for the current fiscal year. The interest rate swaps are designated as derivatives with hedging relationship or without hedging relationship in accordance with the provisions of IFRS 9. As per December 31, 2019, the GRENKE Consolidated Group reported interest rate derivatives with hedging relationship with negative fair values of EUR 0k (previous year: EUR 15k) and interest rate derivatives without hedging relationship with negative fair values of EUR 696k (previous year: EUR 273k). Please refer to Notes 7.3.4 and 7.3.5 for more detailed information.

In the 2019 fiscal year, cross-currency swaps were used for the first time to hedge currency risks from bonds issued in foreign currencies and the resulting interest payments within the scope of hedging relationships. These hedging relationships are presented for foreign currency bonds issued in HKD, JPY and SEK by the GRENKE Consolidated Group. As per December 31, 2019, the cross-currency swaps had negative fair values in the amount of EUR 2,642k (previous year: EUR 0k).

7.3.3 USE AND MEASUREMENT

7.3.3.1 BUSINESS MODEL

As a small-ticket IT leasing company, GRENKE Consolidated 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 Consolidated 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 group management report and 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 Consolidated 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 Consolidated 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 so-called 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 DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP

7.3.4.1 CURRENCY RISK MANAGEMENT

GRENKE Consolidated 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 franchise companies in Canada, Singapore and Australia, as well as the British, Czech, Swedish, Hungarian, Swiss (Factoring), Danish, Turkish, Croatian, Arabian and Norwegian subsidiaries. The GRENKE Consolidated Group AG finances the lease receivables generated by the franchisees and the subsidiaries in the corresponding foreign currencies and receives payments in those currencies over the term of the underlying lease contracts. GRENKE Bank 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 per the end of the reporting period, there were asset and liability forward exchange contracts, leading to their disclosure as assets (see Note 7.3.1) as well as liabilities (see Note 7.3.2). As per the end of the reporting period, forward exchange contracts totalled a nominal volume equivalent to EUR 454,281k (previous year: EUR 319,308k).

These contracts are divided by currency as follows:

EURK	NOMINAL VOLUME AS PER		MATURITY OF THE NOMINAL VOLUME AS PER DEC. 31, 2019				
EUR BUYING	DEC. 31, 2018	DEC. 31, 2019	2020	2021	2022	LATER	HEDGED AVERAGE RATE
TRY	9,016	11,895	5,061	4,335	385	2,114	7.92
CZK	20,440	19,684	7,864	5,851	3,707	2,262	26.24
GBP	42,101	64,027	64,027	0	0	0	0.85
CHF	11,964	11,876	11,876	0	0	0	1.09
HUF	9,338	11,074	5,054	3,325	1,763	932	334.71
CAD	32,765	51,672	50,727	0	945	0	1.52
SEK	41,891	82,888	23,875	21,333	24,174	13,506	10.59
DKK	62,716	69,025	17,848	19,447	25,522	6,208	7.45
AED	27,947	34,739	17,493	10,170	5,313	1,763	4.25
SGD	15,261	20,865	20,865	0	0	0	1.51
HRK	19,192	22,399	22,399	0	0	0	7.45
AUD	18,126	41,289	5,703	20,447	15,139	0	1.63
NOK	8,551	12,848	4,279	3,645	2,719	2,205	10.24

For information on exchange rate sensitivity, please refer to the detailed Notes on market price risk in the risk report contained in the combined group management report.

7.3.4.2 INTEREST RATE RISK MANAGEMENT

The interest rate risk for GRENKE Consolidated Group's operations results mainly from the sensitivity of its financial liabilities to changes in market interest rates. GRENKE Consolidated 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 Consolidated 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 Consolidated Group, these are receiver swaps. A fixed interest rate is exchanged for a floating-rate interest.

As per the reporting date, there were interest rate swaps from the refinancing of the ABCP transaction with a nominal volume of EUR 251,897k (previous year: EUR 189,413k).

With regard to sensitivities, we refer to the statements on market price risks, which are explained in detail in the risk report of the combined group management report and management report of GRENKE AG.

7.3.5 DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP

7.3.5.1 CURRENCY RISK MANAGEMENT

Cross-currency swaps with a hedging relationship were concluded for the first time in the 2019 fiscal year. The cross-currency swaps serve to hedge the foreign currency bonds issued for the Consolidated Group's refinancing (HKD, JPY and SEK). The following table provides information on the nominal values, the hedged average exchange rate and the hedged average interest rates (arithmetic mean).

MATURITY OF NOMINAL VOLUMES AS PER DEC. 31, 2019

EURK	UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
CROSS-CURRENCY SWAPS (EUR : HKD)			
Nominal volume	563	2,245	60,554
Hedged average exchange rate	8.66	8.66	8.66
Average interest rates	0.98 %	0.97 %	0.97 %
CROSS-CURRENCY SWAPS (EUR : JPY)			
Nominal volume	1,000	12,332	62,354
Hedged average exchange rate	121	121	122
Average interest rates	1.52 %	1.59 %	1.67 %
CROSS-CURRENCY SWAPS (EUR : SEK)			
Nominal volume	72	23,208	–
Hedged average exchange rate	11	11	–
Average interest rates	0.31 %	0.31 %	–

The table below provides further information on cross-currency swaps in connection with hedging transactions. The hedged underlying transactions are reported under current and non-current financial liabilities.

EURK	DEC. 31, 2019	DEC. 31, 2018
Carrying amount of hedge transaction	–2,642	0
Nominal value of hedging transaction	162,328	0
Hedging reserve	–2,220	0
Change in value to measure the ineffectiveness of the hedged underlying transaction	134	0
Change in value to measure the ineffectiveness of the hedging instrument	–2,305	0
Change in ineffectiveness	49	0
Hedging gains (net) recognised in other comprehensive income	–2,220	0
Reclassification to P&L	0	0

For information about sensitivities, please refer to the detailed statements on market price risk in the risk report contained in the combined group management report and management report of GRENKE AG.

7.3.5.2 INTEREST RATE RISK MANAGEMENT

Interest rate swaps are used as hedging instruments and are designated as hedges in accordance with IAS 39 if the requirements have been met. Changes in the market values of interest rate swaps designated as hedge instruments based on their "clean value" (excluding accrued interest) were recognised in other comprehensive income.

In fiscal years 2019 and 2018, only payer swaps were contracted and classified as derivative financial instruments with a hedging relationship. The payer swaps are the agreed fixed interest rate from the interest rate swap. The swap existing as the reporting date has a nominal volume of EUR 50 million as per December 31, 2019 (previous year: EUR 200 million) and contracted fixed interest rates of 0.51% (previous year: 0.341% and 0.336%) over the respective term. The term of the contracted interest rate swap ends in 2020 (previous year: 2019). The following table shows the development of the nominal volumes of the payer swaps for the next few years as per the balance sheet date. The average interest rate is defined as the arithmetic mean of the existing swaps.

EURK		NOMINAL VOLUME AS PER DEC. 31		AVERAGE INTEREST RATE
	2018	2019	2020	2019
Contracted prior to 2019	200,000	0	0	0
Contracted in 2019	0	50,000	50,000	0.51
Total	200,000	50,000	50,000	

The table below provides more information on interest rate derivatives related to hedging transactions. Hedged underlying transactions are recorded under current financial liabilities.

EURK	DEC. 31, 2019	DEC. 31, 2018
Carrying amount of hedging transactions	28	–15
Nominal value of hedging transactions	50,000	200,000
Hedging reserve	27	–7
Change in value to measure ineffectiveness of hedged underlying transactions	–34	1
Change in value to measure ineffectiveness of hedge instrument	34	–1
Change in value due to ineffectiveness	0	0
Net hedging gains/losses recognised in other comprehensive income	34	–1
Reclassification in income statement	7	–12

For information on interest rate sensitivity, please refer to the detailed Notes on market price risk in the risk report contained in the combined group management report and GRENKE AG's management report.

7.3.5.3 HEDGE EFFECTIVENESS

IFRS accounting requires documentation and a risk analysis when derivative financial instruments are employed. The appropriation between the underlying transaction and the hedging instrument determines the effectiveness of a hedging relationship. By employing derivatives for interest rate hedging, the GRENKE Consolidated Group applies hedge accounting in accordance with IAS 39. Hedge effectiveness, as required by IFRSs, is in line with GRENKE Consolidated Group's intention of using derivatives only to hedge risks from the designated underlying transaction and to never enter into derivatives for speculative reasons.

The tests of effectiveness for each financial derivative accounted for in a hedge, in accordance with IAS 39, were performed prospectively upon first-time designation of the hedge using the "hypothetical derivative method". The documentation of each hedging relationship describes the underlying transaction, hedged risk, strategy, hedging instrument, estimate of effectiveness and names the counterparty.

CROSS-CURRENCY SWAPS

Currency swaps are based on the foreign currency cash flows, which are determined by the contractually agreed payment dates in foreign currency. The hedge relationship can be classified as effective because the underlying and hedge transactions have matching maturities, as well as currencies and payment dates with matching nominal amounts.

The underlying effectiveness measurement is carried out on each reporting date on which the financial statements are published, based on the "hypothetical derivative method" (prospective) and the "dollar-offset method" (retrospective). The retrospective effectiveness test showed effectiveness within the specified range.

The ineffective portion of cross-currency swaps is recognised as currency translation differences under "other operating expenses" and "other operating income."

INTEREST RATE SWAPS

The parameters of the underlying transaction resulting from the financing (liability) are considered first and foremost when contracting interest rate swaps. For this reason, the interest rate terms of the swaps on the variable side are the same as those of the underlying transaction. Furthermore, the swap volume contracted is never greater than the volume of the hedged financing. The active integration of existing and future planned refinancing transactions allows for anticipatory risk management. Going forward, quarterly tests of effectiveness will be conducted as part of this ongoing analysis.

To date, the hedging relationships between interest rate swaps and existing and planned financing have proven to be highly effective. Retrospectively, under the dollar-offset method, the effectiveness was within the prescribed range. For all derivatives in hedge accounting, both the retrospective and the prospective effectiveness of the hedging relationships are confirmed as per the end of the reporting period.

The hedged interest payments will presumably be recognised in profit or loss in their entirety in 2020. This will result in a reclassification of the corresponding net gains and losses previously recognised in other comprehensive income into other interest income.

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, 2019	CARRYING AMOUNT DEC. 31, 2019	FAIR VALUE DEC. 31, 2018	CARRYING AMOUNT DEC. 31, 2018
FINANCIAL ASSETS				
Lease receivables	6,381,615	5,645,916	5,320,318	4,697,539
Other financial assets	343,650	343,649	241,706	237,677
thereof factoring receivables	37,082	37,082	34,016	34,016
thereof receivables from the lending business	126,629	126,628	99,390	95,361
thereof receivables from franchisees (refinancing)	133,289	133,289	71,772	71,772
thereof other financial assets	46,650	46,650	36,528	36,528
FINANCIAL LIABILITIES				
Financial liabilities	5,754,703	5,640,666	4,608,901	4,612,526
thereof refinancing liabilities	4,853,046	4,749,345	3,905,114	3,910,222
thereof liabilities from the deposit business	900,771	890,435	699,435	697,952
thereof bank liabilities	886	886	4,352	4,352

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 are assigned to Level 1 of the fair value hierarchy. As per the reporting date, the carrying amount of exchange-listed bonds was EUR 2,764,192k (previous year: EUR 1,931,812k), and their fair value amounted to EUR 2,827,286k (previous year: EUR 1,943,978k). 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 FVOCIoR 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 Consolidated Group. All derivative financial instruments are assigned to Level 2 of the fair value hierarchy.

EURK	FAIR VALUE DEC. 31, 2019	CARRYING AMOUNT DEC. 31, 2019	FAIR VALUE DEC. 31, 2018	CARRYING AMOUNT DEC. 31, 2018
FINANCIAL ASSETS				
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Interest rate derivatives	28	28	0	0
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	380	380	285	285
Forward exchange derivatives	2,030	2,030	3,431	3,431
TOTAL	**2,438**	**2,438**	**3,716**	**3,716**
FINANCIAL LIABILITIES				
Derivative financial instruments with hedging relationship				
Interest rate derivatives	0	0	15	15
Cross-currency swaps	2,642	2,642	0	0
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	696	696	273	273
Forward exchange derivatives	12,613	12,613	2,675	2,675
TOTAL	**15,951**	**15,951**	**2,963**	**2,963**

The GRENKE Consolidated Group uses so-called OTC derivatives ("over-the-counter"). These are directly concluded with counterparties having at least investment grade status. Thus, there are no quoted market prices available.

Fair values of forward exchange contracts and interest rate derivatives are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a mark-to-market 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.

The predominant portion of cash flows of these hedges is expected to impact the net profit over the next two years.

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:

TYPE AND LEVEL	MEASUREMENT METHOD	INPUT PARAMETERS
FAIR VALUE HIERARCHY LEVEL 1		
Exchange-listed bonds	n/a	Quoted market price as per the reporting date
FAIR VALUE HIERARCHY LEVEL 2		
Other financial assets	Discounted 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 from the refinancing of the leasing business, promissory notes, bank liabilities)	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own credit risk (Debt Value Adjustment [DVA])
Forward exchange contracts	Mark-to-market Discounted present value of estimated future cash flows	Available interest rates at the end of the term in the traded currencies using the own counterparty risk (Debt Value Adjustment [DVA]) or the counterparty's credit risk (CVA [Credit Value Adjustment]) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Net present value model Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the 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

7.5 TRANSFER 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, 2019	**175,568**	**153,634**	**193,988**	**162,724**	**21,934**
From sale of receivable agreements	175,568	153,634	193,988	162,724	21,934
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2018	**173,637**	**155,489**	**191,898**	**159,112**	**18,148**
From sale of receivable agreements	173,637	155,489	191,898	159,112	18,148

For more information, please see the explanations on sales of receivables contracts under Note 5.11.2.3.

8. SEGMENT REPORTING

8.1 DESCRIPTION OF REPORTABLE SEGMENTS

GRENKE Consolidated Group's reporting on the development of its segments is aligned with its prevailing organisational structure within the GRENKE Consolidated 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.

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 Consolidated 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 AG 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.

8.1.3 FACTORING

In the Factoring segment, GRENKE offers traditional factoring services focused 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. The segment also offers recourse factoring where the customer continues to bear the credit risk.

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 assessment of the GRENKE Consolidated Group's performance is the responsibility of the Company's chief decision-maker, which is the Board of Directors of GRENKE AG. In addition to the growth of new business in the leasing segment (defined as the total of the acquisition costs of newly acquired lease assets), GRENKE Bank's deposit volume and the factoring segment's gross margin, the Board of Directors has determined the key performance indicators as the operating segment income, the segment result before other net financial income and staff costs. Other net financial income and income tax expenses/income represent the main components of the consolidated income statement that are not allocated to individual segments.

The segment information was calculated as follows:

- Operating segment income is broken down 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 profit from service business, profit from new business, and profit from disposals.
- Segment result is calculated as the operating result before taxes.

Segment assets comprise the operating assets excluding tax assets and deferred tax assets.

Segment liabilities correspond to the liabilities attributable to the respective segment excluding tax liabilities and deferred tax liabilities.

EURK	LEASING SEGMENT		BANKING SEGMENT	
JANUARY TO DECEMBER	2019	2018	2019	2018
OPERATING SEGMENT INCOME	363,234	332,673	30,448	21,785
Thereof non-cash items	118,354	87,125	1,549	138
STAFF COSTS	108,845	96,552	3,817	2,877
SELLING AND ADMINISTRATIVE EXPENSES	70,870	73,858	3,501	3,028
DEPRECIATION/AMORTISATION	27,376	16,972	895	126
SEGMENT RESULT	157,939	144,228	18,117	14,967
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS				
Operating result				
Other financial income				
Taxes				
NET PROFIT ACCORDING TO CONSOLIDATED INCOME STATEMENT				
AS PER DECEMBER 31				
SEGMENT ASSETS	6,809,218	5,729,869	1,529,276	1,137,347
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS				
Tax assets				
TOTAL ASSETS ACCORDING TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
SEGMENT LIABILITIES	5,783,469	4,774,365	1,301,124	1,010,537
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS				
Tax liabilities				
LIABILITIES ACCORDING TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION				

The previous year's figures in the segment reporting were retrospectively adjusted as part of the first-time adoption of new accounting standards.

FACTORING SEGMENT		TOTAL SEGMENTS		CONSOLIDATION EFFECTS		CONSOLIDATED GROUP	
2019	2018	2019	2018	2019	2018	2019	2018
3,003	3,906	396,685	358,364	0	0	396,685	358,364
1,234	188	121,137	87,496			121,137	87,496
3,138	3,272	115,800	102,701	0	0	115,800	102,701
508	1,234	74,879	78,120	0	0	74,879	78,120
461	128	28,732	17,226	0	0	28,732	17,226
–1,757	–979	174,299	158,216	0	0	174,299	158,216
						174,299	158,216
						–3,599	–1,625
						28,640	25,097
						142,060	131,494
42,151	40,212	8,380,645	6,907,428	–1,282,580	–1,084,753	7,098,065	5,822,675
						49,417	43,485
						7,147,482	5,866,160
31,984	30,566	7,116,577	5,815,468	–1,282,580	–1,084,753	5,833,997	4,730,715
						64,735	57,791
						5,898,732	4,788,506

8.3 INFORMATION ON REGIONAL SEGMENTS

On a country level, Germany, France, and Italy are the main regional segments in which revenues are generated with external customers. All other countries are combined under "Other countries". Operating income and non-current assets are presented for reporting countries. The allocation to the individual geographical segments is based on the country of origin of the external customers with which revenues are generated. Non-current assets are allocated according to the countries in which they originated.

EURK	GERMANY		FRANCE		ITALY		OTHER COUNTRIES		CONSOLIDATED GROUP	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
OPERATING INCOME (JANUARY TO DECEMBER)	101,002	93,408	90,339	84,339	85,519	80,294	119,825	100,323	396,685	358,364
NON-CURRENT ASSETS (AS PER DECEMBER 31)	836,769	736,141	871,383	739,206	881,137	728,732	1,460,711	1,157,830	4,050,000	3,361,909

9. OTHER DISCLOSURES

9.1 CAPITAL MANAGEMENT

9.1.1 ECONOMIC CAPITAL

The primary goal of the GRENKE Consolidated 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 Consolidated 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 16% 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 group management report and the management report.

The return on capital was 2.0% according to Section 26a KWG (1) sentence 4.

9.2 FRANCHISE SYSTEM

GRENKE AG provides its expertise, infrastructure, and funds for refinancing lease contracts under a franchise arrangement. However, it does not own shares in these franchisees, nor does it have any control over the franchisees' business policies. In addition to franchise fees of EUR 1,033k (previous year: EUR 759k), the Consolidated Group generated income from allocations in the amount of EUR 645k (previous year: EUR 493k) and income from interest on loans of EUR 4,406k (previous year: EUR 2,834k) (see Note 4.1). As per the end of the reporting period, there were further receivables from franchisees totalling EUR 1,696k (previous year: EUR 1,216k) (see Notes 5.3 and 5.4) in addition to loans in an amount of EUR 133,289k (previous year: EUR 71,772k).

9.3 CONTINGENCIES (CONTINGENT LIABILITIES) AND OTHER FINANCIAL OBLIGATIONS

GRENKE AG, as guarantor for individual franchise companies, has granted financial guarantees of EUR 72.0 million (previous year: EUR 75.7 million), which represents the maximum credit risk. The actual utilisation by the guarantee holder was below this amount and totalled EUR 37.5 million (previous year: EUR 21.9 million). The finance guarantees granted were not granted in the countries with risk concentration but are spread among other countries.

Irrevocable credit commitments from the loan business amounted to EUR 4,503k (previous year: EUR 5,420k) and included unutilised limited overdrafts and unutilised loan commitments for the risk concentration country of Germany. This amount also represents the maximal credit risk.

There was an obligation of EUR 5,783k as per December 31, 2019, for the construction of office buildings (previous year: EUR 9,553k).

The Company has financial obligations related to rent, building maintenance and lease contracts. Off-balance sheet other financial obligations significantly declined as a result of the first-time adoption of the new IFRS 16 "Leases" accounting standard as the lease contracts for leased office buildings and company vehicles have generally been 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 Consolidated Group had already entered into as lessee as per the reporting date but have not yet started.

EURK	DEC. 31, 2019	DEC. 31, 2018
RENT, MAINTENANCE, AND LEASE OBLIGATIONS NOT RECOGNISED AS LEASE LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION*		
due in the subsequent year	2,689	16,842
due in 1 to 5 years	2,299	28,508
due in more than 5 years	60	4,643
TOTAL	5,048	49,993

* Limited comparability with prior-year figures as a result of the first-time adoption of IFRS 16.

For further information on the first-time adoption of IFRS 16, please see Note 5.10 "LEASES – THE CONSOLIDATED GROUP AS LESSEE".

Under three agreements on the sale of receivables of GRENKE Investionen 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 per the December 31, 2019 reporting date for the following entities:

- GRENKELEASING Magyarország Kft., Hungary
- GRENKELEASING s.r.o., Slovakia
- GRENKE Kiralama Ltd. Sti., Turkey
- GRENKELEASING Oy, Finland
- GRENKE Renting Ltd., Malta
- GC Leasing Middle East FZCO, United Arab Emirates (UAE)
- GRENKELEASING d.o.o., Slovenia
- GRENKELEASING s.r.o., Czechia
- GRENKELEASING AB, Sweden
- 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 2a (1) KWG in conjunction with Article 7 CRR and with Section 2a (5) KWG by the respective subsidiary.

9.4 TAX AUDITS

A tax audit at Grenke Investitionen Verwaltungs KGaA for fiscal years 2005 to 2009 was completed in 2018. As per the reporting date, there continues to be a fact where GRENKE and the tax authorities have conflicting opinions. The most likely amount of tax receivables was recognised for the measurement of the uncertain tax item resulting from this dispute.

In April 2018, the audit instructions for the period from January 2012 to December 2017 were established for GRENKE BANK AG. The tax audit started on June 26, 2018, and encompasses insurance taxes. No final conclusions were available as per the end of the reporting year.

In July 2018, the audit instructions for the period from January 2012 to December 2017 were established for GRENKE AG. The tax audit started on August 14, 2018 and encompasses insurance taxes. No final conclusions were available as per the end of the reporting year.

In addition, tax audits have started in Austria, Switzerland, Italy and Belgium, among other countries. Some of these audits were completed in 2019. To the extent that final conclusions were available, the most probable amounts were recognised in the consolidated financial statements.

9.5 CONSULTING AND AUDIT FEES

The expenses related to the audit fee in the 2019 fiscal year are comprised as follows:

EURK	2019	2018
Audit services	848	669
Other assurance services	157	84
Other services	0	30
TOTAL	1,005	783

A total of EUR 217k of the overall fees concern prior periods (previous year: EUR 22k).

9.6 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 Consolidated Group include persons in key positions, their family members and entities controlled by these persons, subsidiaries and associated companies of GRENKE AG, as well as entities that exercise a considerable influence. Persons in key positions are people who are directly or indirectly in charge and responsible for the planning, control and supervision of the GRENKE Consolidated Group's activities. Persons in key positions include solely the sitting members of the Board of Directors and Supervisory Board in the reporting and previous fiscal years. GRENKE AG renders various services for subsidiaries in its ordinary business activities. Conversely, the various Consolidated Group companies also render services within the GRENKE Consolidated Group as part of their business objective. These extensive business transactions are performed at market conditions.

LIABILITIES FROM RELATED ENTITIES AND PERSONS

EURK	2019	2018
Persons in key positions	0	44
Associated companies	430	1,320

The liabilities to persons in key positions resulted from a consultancy contract with a member of the Supervisory Board. The related consulting expenses amounted to EUR 192k in the reporting year (previous year: EUR 78k). Liabilities from the Bank's deposit business stemmed from associated companies, resulting in an interest expense of EUR 1k (previous year: EUR 10k).

As part of its ordinary business activities, GRENKE BANK AG offers services to persons in key positions and their close family members at customary market terms and conditions. As per the reporting date, the bank had received deposits totalling EUR 9,272k (previous year: EUR 5,499k). The related interest expenses were EUR 26k (previous year: EUR 41k). As per the reporting date, unsettled credit card accounts of persons in key positions and their close family members amounted to EUR 27k (previous year: EUR 28k) and the credit card limits amounted to EUR 216k (previous year: EUR 175k). No further loans were granted to any of these individuals during the reporting period.

SUPERVISORY BOARD

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In fiscal year 2019, the members of the Supervisory Board were:

- Prof Dr Ernst-Moritz Lipp, Baden-Baden, Germany, Chair, Professor of International Finance and General Manager of ODEWALD & COMPAGNIE Gesellschaft für Beteiligungen mbH, Berlin, Germany
- Mr Wolfgang Grenke, Baden-Baden, Germany, Deputy Chair, entrepreneur
- Ms Claudia Karolina Krcmar, Baden-Baden, Germany, Managing Director of AMPIT GmbH, Baden-Baden, Germany
- Ms Tanja Dreilich, Munich, Germany, (until May 14, 2019 degree in business administration, MBA, Managing Director and Group CFO of Kirchhoff Automotive Holding GmbH
- Dr Ljiljana Mitic, Munich, Germany, independent business consultant, partner at Impact51 AG, Küsnacht, Switzerland, and Managing Director of Venture Value Partners GmbH, Munich, Germany
- Mr Florian Schulte, Baden-Baden, Germany, degree in business administration, Managing Director of Fines Holding GmbH, Baden-Baden, Germany, and Managing Director of S.K. Management- und Beteiligungs GmbH, Baden-Baden, Germany
- Mr Heinz Panter, Baden-Baden, Germany, (from May 14 until August 20, 2019), entrepreneur
- Mr Jens Rönnberg (since November 12, 2019), degree in business administration, independent auditor/tax consultant

The term of office of Prof Dr Ernst-Moritz Lipp and Mr Wolfgang Grenke will continue until the end of the Annual General Meeting that resolves on their discharge for the 2022 fiscal year.

The term of office of Ms Claudia Krcmar will continue until the end of the Annual General Meeting that resolves on her discharge for the 2021 fiscal year.

The term of office of Dr Ljiljana Mitic and Mr Florian Schulte will continue until the end of the Annual General Meeting that resolves on their discharge for the 2023 fiscal year.

Mr Jens Rönnberg was appointed by resolution of the District Court of Mannheim on November 12, 2019. His term will end once the Annual General Meeting has elected the required number of members to the Supervisory Board.

MANDATES OF SUPERVISORY BOARD MEMBERS IN SUPERVISORY BOARDS AND OTHER SUPERVISORY BODIES

Prof Dr Ernst-Moritz Lipp is also the Chairman of the Supervisory Board of GRENKE BANK AG, Baden-Baden, Germany.

Mr Wolfgang Grenke is Chair of the Supervisory Board of GRENKE Service AG, Baden-Baden, Germany, Chair of the Supervisory Board of KSC GmbH & Co. KGaA and member of the Supervisory Board of GRENKE BANK AG. He is also the President of the Executive Board of GRENKELEASING AG, Zurich/ Switzerland and GRENKE Factoring AG, Basel/ Switzerland.

Ms Mitic is a Non-Executive Director of Computacenter plc, London/UK.

Mr Florian Schulte is Deputy Chair of the Supervisory Board of Softline AG, Leipzig, Germany, and a member of the Supervisory Board of Upside Beteiligungs AG, Grünwald, Germany.

In July 2014, Mr Wolfgang Grenke and his family ("the Grenke family") formed a family holding under the name Grenke Beteiligung GmbH & Co. KG, Baden-Baden. On September 17, 2014, the Grenke family transferred all of their shares held in GRENKE AG to this company.

These shares were previously part of a pooling agreement. As per the reporting date, Grenke Beteiligung GmbH & Co. KG held 18,905,958 shares in GRENKE AG, corresponding to 40.79% of GRENKE AG's share capital. Grenke Vermögensverwaltung GmbH, Baden-Baden, as the general partner, is authorised to exercise management functions. Mr Wolfgang Grenke and Ms Anneliese Grenke are the Executive Directors of Grenke Vermögensverwaltung GmbH.

The GRENKE AG Supervisory Board remuneration (including payments for supplementary services) at the level of the Consolidated Group totalled EUR 381k (previous year: EUR 224k). The Supervisory Board remuneration is governed by GRENKE AG's Articles of Association.

BOARD OF DIRECTORS

The Board of Directors of GRENKE AG consists of the following members:

- Ms Antje Leminsky, graduate business administration, Baden-Baden, Germany
  Chair of the Board of Directors

- Mr Gilles Christ, MBA, Wissembourg, France
- Mr Sebastian Hirsch, Bachelor of Administration (BA), Sinzheim, Germany
- Mr Mark Kindermann, graduate business administration, Bühl, Germany

The members of the Board of Directors represent GRENKE AG jointly with another member of the Board of Directors or with an authorised signatory.

The basic structure of the remuneration system for the members of the Board of Directors and the Supervisory Board and the individualised presentation of remuneration pursuant to the provisions of DRS 17 are explained in detail in the Remuneration Report, which is part of the group management report. The remuneration of the Board of Directors in accordance with Section 314 (1) no. 6 and IAS 24.17 f consists of the components in the following table, whereby short-term benefits also include customary fringe benefits.

EURK	2019	2018
Short-term benefits	2,145	2,124
Pension benefits	9	9
Other long-term benefits	0	0
Share-based remuneration	653	0
TOTAL	2,807	2,133

ADDITIONAL MANDATES OF MEMBERS OF THE BOARD OF DIRECTORS

Ms Antje Leminsky is a member of the Board of Directors of GRENKE Service AG, Baden-Baden, and member of the Supervisory Boards of GRENKE BANK AG, Baden-Baden, Testo SE & Co. KGaA, Lenzkirch and Testo Management SE, Lenzkirch. She is also Managing Director of GRENKE digital GmbH, Karlsruhe (until December 31, 2019).

Mr Gilles Christ is the Managing Director of GRENKE Management Services GmbH, Baden-Baden and GRENKELEASING Sp. Zo.o., Poznan/Poland. He is also on the Supervisory Board of GRENKE Service AG, Baden-Baden, and member of the Advisory Board of GRENKELEASING AG, Zurich, Switzerland.

Mr Sebastian Hirsch is a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden. He is also Managing Director of GRENKE digital GmbH, Karlsruhe (until December 31, 2019).

Mr Mark Kindermann is a member of the Board of Directors of GRENKE LIMITED, Dublin/Ireland, as well as the chairman of Board of Directors of GRENKE Service AG, Baden-Baden. Additionally, he is on the Supervisory Boards of Grenkefinance N.V., Vianen/Netherlands and GRENKE BANK AG, Baden-Baden. He is also a member of the Advisory Board of GRENKELEASING AG, Zurich/Switzerland, and GRENKEFACTORING AG, Basel/Switzerland.

9.7 DISCLOSURES ON NOTIFICATIONS IN ACCORDANCE WITH SECTION 33 (1) OF THE GERMAN SECURITIES TRADING ACT (WPHG)

As part of our investor relations activities, we provide comprehensive information about the Company's development. For providing information, GRENKE also makes substantial use of its website. Voting rights notifications that the Company received are published in the Investor Relation section at www.grenke.de/en/investor-relations/grenke-share/voting-rights.html in accordance with Section 40 of the German Securities Trading Act.

VOTING RIGHTS NOTIFICATIONS IN THE 2019 FISCAL YEAR

On January 9, 2019, ACATIS Investment Kapitalverwaltungsgesellschaft mbH, Frankfurt am Main, Germany, informed us according to Section 33 (1) WpHG, that on January 4, 2019, its voting rights in GRENKE AG, Baden-Baden, Germany, had exceeded the threshold of 5% and on this day amounted to 5.02% (2,325,000 voting rights).

9.8 EVENTS AFTER THE REPORTING PERIOD

No events of material importance have occurred subsequent to the end of the fiscal year.

9.9 DECLARATION IN ACCORDANCE WITH 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.de/en/investor-relations/corporate-governance/).

10. OVERVIEW OF THE GRENKE CONSOLIDATED GROUP – SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

SUBSIDIARIES INCLUDING STRUCTURED ENTITIES	REGISTERED OFFICE	EQUITY INTEREST DEC. 31, 2019, 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/Czechia	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 Sprl	Brussels/Belgium	100
Grenke Leasing Ltd.	Guildford/United Kingdom	100
GRENKELEASING Sp. z o.o.	Poznan/Poland	100

SUBSIDIARIES INCLUDING STRUCTURED ENTITIES	REGISTERED OFFICE	EQUITY INTEREST DEC. 31, 2019, IN %[1]
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. Sti.	Istanbul/Turkey	100
GRENKE RENTING LTD.	Sliema/Malta	100
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100
GRENKE Locação de Equipamentos LTDA	São Paulo/Brazil	100
GC Leasing Middle East FZCO	Dubai/UAE	100
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100
FCT "GK"-COMPARTMENT "G2"	Pantin/France	100[2]
FCT "GK"-COMPARTMENT "G3"	Pantin/France	0[2]
FCT "GK"-COMPARTMENT "G4"	Pantin/France	100[2]
Opusalpha Purchaser II Limited	Dublin/Ireland	0[2]
Kebnekaise Funding Limited	St. Helier/Jersey	0[2]
CORAL PURCHASING Limited	St. Helier/Jersey	0[2]
ASSOCIATED ENTITIES		
Cash Payment Solutions GmbH	Berlin	25.01[3]
finux GmbH	Kassel	44[3]

OTHER INVESTMENTS	REGISTERED OFFICE	EQUITY INTEREST DEC. 31, 2019 IN %	NET PROFIT IN EURK	EQUITY IN EURK
Finanzchef24 GmbH	Munich	15	–1,789[4]	59[4]

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 Significant influence is based on contractual agreements and/or legal circumstances.
4 Figures are according to most recently available financial statements (under local GAAP).

COUNTRY-BY-COUNTRY-REPORTING 2019

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 ("the GRENKE Consolidated 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 Consolidated Group is publishing the required disclosures as per December 31, 2019. This includes the disclosures required as per 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 Consolidated 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 Consolidated 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 in Germany, Switzerland, Italy and Portugal. 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 branches 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 OF THE INCOME STATEMENT ACCORDING TO IFRS:

- Net interest income excluding the settlement of claims and risk provision
- Profit from service business
- Profit from new business
- Losses from disposals
- Other operating income including intra-group income
- Other interest result including intra-group interest result

1. 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 Sprl	Brussels	Leasing
Denmark	GRENKELEASING ApS	Herlev	Leasing
Germany	GRENKE BANK AG	Baden-Baden	Banking/Refinancing
	GRENKEFACTORING GmbH	Baden-Baden	Factoring
	GRENKE Investitionen Verwaltungs KGaA	Baden-Baden	Leasing/Refinancing
	GRENKE AG	Baden-Baden	Leasing
	GRENKE Service AG	Baden-Baden	Other
	GRENKE digital GmbH	Karlsruhe	Other
	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”	Pantin	Refinancing
	FCT “GK”-COMPARTMENT “G3”	Pantin	Refinancing
	FCT “GK”-COMPARTMENT “G4”	Pantin	Refinancing
Ireland	GRENKE LIMITED	Dublin	Leasing
	GRENKE FINANCE PLC	Dublin	Leasing/Refinancing
	Opusalpha Purchaser II Limited	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
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
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
United Kingdom	Grenke Leasing Ltd	Guildford	Leasing
THIRD COUNTRIES			
Brazil	GC Locação de Equipamentos LTDA	São Paulo	Leasing
	GRENKE Locação de Equipamentos LTDA	São Paulo	Other
United Arab Emirates	GC Leasing Middle East FZCO	Dubai	Leasing
Jersey	Kebnekaise Funding Limited	St. Helier	Refinancing
	CORAL PURCHASING LIMITED	St. Helier	Refinancing
Norway	GRENKE BANK AG BRANCH NORWAY	Lysaker	Leasing
Switzerland	GRENKELEASING AG	Zurich	Leasing
	GRENKEFACTORING AG	Basel	Factoring
Turkey	GRENKE Kiralama Ltd. Sti.	Istanbul	Leasing

Country-specific information pursuant to Section 26a (1) sentence 2 points 2-6 KWG follows below. The information is provided on a country-by-country basis according to the IFRS conversion and before intercompany 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	6.9	–0.7	–0.2	0
Denmark	27	6.6	1.9	0.5	0
Germany	738	175.1	76.5	4.4	0
Finland	32	3.1	–1.5	0.0	0
France	188	47.8	18.6	6.5	0
Ireland	48	240.5	94.4	14	0
Italy	211	110.6	32.4	0.9	0
Croatia	15	1.3	–1.7	–0.3	0
Luxembourg	4	0.5	–0.2	–0.1	0
Malta	4	0.3	–0.8	–0.2	0
Netherlands	38	4.0	–0.5	–0.1	0
Austria	21	7.4	0.8	0.3	0
Poland	45	3.6	–2.2	0.0	0
Portugal	58	6.5	–0.2	0.1	0
Romania	23	1.2	–0.5	0.0	0
Sweden	23	5.1	0.5	–0.5	0
Slovakia	10	1.1	–0.3	0.0	0
Slovenia	11	0.8	–1.0	–0.2	0
Spain	74	15.4	3.3	1.1	0
Czech Republic	8	0.8	–0.1	–0.1	0
Hungary	10	0.5	–0.5	0.0	0
United Kingdom	64	28.6	9.0	1.6	0
THIRD COUNTRIES					
Brazil	32	4.6	–1.5	0.2	0
Jersey	0	3.7	0.0	0.0	0
Norway	3	5.0	–0.8	0.0	0
Switzerland	44	14.3	2.9	0.9	0
Turkey	12	0.2	–1.7	–0.2	0
United Arab Emirates	12	1.8	–1.6	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 2.0% according to Section 26a KWG (1) sentence 4.

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

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 2019, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of GRENKE AG for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the components of the combined management report specified in the appendix to the independent auditor's report.

The combined management report contains cross-references that are not required by law. In accordance with the German legal requirements, we have not audited the cross-references specified in the appendix to the independent auditor's report or the information to which the cross-references refer.

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 Section 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 2019, and of its financial performance for the financial year from 1 January 2019 to 31 December 2019, 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 regarding the combined management report does not extend to the content of the components of the combined management report specified in the appendix to the independent auditor's report. The combined management report contains cross references that are not provided for by law. Our audit opinion does not extend to the cross-references specified in the appendix to the independent auditor's report or the information to which the cross-reference refer.

Pursuant to Section 322 (3) sentence 1 HGB, 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 OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and 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). 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)(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 evidence we have obtained is sufficient and appropriate to provide a basis for our 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 judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

MEASUREMENT OF IMPAIRMENT LOSSES ON NON-PERFORMING RECEIVABLES FROM FINANCE LEASES

In respect of the accounting and measurement policies applied for non-performing receivables from financial leases, please refer to the information in Section 3.18.2 of the notes to the consolidated financial statements, 'Measurement of impairment losses on lease receivables', Section 4.2 'Claims handling and risk provisioning' and Section 5.2 'Lease receivables'.

THE FINANCIAL STATEMENT RISK

Receivables from finance leases in the amount of EUR 5,645.9 million after impairment losses on receivables of EUR 353.7 million were recognised in the consolidated financial statements of GRENKE AG. GRENKE AG applied the provisions set forth in IFRS 9 for the first time in the financial year taking into consideration the lifetime expected credit losses to measure performing and non-performing receivables.

Judgement must be exercised by management for the measurement of impairment losses on non-performing receivables from finance leases. This includes the selection of the model to be used to determine the recoverability rates, the estimation parameters used in the model and possible adjustments to the model. There is the risk for the consolidated financial statements that the calculation of impairment losses may be based on inappropriate estimation parameters and an unsuitable valuation model.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we particularly used a review and extensive substantive audit procedures for our audit opinion. We therefore performed the following audit procedures, among others.

We analysed the general suitability of the valuation model used by GRENKE AG to determine the recoverability rates and the suitability of the estimation parameters that are incorporated into the model.

In doing so, we investigated whether the key estimation parameters had been incorporated into the model to determine recoverability rates on non-performing receivables from finance leases.

Furthermore, we investigated the key estimation parameters used in the model using historical data and thus, to assess forecasting accuracy, verified the Company's retrospective review of the recoverability rates that had actually materialised.

In the course of our audit we deployed our valuation specialists.

OUR OBSERVATIONS

The valuation model is appropriate and in line with the applicable measurement policies pursuant to IFRS 9. The estimation parameters were derived appropriately.

IMPAIRMENT TESTING OF GOODWILL

In respect of the accounting and measurement policies applied, please refer to the disclosures in Section 3.8 of the notes to the consolidated financial statements, 'Goodwill'; for the related disclosures regarding judgements exercised by management and the sources of estimation uncertainties please refer to the disclosures in Section 3.18 of the notes to the consolidated financial statements, 'Use of assumptions and estimates' and for disclosures on goodwill please refer to the disclosures in the notes to the consolidated financial statements, Section 5.7 'Goodwill'.

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 106.6 million as at 31 December 2019, and at 1.5% of total assets accounts for a significant proportion of assets.

Goodwill is tested for impairment annually at the level of the cash-generating unit. In the leasing segment this cash-generating unit generally refers to the business volume represented in the respective sales regions (countries), and usually corresponds to the legal entities. For impairment testing, the carrying amount is compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, there is a need for impairment. The recoverable amount is the higher amount of fair value less costs to sell and value in use of a cash-generating unit.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These include the expected business and earnings performance of the cash-generating unit for the next five years, the assumed long-term growth rates and the discount rate used.

There is a risk for the consolidated financial statements that the measurement of shares in affiliated companies is not based on an appropriate process or on appropriate assumptions and parameters.

OUR AUDIT APPROACH

With the involvement of our valuation experts, we assessed the appropriateness of the key assumptions and calculation methods of the Company, among other things. For this purpose, we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We reconciled the growth rates recorded with the planning adopted by management for each cash-generating unit. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. Since even small changes to the discount rate can have a significant impact on the results of impairment testing, for a specific sample of cash-generating units we compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation models used, we verified the Company's calculations on the basis of a risk-based selection of cash-generating units.

OUR OBSERVATIONS

The process used by the Company for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and parameters used for measurement are within an acceptable range.

OTHER INFORMATION

Management and the Supervisory Board are responsible for the other information. The other information comprises the unaudited components of the combined management report specified in the appendix to the independent auditor's report.

The other information also comprises the other parts of the annual report.

The other information does not comprise the consolidated financial statements, the audited information in the management report and our associated independent auditor's report.

Our 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 aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited information in the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Management is responsible for the preparation of 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 Section 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, management is 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 or error.

In preparing the consolidated financial statements, management is 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, management is 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, management is 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 misstatements, 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 Section 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) 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 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 Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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 management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 related safeguards.

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 REQUIREMENTS

OTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor in the shareholders meeting on May 14, 2019. We were engaged by the supervisory board on September 27, 2019. We have been group auditors for GRENKE AG since the financial year 2018.

We confirm that the opinions enclosed in this auditor's report comply to the additional report to the supervisory board pursuant to Article 11 of the EU Audit Regulation (long form auditor´s report)

In addition to the audit of the consolidated financial statements and the combined management report, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

- Reasonable assurance engagement according to ISAE 3000 concerning Specific Procedures with regard to Lease Contracts of GRENKE AG in the 4th quarter 2018 and 1st quarter 2019
- Reasonable assurance engagement according to ISAE 3000 concerning Specific Procedures with regard to Lease Contracts of GRENKE AG in the 2nd quarter 2019 and 3rd quarter 2019
- Comfort Letter for the update of the EUR 5,000,000,000 Debt Issuance Program
- Comfort Letter for the EUR 75,000,000 Perpetual Non-cumulative Notes
- Review under IDW PS 900 (no review under Section 115 WpHG [Wertpapierhandelgesetz: Securities Trading Act] of the condensed interim consolidated financial statements and the interim group management report for quarters one to three 2019 of GRENKE AG under [Wertpapierhandelgesetz: Securities Trading Act] under basis for accounting.
- Audit of the financial statements of GRENKE AG as of December 31, 2019

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Bauer.

Frankfurt am Main, January 31, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

gez. Bauer	**gez. Gallert**
Wirtschaftsprüfer	Wirtschaftsprüfer

APPENDIX TO THE INDEPENDENT AUDITOR'S REPORT: UNAUDITED COMPONENTS AND CROSS-REFERENCES OF THE COMBINED MANAGEMENT REPORT

We did not audit the following components of the combined management report:

- the corporate governance statement referred to in the combined management report, except the remuneration report which is included in the corporate governance report as part of the corporate governance statement and
- the non-financial statement contained in Section 4 of the combined management report

The following cross-references that are not required by law and the information to which the cross-references refer, not marked as unaudited disclosures in the combined management report, have not been audited by us.

- In the introduction of the combined management report: https://www.grenke.com/investor-relations/reports-downloads
- In section "2.4.5 Liquidity" of the combined management report: https://www.grenke.com/investor-relations/debt-capital/issued-bonds
- In section "8.1 Share transactions of governing bodies" of the combined management report: https://www.grenke.com/investor-relations/corporate-governance/notifiable-securities

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge and according to the applicable accounting 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 that the group management report conveys a true and fair view of business performance including financial performance and the situation of the Consolidated Group and describes the main opportunities and risks relating to the Consolidated Group's anticipated development.

Baden-Baden, January 31, 2020

Antje Leminsky
(Chair of the Board of Directors)

Gilles Christ
(Member of the Board of Directors)

Sebastian Hirsch
(Member of the Board of Directors)

Mark Kindermann
(Member of the Board of Directors)

2019 //

ANNUAL FINANCIAL STATEMENTS

OF GRENKE AG (HGB) – EXCERPTS

GRENKE AG´s complete Annual Financial Statements (HGB) are available at www.grenke.de/unternehmen/investor-relations/berichte-und-downloads.

ANNUAL FINANCIAL STATEMENTS OF GRENKE AG

FOR FISCAL YEAR 2019

GRENKE AG'S INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

EUR		2019	2018
1.	Income from leases	738,044,713.13	613,485,820.50
2.	Expenses from leases	512,095,392.32	443,391,471.42
3.	Interest income from	7,707,770.24	7,480,125.63
	a) Lending and money market transactions	7,707,770.24	7,480,125.63
	thereof: Negative interest income from lending and money market transactions	335,344.05	343,840.71
4.	Interest expenses	15,113,221.17	13,713,298.56
	thereof: Positive interest income from lending and money market transactions	335,344.05	343,840.71
5.	Current income from	55,000,000.00	46,000,000.00
	c) Investments in associated companies	55,000,000.00	46,000,000.00
6.	Income from profit transfer agreements	10,584,090.51	10,305,721.36
7.	Commission expenses	14,222,953.22	8,382,596.99
8.	Other operating income	61,447,037.67	47,953,701.40
9.	General and administrative expenses	96,075,536.95	87,222,413.80
	a) Staff costs		
	aa) Wages and salaries	22,611,254.05	27,018,309.61
	ab) Social security contributions and expenses for pensions and other employee benefits, thereof: for pensions EUR 91,376.88 (previous year: EUR 95,849.71)	3,089,750.78	4,327,958.78
	b) other administrative expenses	70,374,532.12	55,876,145.41
10.	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	177,859,897.90	128,059,539.52
	a) on lease assets	172,411,339.37	122,868,858.10
	b) on intangible assets and property, plant and equipment	5,448,558.53	5,190,681.42
11.	Other operating expenses	169,736.27	378,194.75
12.	Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business	4,866,444.18	7,910,556.47
13.	Write-downs and impairments on other investments, investments in associated companies and securities treated as fixed assets	0.00	3,959,000.00
14.	Expenses from the transfer of losses	3,178,194.89	1,071,840.42
15.	**RESULT FROM NORMAL BUSINESS ACTIVITY**	**49,202,234.65**	**31,136,456.96**
16.	Extraordinary expenses	7,981,601.11	0.00
17.	Extraordinary result	–7,981,601.11	0.00
18.	Income taxes	–75,298.11	297,865.34
19.	Other taxes	2,825,128.55	352,890.76
20.	**NET PROFIT**	**38,470,803.10**	**30,485,700.86**
21.	Profit carryforward from previous year	5,964,767.31	12,562,200.85
22.	**UNAPPROPRIATED SURPLUS**	**44,435,570.41**	**43,047,901.71**

GRENKE AG'S STATEMENT OF FINANCIAL POSITION AS PER DECEMBER 31, 2019

EUR		DEC. 31, 2019	DEC. 31, 2018
1.	Cash reserves	100,001,125.51	145,000,062.56
	a) Cash on hand	1,125.51	62.56
	b) Cash deposit at central banks thereof: at Deutsche Bundesbank EUR 100,000,000.00 (previous year: EUR 145,000,000.00)	100,000,000.00	145,000,000.00
2.	Receivables from credit institutions	74,642,586.06	71,475,967.92
	a) due on demand	24,642,586.06	21,475,967.92
	b) other receivables	50,000,000.00	50,000,000.00
3.	Receivables from customers	44,337,943.60	42,766,729.04
4.	Investments in associated companies	527,220,743.66	468,098,077.79
	a) in banks	236,272,355.82	166,272,355.82
	b) in financial services institutions	7,934,042.59	27,115,089.71
	c) others	283,014,345.25	274,710,632.26
5.	Lease assets	538,304,724.42	389,441,766.36
6.	Intangible assets	1,760,350.00	2,202,307.00
	b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets	1,760,350.00	2,202,307.00
7.	Property, plant and equipment	22,969,416.79	21,563,813.87
8.	Other assets	37,805,239.78	37,692,335.46
9.	Prepaid expenses	26,620,627.47	20,796,275.15
	TOTAL ASSETS	1,373,662,757.29	1,199,037,335.15

GRENKE AG'S STATEMENT OF FINANCIAL POSITION AS PER DECEMBER 31, 2019

EUR		DEC. 31, 2019	DEC. 31, 2018
1.	Liabilities to banks	1,946,354.87	19,390.66
	a) repayable on demand	222,361.97	19,390.66
	b) with agreed term or notice period	1,723,992.90	0.00
2.	Liabilities to customers	37,239,606.19	34,892,589.98
	b) other liabilities		
	ba) repayable on demand	4,353,867.62	2,198,261.57
	bb) with agreed term or notice period thereof: to financial services institutions: EUR 32,885,738.57 (previous year: EUR 32,694,328.41)	32,885,738.57	32,694,328.41
3.	Other liabilities	204,032,707.46	172,483,386.76
4.	Accruals and deferrals	452,847,665.31	383,263,166.92
5.	Provisions	4,369,398.41	11,539,444.48
	b) tax provisions	55,766.47	6,887,561.48
	c) other provisions	4,313,631.94	4,651,883.00
6.	Subordinated liabilities	200,000,000.00	125,000,000.00
7.	Equity	473,327,025.05	471,839,356.35
	a) Subscribed capital	46,353,918.00	46,353,918.00
	b) Capital reserves	295,335,739.21	295,335,739.21
	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	87,048,353.78	87,048,353.78
	d) Unappropriated surplus	44,435,570.41	43,047,901.71
	TOTAL LIABILITIES AND EQUITY	**1,373,662,757.29**	**1,199,037,335.15**
1.	Contingent liabilities		
	b) Liabilities from guarantees and indemnity agreements	9,150,348,558,89	7,560,139,215,94

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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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July 30, 2020 //	Financial report for the 2nd quarter and half-year of 2020
October 2, 2020 //	New business figures for 9M 2020
October 29, 2020 //	Quarterly statement for the 3rd quarter and first 9 months of 2020

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