GRENKE

2023

ANNUAL REPORT

Group key figures

	UNIT	2023	2022	Change (%)
NEW BUSINESS LEASING	EURK	2'581'265	2'299'153	12.3
DACH	EURk	625'301	571'402	9.4
Western Europe (without DACH)	EURk	683'534	600'035	13.9
Southern Europe	EURk	595'681	571'073	4.3
Northern/Eastern Europe	EURk	524'736	427'161	22.8
Other regions	EURk	152'013	129'482	17.4
CONTRIBUTIONS MARGIN 2 (CM2) ON NEW BUSINESS LEASING	EURK	426'312	369'606	15.3
DACH	EURk	80'861	68'637	17.8
Western Europe (without DACH)	EURk	117'428	103'550	13.4
Southern Europe	EURk	102'470	93'611	9.5
Northern/Eastern Europe	EURk	93'691	77'719	20.6
Other regions	EURk	31'862	26'088	22.1
FURTHER INFORMATION LEASING				
Number of new contracts	units	291'689	268'689	8.6
Mean acquisition value	EUR	8'849	8'557	3.4
Mean term of contract	months	49	48	2.1
FURTHER INFORMATION LEASING PORTFOLIO				
Volume of leased assets per end of period	EURk	9'414'817	9'059'311	3.9
Number of current contracts per end of period	units	1'048'868	1'020'474	2.8
NEW BUSINESS FACTORING	EURK	838'558	784'206	6.9
DACH	EURk	295'554	296'987	–0.5
Southern Europe	EURk	183'024	148'545	23.2
Northern/Eastern Europe	EURk	359'979	338'674	6.3
NEW BUSINESS GRENKE BANK AG				
SME lending business incl. microcredit business	EURk	45'021	51'066	–11.8

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

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

Consolidated franchise companies:
Leasing: Canada (3 x), Chile, Latvia

	UNIT	2023	2022	Change (%)
INCOME STATEMENT				
Interest and similar income from financing business	EURk	467'412	413'513	13.0
Expenses from interest on refinancing and deposit business	EURk	128'879	69'000	86.8
Settlement of claims and risk provision	EURk	90'829	120'437	–24.6
Total operating expenses	EURk	309'540	279'195	10.9
Operating result	EURk	112'914	97'978	15.2
Group Earnings before Taxes	EURk	110'403	111'033	–0.6
GROUP EARNINGS	EURK	86'714	84'184	3.0
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	EURK	83'248	81'307	2.4
NET PROFIT ATTRIBUTABLE TO HYBRID CAPITAL HOLDERS	EURK	9'068	9'068	0.0
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	EURK	–5'602	–6'191	9.5
Earnings per share (basic and diluted)	EUR	1.79	1.75	2.3
Cost Income Ratio	percent	59.2	55.2	4.0 pp
Staff cost	EURk	176'007	149'067	18.1
of which total remuneration	EURk	144'468	122'637	17.8
of which fixed remuneration	EURk	126'009	102'469	23.0
of which variable remuneration	EURk	18'459	20'168	–8.5
Average number of employees in full-time equivalent (FTE)	employees	2'068	1'878	10.1

	UNIT	Dec. 31, 2023	Dec. 31, 2022	Change (%)
STATEMENT OF FINANCIAL POSITION				
Total assets	EURm	7'100	6'413	10.7
Lease receivables	EURm	5'700	5'244	8.7
Deposit volume GRENKE Bank	EURm	1'617	1'151	40.5
Equity pursuant to statement of financial position*	EURm	1'355	1'332	1.7
Equity pursuant to CRR	EURm	1'182	1'188	–0.5
Equity ratio	percent	19.1	20.8	–1.7 pp
Embedded value, leasing contract portfolio (excl. equity before taxes)	EURm	484	482	0.4
Embedded value, leasing contract portfolio (incl. equity after taxes)	EURm	1'689	1'664	1.5

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

Contents

Our Board of Directors

DR SEBASTIAN HIRSCH

- Chief Executive Officer and interim Chief Financial Officer since February 16, 2023
- Areas of responsibility: IT & Digitalisation, ESG, Corporate Communications, Investor Relations, Property & Facility Management, as well as CFO responsible for Controlling, M&A, Treasury & Corporate Finance, Accounting & Taxes
- Career: Born in 1981 | Graduate of Economics | MA in Banking & Finance | Board of Directors | GRENKE BANK AG 2011 – 2013 | Authorised Signatory for GRENKE AG 2013 | Member of GRENKE AG Board of Directors since 2017 | Doc¬torate degree 2021 | Chair of GRENKE AG Board of Directors since February 2023

GILLES CHRIST

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

ISABEL RÖSLER

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

GRENKE

2023

INTERVIEWS WITH THE BOARD OF DIRECTORS

INTERVIEW WITH

DR SEBASTIAN HIRSCH

Chief Executive Officer

WATCH THE VIDEO HERE

INTERVIEW WITH

GILLES CHRIST

Chief Sales Officer

WATCH THE VIDEO HERE

INTERVIEW WITH

ISABEL RÖSLER

Chief Risk Officer

WATCH THE VIDEO HERE

INTERVIEW WITH

DR. MARTIN PAAL

Lead of the Finance Division

WATCH THE
VIDEO HERE

Letter from the CEO

Dear Shareholders, Ladies and Gentlemen

Together, we achieved the turnaround in the 2023 financial year. After three years marked by the coronavirus slump, we are returning to the strong level of new business achieved in 2019 and the growth momentum of previous decades. More importantly, our leading indicator for profitability, the CM2 margin, is back at our target level of around 17 percent.

We have managed to control the effects of inflation with a comprehensive set of measures: We provided our employees with added financial support. We built more flexibility into our condition models, enabling us to hold our own against the competition. Meanwhile, we have fully priced in the rapidly rising interest rates and passed them on to the market.

Based on our proven business model, which continues to possess considerable potential, we systematically pursued our course of realignment and consolidation in 2023. In addition to optimising our internal processes and the interfaces to our markets and partners, we particularly focused on the further digitalisation of our value chain and the integration of our franchise companies. Although these projects have not yet been completed, we were able to make significant progress during the past year.

We achieved an important milestone with a double premiere: On September 22, we placed our first green bond. In terms of refinancing, this move reflects the increasing proportion of lease objects in the green economy and our leading role in the climate-friendly transformation of SMEs. With this green bond, we also made the leap into the "benchmark" class of the capital market with a volume of half a billion euros. This is a great triumph for GRENKE because, in view of our ambitious growth targets, we want and need to grow into this Champions League of refinancing.

Top performance and new records have been and will always be "the norm" for GRENKE. In 2023, for example, we achieved new business of around EUR 2.6 billion, including a strong fourth quarter with over EUR 730 million in new business. Although growth of 12.3 percent compared to the previous year was just short of the lower end of our guidance, what is much more important is that we were able to increase our contribution margin by 15.3 percent, even with our strong new business growth. The margin expansion was driven mainly by our established core markets in Europe.

Demand for leasing continues unabated, especially in the small-ticket segment for volumes up to around EUR 25,000, where we are the international leader thanks to our presence in more than 30 countries. We want to make leasing as easy and natural as online shopping is today, particularly through the seamless digitalisation of our processes, all the way through to our reseller partners and end customers. The investment in the innovative lease portal "Miete 24" represents an important milestone in this strategy.

Leasing is not only popular due to its fundamental liquidity advantages, it is also continuously growing in qualitative terms through ever greater diversification into new product groups. Next to digitalisation, green economy products also count among the strongest growth drivers at GRENKE. These products represent 17 percent of our leasing volume. And the trend is rising.

GRENKE's strategy is geared towards long-term and sustainable growth. At the same time, we are paving the way for the future with pioneering investments in our digitalisation programme. This is why our net profit grew 3 percent from EUR 84.2 million to EUR 86.7 million in the past financial year. A key element of our growth strategy is a reliable dividend policy. For years now, the payout ratio has been around 25 percent of Consolidated Group net profit. The vast majority of our earnings however remain in the Company to strengthen our equity. This helps to enhance our competitiveness and create the financial base for expanding our market share and tapping into new markets. Continuing this track record, the Board of Directors and Supervisory Board are recommending a dividend of EUR 0.47 per share to the Annual General Meeting. In the current 2024 financial year, we expect to generate new leasing business Group-wide in the range of EUR 3.0 billion to EUR 3.2 billion and net profit of EUR 95 million to EUR 115 million.

With the launch of our share buyback programme in February 2024, we are taking advantage of an attractive investment opportunity for our existing shareholders based on the GRENKE share price at the turn of the year. With the approval of the German Federal Financial Supervisory Authority (BaFin), we will repurchase up to 2,317,695 treasury shares up to a maximum value of EUR 70 million, corresponding to 5 percent of the share capital existing at the time of the authorising resolution of the Annual General Meeting. The equity base required for our growth remains secure, not least thanks to our consistent retention of profits.

In order to better leverage our potential, we developed a growth strategy last year that is strongly differentiated in terms of regions and sectors. In line with this, our revised focus in the developed markets will be primarily on high-margin business and efficiency in the future. In our new markets, on the other hand, especially the USA, we are concentrating on expanding our market position.

Our decision to sell the loss-making factoring segment will also help us to concentrate our resources on the successful leasing business. The synergies we had hoped for when we entered the factoring business more than ten years ago have not materialised.

As the best prerequisite for at least another successful decade, the development of a comprehensive strategy was one of my main personal goals in this first year as CEO of GRENKE. This strategy incorporates the outstanding expertise of our managers and current technological developments with their opportunities as well as their risks. It also however takes into account the structural changes at our sales partners and the behaviour of our customers.

A cascading, transparent target architecture for our leasing business is now also an integral component. This links the various levels of our strategy, starting with the global capabilities of our Team GRENKE, our Leasing Intelligence process landscape and our markets with the customer focus on small-ticket investments through to our financial performance to increase the value of the Company. The latter is additionally supported by the future holistic linking of business volume, contribution margin 2, costs and risk-oriented underlying equity. This is due to the fact that we are also increasingly focusing on a return-on-equity analysis for our internal management.

With this combination, we have set ourselves up for the future with a highly motivated GRENKE team, to whom I would like to express my deep gratitude on behalf of my colleagues on the Board of Directors. This is in addition to our strategy, which offers us the very best growth potential – until 2030 and beyond.

Sincerely

Dr Sebastian Hirsch
CEO

Report of the Supervisory Board

Jens Rönnberg WP/StB

Chair of the Supervisory Board

Dear Shareholders,

It is a great pleasure for me to address you in this Supervisory Board Report for the first time as Chair of the Supervisory Board. However, I would first like to thank my predecessor, Prof Dr Ernst-Moritz Lipp, who retired as a member and Chair of the Supervisory Board of GRENKE AG in May 2023 after many successful years, for his achievements and valuable collaboration. He leaves behind a well-ordered house. He also supported the Supervisory Board and me personally with all his knowledge and experience during the changes that took place in the Supervisory Board. Thank you, Prof Dr Lipp! On behalf of the entire Supervisory Board, I wish you all the best for the future and a well-deserved retirement.

The year 2023 was another successful financial year for us. GRENKE AG achieved its 2023 targets, generating new leasing business of EUR 2.6 billion and a net profit of EUR 86.7 million. This is quite an achievement given a market environment that was extremely challenging due to sharply rising interest rates, troubling geopolitical events and lingering recessionary concerns.

The past financial year was characterised by ongoing measures by central banks to combat high inflation. The ECB increased its benchmark rate on six occasions by a total of 200 basis points, with rates peaking at 4.5 percent on September 20, 2023. The last time the benchmark rate was at this level in the eurozone was in May 2001. At the same time, the US Federal Reserve raised its refinancing rate by 100 basis points, from 4.5 percent in December 2022 to 5.5 percent as of July 2023. The Bank of England also raised its benchmark rate in five steps, from 3.5 percent in December 2022 to 5.25 percent as of August 2023 due to persistently high inflation. The currently slightly declining but still high inflation and the significant rise in interest rates are weighing on the economy. This is evident from the stagnation in gross domestic product in both the EU and Germany. However, the suspension of further interest rate hikes by the ECB, the Fed and the Bank of England in the fourth quarter of 2023 marks the first step towards a stabilisation in monetary policy, which could have a positive impact on investment and consumer behaviour.

We successfully overcame these challenges in the past financial year and demonstrated the high resilience of our business. Our operations are highly profitable with stable margins, and we continued to achieve strong growth in the reporting year. In light of our success, I look forward to the 2024 financial year and beyond with great confidence.

Cooperation between the Supervisory Board and Board of Directors

During the reporting year, the Supervisory Board fully performed the duties incumbent upon it in accordance with the law, Articles of Association and Rules of Procedure. We monitored and advised the Board of Directors in its management of the Company based on detailed written and oral reports. The cooperation was always trusting and comprehensive. In addition, there was a regular exchange of information between the Chair of the Supervisory Board (until May 16, 2023 with Prof Dr Ernst-Moritz Lipp, thereafter with me) and the Chair of the Board of Directors as well as the other members of the Board of Directors. In this way, the Supervisory Board was always informed about all relevant developments, events and decisions in the GRENKE Group. In the past financial year, discussions between the Supervisory Board and the Board of Directors focused on the areas of acquisitions and investments, refinancing, compliance, the risk situation and risk management, controlling, human resources, cost development, sustainability, digitalisation and cybersecurity. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the Company and discussed them intensively and in detail with the Board of Directors. For decisions or measures of the Board of Directors requiring Supervisory Board approval by law, the Articles of Association or the Rules of Procedure, these were submitted to us by the Board of Directors on time for resolution.

Any indications of conflicts of interest on the part of members of the Board of Directors and Supervisory Board were disclosed immediately and in full to the Chair of the Supervisory Board during the reporting period.

When taking up his position, Member of the Supervisory Board Nils Kröber informed the Chair of the Supervisory Board of a conflict of interest due to ongoing consultancy work for Wolfgang Grenke. This conflict of interest continued to exist in the 2023 financial year. Nils Kröber did not participate in agenda items of Supervisory Board meetings that concerned the area of a possible conflict of interest. Nils Kröber discloses conflicts of interest in connection with activities for Grenke Beteiligung GmbH & Co. KG and other members of the Grenke family company.

As a limited partner of Grenke Beteiligung GmbH & Co. KG and son of Company founder Wolfgang Grenke, Moritz Grenke informed the Chair of the Supervisory Board of the resulting conflict of interest prior to his election to the Supervisory Board. Moritz Grenke did not participate in agenda items of Supervisory Board meetings that were in the area of the potential conflict of interest. Moritz Grenke indicated and disclosed that such conflicts of interest included matters in connection with his role at Grenke Beteiligung GmbH & Co KG and as a member of the Grenke family.

No conflicts of interest were reported to the Supervisory Board by the Board of Directors during the reporting period. At the Supervisory Board meeting on October 16, 2023, the Board of Directors informed the Supervisory Board that it had dealt with the issue of conflicts of interest and that there are currently no conflicts of interest among the Board of Directors.

Composition and responsibilities of the Board of Directors

The Board of Directors consisted of the following three members in the 2023 financial year: Dr Sebastian Hirsch (Interim Chair of the Board of Directors and CFO until February 15, 2023, Chair of the Board of Directors and Interim CFO as of February 16, 2023), Gilles Christ (CSO) and Isabel Rösler (CRO).

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

Composition of the Supervisory Board

With the conclusion of the Annual General Meeting of GRENKE AG on May 16, 2023, the terms of office of Supervisory Board members Prof Dr Ernst-Moritz Lipp and Nils Kröber expired. Prof Dr Ernst-Moritz Lipp, who had reached the age limit set by the Supervisory Board, retired from the Board as scheduled. Nils Kröber was proposed for re-election by the Supervisory Board at the Annual General Meeting and re-elected by the Annual General Meeting to the Supervisory Board until the end of the Annual General Meeting that resolves on the discharge of the Supervisory Board members for the 2027 financial year. In addition, Moritz Grenke, son of Company founder Wolfgang Grenke and limited partner of major shareholder Grenke Beteiligung GmbH & Co KG, was elected to the Supervisory Board until the end of the Annual General Meeting that resolves on the discharge of the Supervisory Board members for the 2025 financial year. As a result, and in accordance with the Articles of Association, the Supervisory Board consisted of six members throughout the reporting period.

Name	Position	Supervisory Boardmember since	Current term of office until Annual General Meeting	Year of birth	Main profession	Other GRENKE internal Supervisory Board and Board of Directors mandates	Other Supervisory Board and Board of Directors mandates at public companies	Other Supervisory Board and Board of Directors mandates at non-public companies
Prof Dr Ernst-Moritz Lipp	Chair of the Supervisory Board until May 2023)	May 2003	2023	1951	Managing Partner	None	None	None
WP/StB Jens Rönnberg	Chair of the Supervisory Board (since May 2023)	November 2019	2027	1957	Auditor and tax consultant	GRENKE BANK AG (Member of the Supervisory Board)	None	Roennberg UG, Mainz (Managing Director)
Norbert Freisleben	Member of the Supervisory Board	July 2021	2027	1970	Managing Director	None	None	GANÉ AG, Aschaffenburg (Chair of the Supervisory Board); GANÉ Investment-AG, Frankfurt am Main (Chair of the Supervisory Board); Karl Häge Verwaltungs GmbH, Langenau (Managing Director)
Nils Kröber	Member of the Supervisory Board	July 2021	2028	1976	Lawyer	None	None	DeaDia Ventures GmbH, Cologne (Managing Director)
Dr Konstantin Mettenheimer	Deputy Chair of the Supervisory Board (since May 2023)	July 2021	2024	1955	Lawyer and tax consultant	None	None	TTTech Computer-technik AG, Vienna, Austria (Supervisory Board Member); Brunneria Foundation, Liechtenstein (Chair of the Board) and of Group companies; PMB Capital Limited & PMB Capital GmbH, (Executive Chairman of the Board of Directors)
Dr Ljiljana Mitic	Member of the Supervisory Board	May 2015	2024	1969	Managing Director	GRENKE BANK AG (Chair of the Supervisory Board)	Computacenter plc, London, UK (Non-Executive Director)	None
Moritz Grenke	Member of the Supervisory Board	May 2023	2026	1985	Statistician Univ.	GRENKE BANK AG (Member of the Supervisory Board)	None	None

A qualification matrix for the members of the Supervisory Board has been created to give a better overview of the individual profiles of the Supervisory Board members and to identify the requirements for potential members for succession planning. This matrix is presented in detail in the Corporate Governance Statement in Chapter 8.2.2 of this report.

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

Supervisory Board meetings

In the 2023 financial year, we held seven ordinary and four extraordinary plenary meetings. We met twice without the presence of the Board of Directors. Between meetings, we made further decisions in the form of circular resolutions. The attendance rate of members at the meetings of the Supervisory Board and its committees was 100 percent.

Date	Location/Type of meeting	Type	Prof Dr Ernst-Moritz Lipp (Chair)[1]	WP/StB Jens Rönnberg (Chair)[2]	Dr Konstantin Mettenheimer (Deputy Chair)[3]	Dr Lijljana Mitic	Norbert Freisleben	Nils Kröber	Moritz Grenke[4]	Dr Sebastian Hirsch (CEO)	Gilles Christ (CSO)	Isabel Rösler (CRO)	Dr Martin Paal (General Representative)[5]
Jan. 30, 2023	Video conference	Extraordinary meeting of the Supervisory Board	•	•	•	•	•	•		•	•	•	–
Feb. 16, 2023	Video conference	Extraordinary meeting of the Supervisory Board	•	•	•	•	•	•		–	–	–	–
Feb. 28, 2023	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•		•	•	•	–
Mar. 14, 2023	Video conference	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•		•	•	•	–
May. 15, 2023	Baden–Baden	Ordinary meeting of the Supervisory Board	•	•	•	•	•	•		•	•	•	•
May. 16, 2023	Baden-Baden	Ordinary meeting of the Supervisory Board		•	•	•	•	•	•	–	–	–	–
July 27 - 28, 2023	Zweiflingen	Ordinary meeting of the Supervisory Board		•	•	•	•	•	•	•	•	•	•
Oct. 16, 2023	Video conference	Ordinary meeting of the Supervisory Board		•	•	•	•	•	•	•	•	•	•
Nov. 03, 2023	Video conference	Extraordinary meeting of the Supervisory Board		•	•	•	•	•	•	•	•	•	•
Nov. 21, 2023	Video conference	Extraordinary meeting of the Supervisory Board		•	•	•	•	•	•	•	•	•	•
Dec. 04, 2023	Baden-Baden	Ordinary meeting of the Supervisory Board		•	•	•	•	•	•	•	•	•	•

1 until May 16, 2023
2 from May 16, 2023. Until May 16, 2023 Deputy Chair
3 from May 16, 2023
4 Member as of May 16, 2023
5 Participating as a guest

The reports of the Board of Directors and related discussions on the development of the operating business, sales, cost structure, profitability, refinancing and liquidity, as well as on the Consolidated Group's strategic direction were regular part of the ordinary Supervisory Board meetings. Other important topics included digitalisation, cybersecurity and IT strategy, and ESG.

On January 30, we convened for the first time in 2023 in an extraordinary meeting via video conference. Topics included refinancing and business development, the further development of the internal control system, the planning of IT projects, the control environment at foreign subsidiaries, and the Declaration of Conformity with the German Corporate Governance Code.

At the virtual extraordinary meeting held on February 16, we complied with the request of the former Chair of the Board of Directors, Michael Bücker, to leave the Company permanently as of February 28, 2023. Prior to this, Michael Bücker's appointment was revoked for a limited period on November 21, 2022 until February 28, 2023 for health reasons. We also appointed Dr Sebastian Hirsch as Chair of the Board of Directors with immediate effect. Dr Hirsch had already been serving as CEO on an interim basis. Following his appointment as Chair, he retained his duties as Chief Financial Officer on an interim basis.

At the ordinary meeting on February 28 in Baden-Baden, the auditors from BDO AG reported on the current status of the audit. We also took note of and approved the agenda for the Annual General Meeting. We passed resolutions on the proposal for the appropriation of unappropriated surplus and on the proposals for the elections to the Supervisory Board. The Board of Directors presented the budget for the current financial year and a multi-year plan (including IT investment). As part of the discussion on the costs and the impact of digitalisation, the establishment of a digitalisation committee was discussed. Personnel issues were also elaborated. Finally, the chairs of the Supervisory Board committees reported on their work to the plenary session.

The ordinary Supervisory Board meeting on March 14 was held as a video conference. It included the report of the Chair of the Audit Committee as well as the adoption of the annual financial statements and approval of the consolidated financial statements, including the management report and the non-financial statement. Resolutions were also passed on the bonuses of the members of the Board of Directors. In addition, a resolution was passed to establish the Digitalisation Committee for a limited period starting April 1, 2023 and ending with the 2026 Annual General Meeting. At the same time, the Supervisory Board decided to continue to address digitalisation in the entire body.

At the ordinary meeting on May 15 in Baden-Baden, the operating business, sales, cost development, profitability, as well as refinancing, liquidity and digitalisation were discussed in plenary sessions after the status update on these topics by the Board of Directors. The committee chairs then explained the current status of the committees' work. The Chair of the Nomination Committee presented the results of the efficiency and competence review of the Board of Directors and Supervisory Board, including the resulting suggestions for improvement developed by the committee. These suggestions were then discussed by the full Supervisory Board.

On May 16, we held an internal Supervisory Board meeting without the members of the Board of Directors. The Supervisory Board elected Jens Rönnberg WP/StB from among its members as the Chair of the Board of Directors. Dr Konstantin Mettenheimer was elected Deputy Chair. In addition, the members of the elected committees were elected: Norbert Freisleben (Chair), Jens Rönnberg WP/StB and Dr Konstantin Mettenheimer comprising the Audit Committee; Dr Liljana Mitic (Chair), Dr Konstantin Mettenheimer and Jens Rönnberg WP/StB comprising the Nomination Committee; Dr Konstantin Mettenheimer (Chair), Norbert Freisleben and Moritz Grenke, comprising the Risk Committee; Nils Kröber (Chair), Norbert Freisleben and Dr Liljana Mitic comprising the Remuneration Control

Committee; and Dr Liljana Mitic (Chair), Nils Kröber and Moritz Grenke comprising the Digitalisation Committee.

On July 27–28, we held a two-day strategy meeting in Zweiflingen, Germany, together with the Board of Directors. The Board of Directors reported on their current strategy work. Topics of in-depth discussions included the personnel strategy, sales channels and objects, opportunities arising from digitalisation activities, a megatrend map showing further sales development opportunities, green bonds, and the ESG footprint. The topic of ESG, its management and the implementation of measures to increase sustainability were discussed and debated in detail by the Supervisory Board. The Board of Directors also provided status updates on refinancing, liquidity, risk management and digitalisation, which were discussed in plenary sessions. The committee chairs also presented the current status of the committees‘ work.

The ordinary meeting on October 16 via video conference focused on the initial outlook for 2024 planning and multi-year planning as well as cost trends. The Board of Directors also provided insight into sales planning, which included a discussion on introducing cross-regional hubs. Following each report from the committees, the status of the acquisitions of the franchise companies was discussed. Nils Kröber and Moritz Grenke departed the meeting with the introduction of this agenda item due to a potential conflict of interest.

At the extraordinary meeting on November 3, held as a video conference, the Board of Directors provided information on utilising a share buyback as a potential capital market measure, which was then discussed in plenary session. This was followed by a discussion on investments and a status report on new business development.

At an extraordinary meeting on November 21, we approved the Board of Directors‘ resolution to apply for the approval of a share buyback programme in order to make use of the authorisation to acquire treasury shares granted by the Annual General Meeting on August 6, 2020. The execution of the share buyback programme is subject to the approval of the German Federal Financial Supervisory Authority (BaFin) in accordance with Articles 77 and 78 CRR.

At our ordinary meeting on December 4 in Baden-Baden, we had an in-depth discussion with the Board of Directors on sales, cost development, and refinancing. There was also a detailed discussion about corporate strategy, cybersecurity, and the status of the digitalisation programme. This was followed by a briefing on the target/actual status for the current financial year and the planning for the coming years. The balance sheet and capital planning were also approved. The Supervisory Board and Board of Directors then reviewed the Rules of Procedure and discussed possible amendments. The committee chairs also reported from the respective committees and informed the plenary session about the current status of their work. Finally, the agenda for the 2024 Annual General Meeting and personnel issues were discussed.

Committees of the Supervisory Board and their activities

In accordance with the legal requirements and in order to carry out our tasks efficiently, we formed committees and granted them appropriate powers in the Rules of Procedure. In the period January 1 through December 31, 2023, we had an Audit Committee, a Nomination Committee, a Risk Committee and a Remuneration Control Committee. On March 14, 2023, we resolved to set up the Digitalisation Committee for a limited period of three years to support and monitor the implementation of the digitalisation programme.

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

A detailed list of the tasks and duties of the respective committees can be found in the Rules of Procedure of the Supervisory Board on GRENKE AG's website at www.grenke.com/en/esg/governance/.

until May 16, 2023

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

from May 16, 2023

Supervisory Board member	Audit Committee	Nominating Committee	Risk Committee	Remuneration Control Committee	Digitalization Committee
WP/StB Jens Rönnberg (Chair)	Member	Member			
Dr Konstantin Metten-heimer (Deputy Chair)	Member	Member	Chair		
Norbert Freisleben	Chair		Member	Member	
Moritz Grenke			Member		Member
Nils Kröber				Chair	Member
Dr Ljiljana Mitic		Chair		Member	Chair

The Audit Committee

The Audit Committee deals with the audit of accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, and the internal audit system, as well as with the audit of the financial statements. It is also concerned with compliance, which includes the prevention of money laundering and the fight against corruption. The internal control system and compliance also include KWG compliance and the whistleblower system. The committee members have specialised, in-depth knowledge in these areas. The Audit Committee defines the focal points of the audit and reviews the auditor's independence and fee agreement.

In the 2023 financial year, the Audit Committee did not identify any issues that would call the independence of the auditor or the quality of the audit into question. The Audit Committee agreed with the auditor that the auditor would immediately inform the committee of all relevant material findings and events that came to attention during the audit. It was also agreed with the auditors that they would inform the Audit Committee and note in the audit report if any facts were discovered during the audit that revealed a misstatement in the Declaration of Conformity with the German Corporate Governance Code issued by the Board of Directors and Supervisory Board.

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

Members of the Audit Committee:

- Norbert Freisleben (Chair as of May 16, 2023)
- Jens Rönnberg WP/StB (Chair until May 16, 2023)
- Dr Konstantin Mettenheimer

Date	Location	WP/StB Jens Rönnberg (Chair)[1]	Dr Konstantin Mettenheimer	Norbert Freisleben (Chair)[2]	Moritz Grenke[3]	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler	Dr Martin Paal[3]
Feb. 27, 2023	Video conference	•	•	•		•	•	•	•
Mar. 14, 2023	Video conference	•	•	•		•	•	•	–
May. 08, 2023	Video conference	•	•	•		•	•	•	•
Jul. 26, 2023	Zweiflingen & Video conference	•	•	•		•	•	•	•
Aug. 02, 2023	Video conference	•	•	•		•	•	•	•
Sep. 27, 2023	Video conference	•	•	•		–	–	–	–
Nov. 06, 2023	Video conference	•	•	•		•	•	•	•
Dec. 21, 2023	Video conference	•	•	•	•	–	–	•	•

1 Chair of Audit Committee until May 16, 2023
2 Chair of Audit Committee from May 16, 2023 on
3 Participating as a guest

The Audit Committee met eight times in the 2023 financial year, with one meeting held partially in person in Zweiflingen, Germany. The auditor attended six meetings. The full or partial Board of Directors regularly attended the meetings. Outside of the meetings, the Chair of the Audit Committee was also in regular contact with the auditor.

The Audit Committee fulfils all the applicable requirements pursuant to Sections 107 (4) sentence 3 and 100 (5) AktG and Section 25d (9) KWG. The Audit Committee as a whole is familiar with GRENKE AG's business and the sector in which the Company operates. In the 2023 financial year, the Audit Committee consisted of Jens Rönnberg WP/StB as Chair, Dr Konstantin Mettenheimer, and Norbert Freisleben until May 16, 2023. On May 16, 2023, Norbert Freisleben was appointed Chair of the Audit Committee following the election of Jens Rönnberg as Chair of the Supervisory Board.

Jens Rönnberg WP/StB, who held the office of Chair of the Audit Committee until May16, 2023, has demonstrable expertise in the fields of accounting and auditing from his longstanding work as an auditor and tax consultant for leading law firms and renowned international organisations. Norbert Freisleben, who has chaired the Audit Committee since May 16, has demonstrable expertise in the fields of accounting and auditing from his longstanding career in accounting and auditing at a renowned auditing company. The two aforementioned members also have expertise in sustainability reporting and auditing. Dr Konstantin Mettenheimer has the necessary experience, knowledge and skills from his work as a tax consultant, business economist, lawyer and member of other audit committees. All members of the Audit Committee are independent of the Company and the Board of Directors in accordance with the German Corporate Governance Code (GCGC).

The Nomination Committee

The Nomination Committee met in three virtual meetings during the 2023 financial year. The committee primarily dealt with the support of and dialogue with the Board of Directors regarding fundamental and strategic personnel planning. It also discussed the structure and extension of Board of Directors' contracts and, when necessary, prepared contract negotiations. The Nomination Committee organised the annual competence review for the Supervisory Board and Board of Directors as well as the efficiency review for the Supervisory Board and made recommendations to the Supervisory Board in this regard. In the 2023 financial year, the committee dealt extensively with the topics of succession planning (in the Board of Directors and Supervisory Board), talent management, management development ,and diversity. Occupational health and safety (OHS) protection were also topics addressed during the reporting year. The Nomination Committee reviewed the policies of senior management for appointing and selecting individuals at the senior management level, including holders of key functions. It also reviewed the guidelines for the suitability assessment, including diversity.

Members of the Nomination Committee:
- Dr Ljiljana Mitic (Chair)
- Prof Dr Ernst-Moritz Lipp (until May 16, 2023)
- Dr Konstantin Mettenheimer (as of May 16, 2023)
- Jens Rönnberg WP/StB

All members of the Nomination Committee attended all of the committee meetings. At two meetings, individual members of the Board of Directors or the entire Board of Directors were present to discuss relevant issues such as personnel and management development.

Date	Location	Dr Ljiljana Mitic (Chair)	Prof Dr Ernst-Moritz Lipp[1]	Dr Konstantin Mettenheimer[2]	WP/StB Jens Rönnberg	Moritz Grenke[3]	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Feb. 10, 2023	Video conference	•	•		•		•	–	–
May. 08, 2023	Video conference	•	•		•		–	–	–
Oct. 30, 2023	Video conference	•		•	•	•	•	•	•

[1] until 16.5.2023
[2] from 16.5.2023
[3] Participating as a guest

The Risk Committee

The Risk Committee met three times in the 2023 financial year. It dealt with topics related to risk strategy, including risk appetite and risk tolerance. The MaRisk report was regularly presented to the committee and discussed among the committee's members. The topic of cybersecurity was also addressed and risk management, including the areas of compliance, risk controlling and internal auditing, were discussed in detail.

Members of the Risk Committee:

- Norbert Freisleben (Chair until May 16, 2023)
- Dr Konstantin Mettenheimer (Chair as of May 16, 2023)
- Prof Dr Ernst-Moritz Lipp (until May 16, 2023)
- Moritz Grenke (as of May 16, 2023)

All members of the Risk Committee were present at the three virtual meetings. The meetings were also attended by various members of the Board of Directors.

Date	Location	Norbert Freisleben (Chair)[1]	Dr Konstantin Mettenheimer (Chair)[2]	Prof Dr Ernst-Moritz Lipp[3]	Moritz Grenke[4]	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Feb. 27, 2023	Video conference	•	•	•		•	–	•
Aug. 24, 2023	Video conference	•	•		•	•	•	•
Nov. 27, 2023	Video conference	•	•		•	–	•	•

[1] Chair until May 16, 2023
[2] Chair from May 16, 2023
[3] until May 16, 2023
[4] from May 16, 2023

The Remuneration Control Committee

The Remuneration Control Committee held four meetings in the 2023 financial year. One meeting was held in person, and all other meetings were held as video conferences. The committee dealt extensively with the remuneration of the Board of Directors, in particular with the structure of the remuneration system, the determination of the criteria for variable remuneration, target achievement and bonuses, as well as the appropriateness of the remuneration system. The remuneration system for the entire workforce was also discussed, particularly with regard to key positions.

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

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

The members of the Remuneration Control Committee met once without the participation of the Board of Directors and twice with the participation of the Chair of the Board of Directors. All members attended all committee meetings.

Date	Location	Nils Kröber (Chair)	Norbert Freisleben	Dr Ljiljana Mitic	Moritz Grenke[1]	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Mar. 06, 2023	Video conference	•	•	•		–	–	–
Sep. 13, 2023	Video conference	•	•	•	•	–	–	–
Dec. 04, 2023	Baden-Baden	•	•	•	•	•	–	–
Dec. 20, 2023	Video conference	•	•	•		–	–	–

[1] Participating as a guest

The Digitalisation Committee

By resolution of the Supervisory Board on March 14, 2023, we decided to form a Digitalisation Committee for a limited period from April 1, 2023 until the 2026 Annual General Meeting. The committee supports the Supervisory Board in its promotion and monitoring of the ongoing digitalisation programme. The Digitalisation Committee held four virtual meetings in the 2023 financial year, which were attended by members of the Board of Directors and internal representatives of the digitalisation project. All committee members attended all meetings.

Members of the Digitalisation Committee:

- Dr Ljiljana Mitic (Chair)
- Norbert Freisleben (until May 16, 2023)
- Moritz Grenke (as of May 16, 2023)
- Nils Kröber

Date	Location	Dr Ljiljana Mitic (Chair)	Norbert Freisleben[1]	Nils Kröber	Moritz Grenke[2]	Dr Sebastian Hirsch	Gilles Christ	Isabel Rösler
Apr. 21, 2023	Video conference	•	•	•		•	–	•
Jul. 10, 2023	Video conference	•		•	•	•	•	•
Aug. 01, 2023	Video conference	•		•	•	–	–	–
Dec. 15, 2023	Video conference	•		•	•	•	–	–

[1] Until May 16, 2023

[2] As of May 16, 2023

ESG

On November 21, 2022, the Supervisory Board elected Dr Ljiljana Mitic as the Supervisory Board's ESG Officer. Dr Mitic is responsible in this role for advising and supporting the Board of Directors on sustainability issues and monitoring the implementation of the ESG strategy. To this end, she liaises closely with the CEO Dr Sebastian Hirsch who is responsible for ESG issues as well as with GRENKE's internal ESG committee and reports regularly to the full Supervisory Board. The Supervisory Board deals with ESG issues as a whole as a plenary session, particularly at its annual strategy meeting. The ESG officers' range of topics includes social issues, such as financial inclusion, sustainable corporate governance, environmental issues, including the circular economy, climate protection and the protection of natural resources, such as forests, water, and biodiversity, which includes the green economy object portfolio. Other topics are employee concerns and respect for human rights.

Competence and efficiency review

We regularly assess the efficiency of our activities and the activities of our committees. We carried out an anonymous review via the Supervisory Board's digital platform using a comprehensive, company-specific catalogue of questions developed in collaboration with a consulting firm. The review is adapted annually to the prevailing circumstances. The questionnaire covers a wide range of topics relating to the activities of the Supervisory Board from both a quantitative and qualitative perspective. At its meeting on May 8, 2023, the Nomination Committee evaluated the results of the efficiency review, developed initial suggestions for improvement and then presented both to the full Supervisory Board for discussion at the Supervisory Board meeting on May 15.

Discussions with investors

Like my predecessor, Prof Dr Ernst-Moritz Lipp, as Chair of the Supervisory Board, I had regular discussions with investors during the 2023 financial year. In 2023, I held three meetings with major shareholders and was also in written dialogue with them. The main topics of discussion were the strategic direction of the GRENKE Group and the remuneration system of the

Board of Directors. In our role as Chair of the Supervisory Board, Prof Dr Ernst-Moritz Lipp and I reported regularly on the content of these discussions to the full Supervisory Board.

Corporate governance and Declaration of Conformity

We regularly monitor the further development of corporate governance regulations and review their application. In accordance with Section 161 AktG, the Board of Directors and the Supervisory Board of GRENKE AG issued the Declaration of Conformity with the German Corporate Governance Code on January 30, 2024 and declared that the recommendations of the Government Commission on the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the German Federal Gazette have been and continue to be complied with, taking into account the exceptions stated in the declaration. The Declaration of Conformity with the German Corporate Governance Code adopted by the Supervisory Board and Board of Directors on January 30, 2024 is reproduced in the Corporate Governance Statement in accordance with Sections 289f and 315d HGB. The declarations of conformity and their updates are also available for a minimum period of five years on the Company's website under the Investor Relations/Corporate Governance section at www.grenke.com/en/investor-relations/corporate-governance/management/.

Training and further education programmes

In the 2023 financial year, the members of the Supervisory Board each took part in relevant training on topics such as auditing, digitalisation, data management, cloud computing, AI, cybersecurity, EU and national regulation, ESG, compliance, and remuneration systems. Furthermore, on December 15, 2023, the full Supervisory Board attended a training event organised by the auditing and consulting firm Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft mbB concerning innovations in regulation and supervisory law and current developments in accounting. The cost of the training programme was borne by the Company.

Onboarding new members to the Supervisory Board

In the 2023 financial year, Moritz Grenke was newly elected as a member of the Supervisory Board. As with prior new members, Mr Grenke participated in a structured, comprehensive induction process following his election. This process was conducted and accompanied by the Board of Directors and further supported by the vice presidents of the Risk Controlling, Compliance, Internal Audit, Digitalisation and Legal departments.

Annual and consolidated financial statements and audit

The annual financial statements of GRENKE AG and the consolidated financial statements prepared by the Board of Directors as of December 31, 2023, the combined management report of GRENKE AG and the GRENKE Group for the 2023 financial year in accordance with Sections 315 (5) and 298 (2) of the German Commercial Code (HGB), and the Board of Directors' proposal for the appropriation of GRENKE AG's unappropriated surplus were presented to the Supervisory Board in a timely manner.

The annual financial statements for the 2023 financial year and the condensed financial statements and interim management report for the first six months of the 2023 financial year were audited and reviewed by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. The financial statements of GRENKE AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and take bank accounting regulations into consideration. The audit of the annual financial statements under commercial law as of December 31, 2023 was conducted in accordance with the provisions of Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). The consolidated financial statements and the combined management report for the financial year of January 1 to December 31, 2023 were prepared in accordance with Section 315e (1) HGB on the basis of the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with German Accounting Standard No. 20. The audit of the consolidated financial statements was conducted in accordance with the provisions of Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the IDW. The annual financial statements of GRENKE AG and the consolidated financial statements of the GRENKE Group for the 2023 financial year were each issued with an unqualified audit opinion.

The Supervisory Board discussed and made a detailed examination of the annual and consolidated financial statements submitted by the Board of Directors, the combined management report and the audit reports submitted by the auditor, and the mandatory non-financial statement. The responsible auditor attended the Supervisory Board's balance sheet meeting, reported on the key findings of the audit and confirmed that the non-financial statement had been submitted on time, as required by law. The Supervisory Board also dealt with the mandatory disclosures pursuant to Sections 289a and 315a of the German Commercial Code (HGB) and the related report. The Supervisory Board examined these disclosures and explanations in the combined management report and considered these to be complete and adopted them. Following our own examination, we raised no objections to the result of the audit of the annual and consolidated financial statements by the auditor and, on March 4, 2024, adopted the annual financial statements of GRENKE AG and approved the consolidated financial statements and the combined management report of GRENKE AG. The Supervisory Board concurred with the Board of Directors' proposal for the appropriation of GRENKE AG's unappropriated profit.

The 2023 financial year was a very successful year for us. We were able to continue our strong double-digit growth trajectory successfully and highly profitably at a time of sharply rising market interest rates, a stagnating economy and persistent recessionary concerns. This performance underscores the high resilience of our business model. It also demonstrates our ability to adapt quickly and agilely to new market conditions and offer our customers the right solutions. I am fully confident that we will continue to be well positioned for the years ahead.

On behalf of the Supervisory Board, I would like to take this opportunity to thank the Board of Directors and all of the GRENKE Group employees for their strong performance in the past year. In another challenging environment, the GRENKE team has proven itself and once again achieved significant growth. I would also like to especially thank you, our shareholders, for your trust in our company, our employees and our Board of Directors. We hope you will continue to stay with us.

Baden-Baden, March 4, 2024

On behalf of the Supervisory Board

Jens Rönnberg WP/StB
Chair of the Supervisory Board

Share and Investor Relations

1. Development of the financial markets

The development of the financial markets until September 2023 was largely driven by the European Central Bank's (ECB) continued policy of raising interest rates followed by a pause in rate increases. Supply bottlenecks still existing at the beginning of the year had eased over the course of 2023, as did inflationary pressures by the year's end. The war situation in Ukraine persisted throughout the year. The outbreak of war in the Middle East in early October caused capital markets to weaken temporarily in terms of higher volatility and lower prices. Capital markets benefitted at the year's end, particularly from expectations that the ECB and US Federal Reserve would likely to cut key interest rates again in 2024.

The German DAX benchmark index opened 2023 at 13,993 points, reaching a record high of 17,003 points on December 14, and closed the year at 16,752 points for a gain of around 19 percent.

The SDAX index for smaller companies, in which GRENKE AG is also listed, opened 2023 at 11,981 points and gained around 15 percent by the year's end, closing at 13,960 points.

2. The GRENKE share

Amid the generally volatile capital market environment, GRENKE AG's shares in the 2023 financial year performed positively overall supported by solid operating results. For a large part of year, the share outperformed the SDAX. After opening at EUR 19.67 on January 2, 2023, the share initially rose to EUR 30.08 on March 1, 2023. On March 2, 2023, we announced our Digital Excellence digitalisation programme, requiring an additional investment of EUR 45 to 50 million. At the same time, we adjusted our guidance for 2024 Consolidated Group net profit. After a brief downward trend that followed until March 24, 2023, the share price recovered and reached its high for the year of EUR 32.45 on April 28, 2023. The share price declined thereafter and reached its low for the year of EUR 19.28 on October 26, 2023. Following the ECB's decision to pause further interest rate hikes at its meeting on October 26, 2023, financial market expectations were reinforced that interest rates would not rise any further. This prompted a recovery in the GRENKE share price to EUR 25.05 on December 29, resulting a price increase of around 22 percent for the year as a whole. Based on a total number of 46,495,573 registered shares, GRENKE AG's market capitalisation was EUR 1,164.7 million as of December 31, 2023.

Performance of the GRENKE share and indices (January 1 to December 31, 2023)

3. Competitive environment

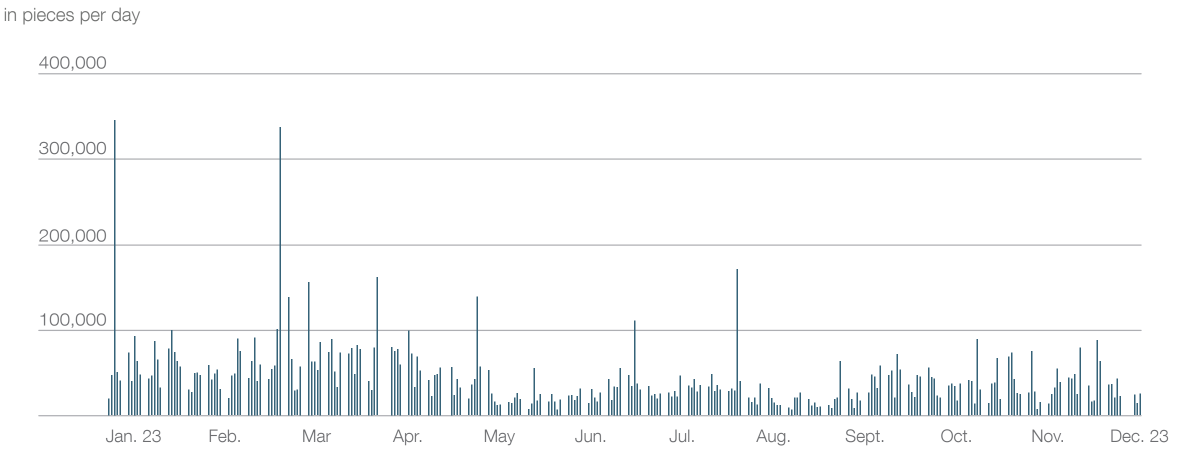
GRENKE AG's competitors include only a few listed companies, such as BNP Paribas S.A., Banca Ifis S.p.A. and ALBIS Leasing AG. Most of these competitors benefitted from the upward market trend in 2023. The number of competitors is small due to the fact that the majority of companies only operate locally and are not listed on the stock exchange. By the end of the year, the share prices of two competitors, BNP Paribas and Banca Ifis, had increased, but not as much as the gain recorded in the GRENKE share. The share price of BNP Paribas increased by around 12 percent for the year and the price of the Banca Ifis share was 19 percent higher. The increase in the GRENKE share price was 22 percent for the year. The share price of ALBIS Leasing recorded a decline of around 4 percent.

GRENKE share and competitors

4. Index membership

As of December 31, 2023 and throughout the 2023 financial year, the GRENKE AG share was listed in the SDAX, Deutsche Börse's selection index for smaller companies.

Trading volume for the GRENKE share (January 1 to December 31, 2023)



5. Trading volume

In the 2023 financial year, the average trading volume of GRENKE shares on Xetra was 43,818 shares per day. The highest daily trading volume of 344,877 shares was achieved on January 4, 2023 upon the publication of the new business figures for the fourth quarter of 2022. A further high was achieved with 336,760 shares on March 3, 2023. This followed our publication on the previous day of an ad hoc announcement adjusting our 2024 guidance due to our investment in expanding our digitalisation. The lowest daily trading volume of 6,549 shares occurred on June 8. The total trading volume of GRENKE shares on Xetra in the 2023 financial year was around 11.2 million shares.

6. Annual General Meeting and dividend policy

On May 16, 2023, GRENKE AG held its ordinary Annual General Meeting 2023 as an in-person event for the first time since the outbreak of the pandemic in 2020. With a total of 36,445,657 votes, including absentee votes, 78.4 percent of the share capital was represented at the event. The shareholders approved the proposal of the Supervisory Board and the Board of Directors to distribute a dividend of EUR 0.45 per share. This amounted to an earnings distribution of EUR 20.9 million and a payout ratio of 24.9 percent of Consolidated Group net profit. GRENKE AG has pursued a stable dividend policy for many years, which provides for the distribution of around one-quarter of Consolidated Group net profit. For the 2023 financial year, the Supervisory Board and Board of Directors will propose to the Annual General Meeting of GRENKE AG a dividend distribution of EUR 0.47 per share, corresponding to a payout ratio of 25 percent.

The longstanding Chairman of the Supervisory Board, Prof Dr Ernst-Moritz Lipp, retired from the Board as scheduled at the end of the Annual General Meeting. Jens Rönnberg, an auditor and tax consultant, was elected as the new Chairman of the Supervisory Board. More details on the composition of the Supervisory Board can be found in Chapter 8.2.2 “The Supervisory Board” in the Corporate Governance Statement.

7. Shareholder structure

As a medium-sized family business, our major shareholder, Grenke Beteiligung GmbH & Co. KG, is owned by Anneliese Grenke, the Company founder Wolfgang Grenke, and their three adult sons. As of December 31, 2023, Grenke Beteiligung GmbH & Co. KG held 36.71 percent of the Company’s shares and GREN-

KE-Stiftung held 7.16 percent. Other shareholders who held a stake of more than 3 percent as stated in the respective voting rights notifications are as follows: ACATIS Investment Kapitalverwaltungsgesellschaft mbH (5.02 percent), Investmentaktiengesellschaft für langfristige Investoren TGV (3.24 percent) and Universal-Investment-Gesellschaft mbH (5.03 percent). The free float, which Deutsche Börse defines as shareholders with shareholdings of less than 5 percent, amounted to 46.08 percent. The proportion of shares held by the Board of Directors and the Supervisory Board as at the reporting date was around 0.1 percent. The individual shareholdings of the members of the Board of Directors and Supervisory Board can be found in the table in Chapter 8.6 “Shareholdings of the Board of Directors and Supervisory Board” in the Corporate Governance Statement.

8. Analyst ratings

The GRENKE AG share was regularly evaluated by a total of six analysts in the 2023 financial year. Four analysts had a buy recommendation, one analyst a hold recommendation, and one analyst a sell (reduce) recommendation. The analysts‘ average price target on December 31, 2023 was EUR 29.92 per share, offering upside potential of 19.44 percent compared to the 2023 year-end share price of EUR 25.05.

9. Share buyback

On November 21, 2023, with the consent of the Supervisory Board, the Board of Directors resolved to apply for the approval of a share buyback programme in order to make use of the authorisation to acquire treasury shares granted by the Annual General Meeting on August 6, 2020. The implementation of the share buyback programme is subject to the approval of the German Federal Financial Supervisory Authority (BaFin) in accordance with Articles 77 and 78 of the Capital Requirements Regulation (CRR). The Company intends to buy back the shares via the stock exchange. The Board of Directors will keep the capital market informed of the progress of the programme (see Note 9.8 “Events after the reporting date” in the notes to the consolidated financial statements).

10. Investor Relations

We are in continuous dialogue with capital market participants. In the 2023 reporting year, the GRENKE AG Board of Directors and Investor Relations team took part in numerous capital market conferences and roadshows. These were held in cities such as Düsseldorf, Frankfurt, Hamburg, Helsinki, London, Munich, Vienna and Zurich, and many events were also held virtually. The Board of Directors and Investor Relations team were also in direct, personal contact with 215 investors and analysts in 139 meetings during the year (previous year: 120 meetings with 183 investors and analysts). As part of the Investor Panel, investors also had the opportunity to provide us with feedback on our capital market communications. Additionally, the chair of the Supervisory Board engaged with interested investors on topics relevant to the Supervisory Board.

We were also in contact with private investors and held two virtual and two in-person events with private investors during the reporting year. In cooperation with the German shareholder association Schutzgemeinschaft der Kapitalanleger e.V. (SdK) and the Baden-Württemberg Cooperative State University (DHBW), we also analysed the motives and decision-making criteria of private investors when buying shares in a large-scale study. According to the study, which was conducted with over 900 retail investors, the two most important decision criteria when buying shares are the company’s earnings performance and a transparent, understandable business model.

Based on this study, we focused on reducing the complexity of the presentation of our business model and held events for private shareholders for the first time with our CEO Dr Sebastian Hirsch.

In April 2023, we won the „International German PR Award 2023“ in the category „Change and Capital Market Communication“ for our crisis communication regarding a short-seller report in 2020. Since 1970, the industry association Deutsche Public Relations Gesellschaft (DPRG) has been honouring outstanding communication campaigns and, above all, the people behind them with this award. GRENKE prevailed against a strong group of applicants with more than 250 projects.

We received a top ranking in the corporate governance assessment of the German Association for Financial Analysis and Asset Management (DVFA), for the SDAX market segment in 2023. Achieving 78.08 percent of the possible points, we placed third again out of a total of 65 SDAX companies assessed.

GRENKE AG's Investor Relations team is available for enquiries both by email at investor@grenke.de and by telephone at +49 (0) 7221 5007 204. Further information on the Company and the GRENKE AG share is also available in the Investor Relations section on the Company's website (www.grenke.com). Additionally, we offer information in a wide variety of formats and media, such as interviews available on YouTube with the Board of Directors with the publication of our new business announcements.

Reference data

Symbol (Xetra / Bloomberg)	GLJ / GLJ:GR
ISIN	DE000A161N30
Market segment	Regulated market (Prime Standard)
Index	SDAX
Designated Sponsors	HSBC / ODDO BHF Corporates & Markets AG
Total number of registered shares outstanding	46'495'573.00
Class	No-par-value shares (registered shares)
Notional nominal value per share	1.00 EUR
Shareholder structure: Freefloat according to Section 2.3 of the current "Deutsche Börse Stock Indices Guideline"	46.08%
Grenke Beteiligung GmbH & Co. KG*	36.71%

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

Share data

	Unit	2023	2022	2021
CLOSING PRICE ON LAST DAY OF FINANCIAL YEAR	EUR	25.05	19.58	30.65
Highest share price	EUR	32.45	33.32	43.10
Lowest share price	EUR	19.28	17.99	24.20
MARKET CAPITALISATION	EURM	1'165	910	1'425
Earnings per share	EUR	1.79	1.75	1.94
Dividend per share*	EUR	0.47	0.45	0.51
Dividend yield*	Percent	1.88	2.30	1.66
PRICE-EARNINGS RATIO		13.99	11.19	14.97

Share prices based on XETRA closing prices
* 2023: Proposal to the Annual General Meeting

Combined Management Report

Combined Management Report

Business performance

- New leasing business exceeds previous year by 12.3 percent (2022: EUR 2.3 billion) and at EUR 2.6 billion reaches lower end of guidance (EUR 2.6 to 2.8 billion)
- Western Europe (without DACH) is strongest region in terms of volume at EUR 683.5 million (+13.9 percent year-on-year); strong growth in green economy objects
- Contribution margin 2 (CM2) amounted to 16.5 percent in the reporting year after 16.1 percent in 2022; CM2 volume grew by 15.3 percent to EUR 426.3 million after EUR 369.6 million in the prior year

Results of operations

- Consolidated Group net profit of EUR 86.7 million reached the upper end of the guidance range of EUR 80 to 90 million
- Loss rate equals 1.0 percent in line with the guidance of below 1.5 percent
- At 59.2 percent, cost-income ratio above target of just over 55.0 percent

Net assets and financial position

- Equity ratio fell as expected due to strong growth and, at 19.1 percent, clearly exceeds the long-term target of at least 16.0 percent
- Total assets in the reporting year amounted to EUR 7.1 billion after EUR 6.4 billion in the prior year

Opportunities and risks

- Strong market position thanks to diversified contract portfolio and scoring and data-driven decision processes (Scoring)
- Continued stability in lessees' payment behaviour

Guidance

- The Board of Directors expects new leasing business in the range of EUR 3.0 to 3.2 billion for the 2024 financial year
- Guidance for Consolidated Group net profit for the 2024 financial year is EUR 95 to 115 million

Combined Management Report

This combined management report for the 2023 financial year (January 1 to December 31) concerns both the GRENKE Group ("Consolidated Group") and the parent company GRENKE AG (the "Company"). It also includes the non-financial statement. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company's annual financial statements are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements and the Company's annual financial statements for the 2023 financial year are published in the Company Register (Unternehmensregister). In addition, the report on the 2023 financial year is available as a PDF document on the Company's website at www.grenke.com/investor-relations/reports-and-presentations/.

1. Group fundamentals

1.1 GRENKE at a glance

We are a global financing partner for small and medium-sized enterprises (SMEs). With our offers, we provide companies with the financial freedom to realise their investments. By leasing through us, SMEs can conserve their own liquidity. We act in accordance with our values: simple, fast, personal and entrepreneurial. Founded in Baden-Baden, Germany, in 1978, we had over 2,200 employees in more than 30 countries worldwide by the end of 2023.

GRENKE AG is the parent company of the GRENKE Group with 56 subsidiaries (per the definition of Section 290 HGB/IFRS 10). GRENKE AG is managed by the Board of Directors, consisting of three members as of December 31, 2023, and based at the Group's headquarters in Baden-Baden, Germany. The Company's Supervisory Board consists of six members, in accordance with the Articles of Association.

1.1.1 Business model and segments

We offer financial services for SMEs in the leasing, factoring and banking segments. In the reporting year, we generated 96.2 percent of the Consolidated Group's interest income from our core leasing business (previous year: 96.2 percent). We concentrated mainly on small-ticket leasing, where the ticket size is below EUR 25k. Contracts of this size accounted for more than 93 percent (previous year: also more than 93 percent) of all lease contracts in the reporting year.

The Leasing segment comprises all of the activities related to the Consolidated Group's leasing operations. The range of services includes rental, service, protection and maintenance offers, assuming financing for commercial lessees, as well as the sale of used equipment. Our specialty is primarily the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors and other peripheral equipment, software and telecommunications, as well as copy and medical technology. Nearly all lease contracts concluded are full amortisation contracts. The focus of the leasing portfolio remains IT and office communication products. IT equipment as a percentage of the total number of contracts was 28.6 percent in the past financial year (previous year: 30.6 percent). In addition, we have expanded our business model over the past few years to include other product groups, including small machinery and equipment, medical and security devices and, above all, green economy objects. Together these product groups accounted for 39.2 percent of the number of contracts in 2023 compared to 35.7 percent in the previous year. Green Economy objects include wallboxes, photovoltaic systems and, above all, eBikes.

We are able to manage our business with agility during periods of economic fluctuation by adjusting our acceptance strategy for leasing applications. By strictly focusing on low-risk new business, i.e. steering away from higher-risk industries and customer segments, we can influence the quality and quantity of our new business in a targeted manner. We also have the flexibility to bring our terms and conditions into line with the market and macroeconomic environment, as was the case during the dynamic interest rate environment in 2023. Our business model has therefore proven to be resilient in the face of market fluctuations. This has enabled us to achieve risk-adequate margins and operate profitably on a sustainable basis, even in times such as the financial market crisis in 2009 and the coronavirus pandemic in 2020 and 2021.

In the Factoring segment, we specialise in conventional factoring services within small-ticket factoring. We offer both notification factoring, in which the debtor is informed about the assignment of receivables, and non-notification factoring, in which the debtor is not informed. There is also an option for receivables management without financing (recourse factoring). In this case, the default risk for the respective receivable remains with the customer.

The factoring business‘s share of the Group‘s net interest income increased slightly to 2.9 percent (previous year: 2.6 percent). Nevertheless, the segment as a whole continued to make a negative contribution to earnings in the year 2023. In connection with the strategic review of the Factoring segment, we have therefore decided and announced in an ad hoc announcement dated January 31, 2024 that we will be separating from the Factoring segment and focusing on the leasing business. More details can be found in Chapter 9.8, „Events after the reporting date“ in the notes to the consolidated financial statements.

As a financing partner primarily for SMEs in Germany, the Banking segment comprises the majority of the activities of GRENKE Bank. In cooperation with various German federal government and individual state development banks, GRENKE Bank provides development loans to SMEs and self-employed professionals who finance new business acquisitions through leasing. The Bank’s business is primarily with German SMEs and, since 2021, has focused mainly on microcredit business conducted as part of the “Mikrokreditfonds Deutschland” funding programme. GRENKE Bank also offers fixed-term deposits for private and commercial customers via its website as well as through popular online platforms. GRENKE Bank’s market access to customer deposits gives it an important role in refinancing the Consolidated Group through purchasing lease receivables and issuing loans. Representing 29.8 percent (previous year: 24.0 percent) of the Consolidated Group’s financial liabilities, the deposit business makes a significant contribution to refinancing. The attraction of this business is also reflected in the interest rate conditions, as the deposit business accounts for just 18.8 percent (previous year: 10.8 percent) of the interest expenses for refinancing as a whole.

For information on the business development of the segments in the reporting year, please refer to Chapter 2.6 “Results of Operations” in the section entitled “Business segments” in the combined management report and Chapter 8 “Segment reporting” in the notes to the consolidated financial statements.

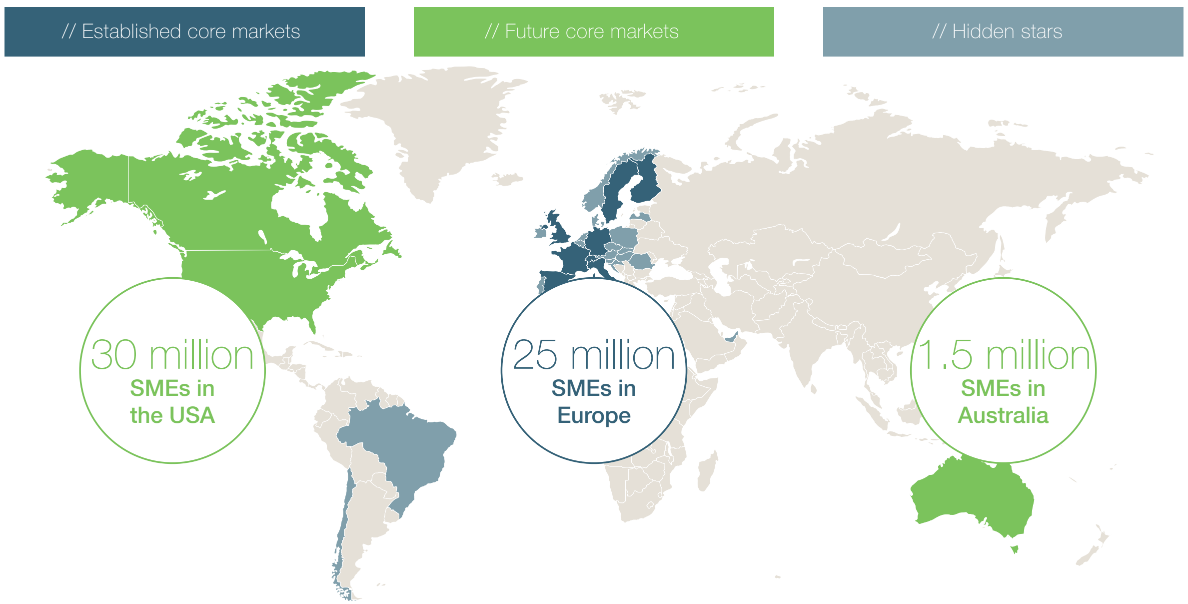
1.1.2 Sales markets and market position

With our focus on small-ticket leasing, we have defined the segment of the leasing market characterised by ticket sizes of up to EUR 25k. The object groups in small-ticket leasing fall predominantly into the categories of information technology, telecommunications technology, medical technology and bicycles.

The leasing market in Germany was estimated by the Association of German Leasing Companies (BDL) at around EUR 70 billion in new business, according to the latest available figures from the year 2022. The German leasing market is largely dominated by vehicles (passenger cars, vans, etc.), which together account for around 76 percent of the new business volume. According to BDL, leasing companies recorded sales growth of 18 percent in the first three quarters of 2023, although part of this increase can be attributable to the significant price increases in acquisition values.

According to the BDL, our relevant object groups – IT, software and cloud applications, other equipment, medical technology, intangible assets, bicycles and e-scooters – accounted for around 11 percent of the total market volume in 2022. This volume of approximately EUR 7.7 billion in new business per year includes all investment volumes and therefore ticket sizes. Growth in the IT, software and cloud applications segment picked up and reached 9 percent,. This reflects the fact that companies have recognised the urgency of digitalisation and are investing more again. New business with bicycles and e-scooters also recorded strong growth of 47 percent in 2022 and now accounts for 3 percent of new leasing business. New business with other equipment increased 22 percent, with investments renewable energy systems being particularly strong. New business in this segment, which includes photovoltaic and biogas systems, rose more than 80 percent in 2022.

Our global market potential



On the supply side, the leasing market is predominantly driven by medium-sized companies. According to a study we commissioned from INVIGORS on the competitive structure in small ticket leasing of technology products, we are one of the five leading providers in this category in Germany, together with DLL, BNP Paribas, MMV Leasing and Mercator-Leasing. The market analysis covers the object groups IT equipment and software, office equipment and photocopy technology. The results of the analysis are based on figures for 2021. We have not noticed any notable changes in the market since the analysis in both 2022 and 2023.

The most important leasing markets in Europe are predominantly served by local providers who are largely leasing subsidiaries of banks and equipment manufacturers. In contrast to us, many of these competitors are not focused on small-ticket leasing, but instead offer lease financing for cars and aircraft. On the whole, we consider BNP Paribas, DLL and Crédit Mutuel to be our major competitors across markets.

The French leasing market is dominated to a large extent by the leasing subsidiaries of the major French banks. According to a recent local study by MARKESS on the competitive structure in small-ticket leasing of technology products, we are one of the three largest providers in France alongside BNP Paribas and CCLS (Crédit Mutuel/CIC).

In Italy, we have established a strong market position in recent years, particularly in the market segments of lease financing with an acquisition volume of less than EUR 50k. According to an INVIGORS study from 2021 and the current figures of the Italian leasing association Assilea from 2023, we have also been able to maintain our market position in small-ticket leasing of technology products and count among the top three alongside BNP Paribas and DLL.

At the end of the 2023 financial year, through our Leasing segment we operated in 33 countries on five continents with a total of 132 locations. The Consolidated Group's footprint is concentrated in Europe, where we are operating in almost every country. In our three largest core markets – Germany, France and Italy – we had 31, 18 and 6 locations, respectively, at the end of the reporting year. Outside of Europe, we have entered the Asian, Australian and North and South American markets. In terms of new leasing business, 94.1 percent (previous year: 94.4 percent) of our business was generated in Europe this past financial year and 5.9 percent (previous year: 5.6 percent) outside of Europe.

1.1.3 Expansion model

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

At the end of 2023, we continued to have five franchise subsidiaries, with companies located in Chile, Canada and Latvia. We also had sales three agencies in the leasing sector in Norway and in the factoring sector in Portugal and Italy. The remaining shares in the former franchise company in Singapore were acquired during the reporting year. The shares in the former franchise companies in Ireland, the UK, Poland and Hungary were also acquired. In the case of the two Australian franchise companies, existing purchase options were exercised and the shares were acquired.

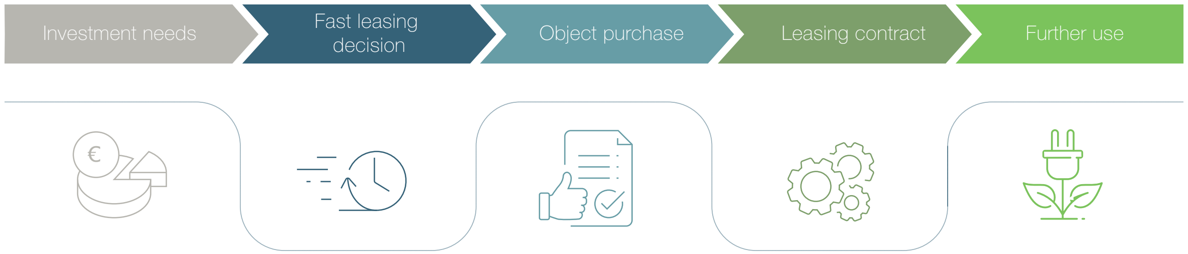
In addition to its own operating business activities, the Consolidated Group has acquired strategic interests in other companies over the past few years. GRENKE Bank, for example, acquired a 13.7 percent interest in Finanzchef24 GmbH, headquartered in Munich. The company is a digital insurance broker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

In the reporting year, GRENKE AG also acquired a 25.96 percent stake in Miete24 P4Y GmbH, based in Velten, Germany. The company has more than 10,000 fully digitalised IT products offered for lease via an online portal.

1.1.4 Business processes and services

In the leasing business, our value chain comprises the different process steps from liquidity procurement to application management, the operational processing of object purchases, as well as long-term contract management to the realisation of lease returns. The following diagram illustrates this value chain, including the investment requirement to the further utilisation of the objects, as well as the main orders of magnitude.

GRENKE value chain



We primarily utilise two sales channels in our leasing business: sales via specialist reseller partners and our direct business.

Specialist resellers, supported by our employees in local sales offices, broker financing contracts to end customers. We work with over 36,000 specialist resellers worldwide. This network serves as a multiplier for us as well as a basis for scaling our growth. We strive to avoid cluster risks by having a high degree of diversification.

As part of our direct business, we offer manufacturer- and reseller-independent leasing solutions to selected SMEs. Here we utilise our existing network of specialist resellers, while at the same time enjoying the flexibility of direct customer contact and loyalty. In the reporting year, the share of our direct business, measured by number of contracts, fell from 15.8 percent in 2022 to 14.1 percent. This is mainly due to the fact that the rapidly growing eBike business is handled by specialist reseller partners.

We are also rigorously forging ahead with the digitalisation of our offers in both channels in order to leverage the opportunities offered to increase the efficiency of internal and external processes. The eSignature process enables lease contracts to be processed entirely digitally and therefore quickly and easily, has now been implemented in 27 markets. In the reporting year, 40.1 percent (previous year: 40.5 percent) of all lease contracts were concluded using eSignature. Another digital service available in the customer portal is the sending of electronic invoices by email.

1.2 Goals and strategy

As a leading partner for small and medium-sized enterprises, we want our services to make a meaningful contribution to customers making important investments through us with leasing. We concentrate on small investment amounts, primarily up to a maximum of EUR 25k, and aim to become a global leader in this segment. Based on our growth strategy and current economic forecasts, the Board of Directors is targeting new leasing business of at least EUR 3.0 billion in the 2024 financial year. This would be the first time in GRENKE AG's history that the Company generated new leasing business of this magnitude and would form the basis for further growth. The current forecast assumes new leasing business in the range of

EUR 3.0 billion to EUR 3.2 billion, as announced in August 2023. The Board of Directors expects Consolidate Group net profit in the range of EUR 95 million to EUR 115 million for 2024. Taking into account the announced share buyback programme, the equity ratio is expected to exceed 16 percent at the end of the 2024 financial year. More details on the share buyback programme can be found in Chapter 9 “Share and Investor Relations”.

To realise our growth targets, we focus on the four core areas and implement relevant strategic measures. Managing our liquidity and refinancing also plays a pivotal role in our strategy.

Customer- and market-focused activities

- We want to strengthen our presence in line with the times with a focused business model – both regionally and nationally – as our proximity to customers and specialist reseller partners remains a core element of our brand. Digital solutions and New Work concepts with remote working capabilities are facilitating efficient and personal communication equally with all stakeholders. We are therefore currently reviewing our network of physical locations and traditional branches and adapting accordingly.
- As part of our approach, we have formed three market segments, each with its own market strategy[1]:
  - **Established Core Markets:** This segment comprises our largest and established markets. We want to grow this segment through further product diversification and consistently high market penetration. Direct customer approach will be a particular focus alongside our traditional reseller sales.
  - **Future Core Markets:** This segment consists of markets with a strong growth outlook. Here, we are investing in new growth markets and tapping into the huge market potential they offer us by establishing and expanding customer and partner relationships. In the first few years, IT and office equipment are typically the most important object categories.
  - **Hidden Stars:** This segment encompasses our smaller and newer markets that make a solid contribution to our revenue. We intend to maintain our profitable position here and are expanding our existing reseller networks and customer relationships.
- We have also identified markets from which we will withdraw due to their complexity, size and low potential, including Turkey and Singapore. In other smaller markets, such as Malta, the Czech Republic and Slovakia, we intend to leverage synergies through hub structures within the Group, for example through neighbouring national companies. We have decided to withdraw from the factoring segment and focus on the leasing business. More details on this can be found in Chapter 9.8, ”Events after the reporting date” in the notes to the consolidated financial statements.
- Our sales organisation uses a broad network of over 36,000 specialist reseller partners and a customer portfolio of over 660,000 SMEs worldwide. We are always focused on intensifying our direct sales efforts, particularly in our established markets, and on strengthening our specialist reseller network through newer object categories and ongoing digitalisation.
- In 2023, we made a strategic investment in the company Miete24 so that we could also reach potential customers via online business. A platform-like online solution is offered that, due to its integration into online shops, comes very close to a quasi-payment method. Our first step will be to increase the density of this channel by rolling out this solution in Germany in the years ahead.
- The ongoing investment requirements offer us growth opportunities in all market, above all in the areas of digitalisation and green economy with

1 Established Core Markets (Germany, France, Finland, Italy, Sweden, Switzerland, Spain, and the United Kingdom);
Future Core Markets: Australia, Canada, and the USA;
Hidden Stars: Austria, Belgium, Brazil, Chile, Croatia, Czech Republic, Denmark, Hungary, Ireland, Latvia, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, United Arab Emirates.

our customer target group. We are continuously adding to our portfolio of leasable goods and use-based contract concepts in line with the current and future investment projects of SMEs, self-employed professionals and freelancers, companies and public sector institutions. We also plan to do this in cooperation with our business partners.

Operational excellence and disciplined cost management

- Our business model involves a large number of relationships with customers and resellers that we want to manage cost-efficiently over their entire life cycle. We are always working to analyse and optimise our core operational processes, starting with immediate decision-making to simple, fast contract conclusions and fully digital process handling.
- Based on our high degree of standardisation, we want to achieve, maintain and increase our high cost efficiency when processing and administrating our more than one million active leasing contracts and over 660,000 active customer relationships ("bulk business").
- We want to maximise our efficiency in how we originate new business and in our dealings with customers and resellers, as well as when it comes to our own internal operations.

Digital excellence and automation

- We plan to fully automate and digitalise our business processes wherever reasonably possible. We place emphasis on a clear customer focus and creating the best possible customer journey. We not only aim to minimise the complexity for our target groups but also to offer a simple, fast and therefore best solution.
- The goal is to achieve an efficient mix of digital processes and personal customer contact in order to leverage the benefits of digitalisation in sales to attain operational excellence.

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

- Our focus includes new payment and contract models, such as pay-per-use contracts, and the expansion of use cases for eContracts. We have our own internal IT service provider, GRENKE digital GmbH (GdG), to efficiently help us execute our strategy in these areas.
- Onboarding and a proper KYC process are also part of an optimised digital customer journey, especially in the small-ticket businesses. The use of AI can help us collect the correct relevant data automatically and in an integrated manner.

Sustainability

- In accordance with the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda, we expanded our definition of sustainability, developed our vision and formulated our sustainability strategy with the relevant measures for the Consolidated Group.
- We want to increase the sustainability of our activities at GRENKE in a targeted manner. This includes aligning all of our business and corporate activities along the dimensions of “climate and environment” (Environmental), “social contribution” (Social) and “responsibility and trust” (Governance), or ESG for short.
- As a company, we intend to act sustainably and, above all, enable our SME customers to finance sustainable investment projects.
- An important component of this strategy is expanding our portfolio to include innovative object categories so that we can tap new market potential. These categories include objects for advancing digitalisation as well as leased assets for the expansion of a green and overall resource-saving economy. A key focus in accomplishing this remains the use and reuse of used leased assets.
- We will measure the contribution of our leasing business to sustainability using our proprietary ESG index. We will also issue sustainable-linked funding instruments for refinancing.

Liquidity and refinancing play a fundamental role in our business model and are therefore managed strategically. Maintaining a solid equity base is crucially important for our ratings and consequently, the level of interest rates and our refinancing costs. For many years, we have maintained our self-set equity ratio target of over 16 percent and have relied on the broadest and most diverse refinancing structure possible to ensure sufficient liquidity at all times. We have a wide range of instruments at our disposal that we utilise as part of our overall strategy and in line with the prevailing market conditions.

Our debt-based financing is based on three main pillars:

- senior unsecured instruments, including bonds, the current green bond, commercial paper and debentures, which are essentially based on our investment grade rating but also on our credit relationships with international banks, as well as syndicated credit lines;
- asset-based financing that includes ABCP programmes; and
- GRENKE Bank‘s deposit business.

By taking this approach, we avoid maturity transformation and thereby eliminate potential interest rate and follow-on financing risks at the portfolio level. Individual pillars of refinancing are utilised based on our requirements and the market conditions. We have been awarded investment grade ratings from both the Standard & Poor’s and Fitch Ratings rating agencies.

1.3 Management system

1.3.1 Financial performance indicators

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

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

Development of financial performance indicators

	Guidance 2023	2023	2022	2021
New leasing business (in EUR billions)	2.6 – 2.8	2.6	2.3	1.7
Net profit (in EUR millions)	80.0 – 90.0	86.7	84.2	95.2
Equity ratio	>16%	19.1%	20.8%	19.1%
Cost-income ratio (CIR)	Slightly above 55%	59.2%*	55.2%*	50.5%
Loss rate	≤ 1.5%	1.0%	1.3%	1.6%
CM2 margin	~ 17.0%	16.5%	16.1%	17.6%

* Changed calculation logic of CIR; excluding other expenses and income.

1.3.2 Performance indicators

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

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

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

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

Embedded value represents the present value of all outstanding instalments and gains from disposals after costs and risk provisioning over the remaining term of the entire portfolio. The difference between the embedded value at the beginning and at the end of a financial year represents the change in the intrinsic value. The CM2 indicates the total embedded value of the new business for a period before costs and taxes.

We use embedded value as an additional key performance indicator for two reasons: First, because expenses incurred when expanding into new markets, carrying out cell divisions, and opening new branches in existing markets are usually not immediately covered by income until after the start-up phase has ended. Second, because the internal interest in our lease receivables is largely fixed over the remaining term of a portfolio and only reflected in net interest income over the term as a result of IFRS lease accounting. At the same time, refinancing with matching maturities provides a high degree of forecasting certainty for interest expenses and therefore for the total outstanding interest result over the remaining term. With the help of embedded value-based management, we take into account future earnings contributions from new leasing business and combine two goals into one: growth in new business with an increase in net asset value.

Performance indicators leasing	**unit**	**2023**	**2022**	**2021**
CM1 margin	percent	9.8	10.0	11.4
CM2 margin	percent	16.5	16.1	17.6
Net acquisition value (NAV)	EURm	2'581.3	2'299.2	1'657.8
Expected loss/NAV	percent	5.1	5.0	4.5
Embedded value	EURm	1'689.0	1'663.6	1'596.7

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

Performance indicators Factoring	**Unit**	**2023**	**2022**	**2021**
Gross margin	percent	1.6	1.4	1.3
New factoring business	EURm	838.6	784.2	700.9

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

Performance indicators Banking	unit	2023	2022	2021
Deposit volume	EURm	1'360.8	1'236.0	1'489.9
Equity ratio	percent	21.6	23.1	22.7
Total capital ratio	percent	21.9	27.5	26.7
Leverage ratio	percent	14.1	19.3	16.2
Liquidity coverage ratio	percent	1'565.4	531.9	543.4

The respective medium-term targets for the Consolidated Group's relevant financial performance indicators as well as the forecast for the 2024 financial year can be found in Chapter 6.2 "Report on forecasts and outlook."

1.3.3 Non-financial performance indicators

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

In the 2023 financial year, we continued to forge ahead with the GRENKE Group's sustainability strategy and activities. The most important non-financial performance indicators for assessing and managing our sustainability goals were already defined as TOP KPIs in 2022. In the 2023 financial year, we added targets corresponding to the TOP KPIs defined in 2022. The diagram that follows provides an overview of our most important KPIs. We report on other non-financial performance indicators in Chapter 3.4 "Key sustainability topics" contained in our non-financial statement.

Non-financial performance indicators*

Climate & Environment	ESG products and services as % of overall portfolio
	CO_2 emissions (Scope 1, 2 and 3)
	Degree of automation in core leasing processes
Social Contribution	GRENKE Engagement Score (employee satisfaction)
	Fluctuation rate
	Number of days for employee training
Responsibility & Trust	Overall strategy awareness (OSA) score
	Share of top management positions with sustainability component in variable remuneration
	Completion rate of internal audit reviews

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

CLIMATE AND ENVIRONMENT

ESG products and services as a percentage of the overall portfolio

We are committed to making our product portfolio and leases as sustainable as possible. This is the reason we are specifically including green economy objects in our leased objects portfolio. We define green economy objects as those that contribute to a sustainable transformation of the business activities of our individual customers and the economy as a whole. Examples include objects used for renewable energy generation and storage, sustainable mobility solutions and resource management.

We want to enable SMEs to invest in their sustainable transformation. Therefore our goal is to gradually increase the share of green economy objects, measured by the net acquisition volume of the overall new leasing business. In the 2023 financial year, these objects accounted for 7.7 percent of the Group-wide new leasing business, compared to 5.7[1] percent in the previous year.

We also continued to develop the GRENKE Sustainability Index (GSI) in 2023. This index will assess the sustainability of our lease financing and is intended to provide insight into how we can make our portfolio more sustainable in the future. For more information on the GSI, please refer to Chapter 3.4.1.1 “ESG products and services”.

- TOP-KPI: Green economy objects as a percentage of the overall new leasing business portfolio (new business volume in EUR) in the financial year.

CO_2 emissions (Scope 1, 2 and 3)

In the effort to limit climate change, our goal is to achieve carbon neutrality for Scope 1 and Scope 2 emissions by 2025. We are also striving to improve the measurability of our Scope 3 emissions and reduce them further by 2025.

For the reduction of our own carbon footprint, we calculate the greenhouse gas emissions of our direct business activities (Scope 1), our indirect energy consumption (Scope 2) and our value chain (Scope 3[2]).[3]

[1] The definition of green economy objects was further developed and expanded in 2023 to include new object types such as bottled water systems. According to the previous definition, the share in the previous year was 5.2 percent.
[2] Scope 3 emissions include selected categories relevant to us in accordance with the Greenhouse Gas (GHG) Protocol.
[3] Our carbon footprint is prepared based on the data from the previous calendar year. For example, the carbon footprint for the 2023 financial year is based on the consumption and emissions data from the 2022 calendar year.

In the 2023 financial year, we significantly improved the availability and quality of data by introducing a Group-wide digital tool for recording our corporate footprint. We are continuing to work on collecting all emissions data to the fullest extent possible. The expected growth in data availability, particularly with regard to our Scope 3 emissions, may result in the short term in additional increases in our reported greenhouse gas emissions.

The following data on Scope 1 greenhouse gas emissions represent approximately 90 percent of our locations (2022: approx. 70 percent). In the 2023 financial year, Scope 1 emissions were measured at around 3,840 tonnes of CO_2 equivalent (tCO_2e) (2022: 4,492 tCO_2e). Data on Scope 2 emissions was collected for 100 percent of our locations and areas used (2022: 70 percent). In accordance with the location-based method of the GHG Protocol, Scope 2 emissions were measured at 944 tCO_2e (2022: 870 tCO_2e).

We also made progress in the financial year on the collection of our Scope 3 emissions. The reported emissions currently cover around 60 percent of our locations (2022: 30 percent) and amount to 3,119 tCO_2e (2022: 6,186 tCO_2e). The more precise emissions data basis from transport and purchased goods and services revealed a significant reduction in Scope 3 emissions, despite the increased availability of data.

In the 2023 financial year, we also reported for the first time in accordance with the spend-based method of the GHG Protocol.

A detailed explanation of the reduction measures taken is provided in Chapter 3.4.1.4 “Climate protection and adjustment to climate change”.

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

Degree of automation in the core leasing process

Given our business model as a financer of small-ticket leases, a key driver in implementing our sustainability strategy is the digitalisation of our business processes. This is especially true for the dimension of environment in terms of a conscious use of resources. It also applies however to social and governance. For example, through 24/7 availability and self-service functions, we increase the service level for our customers and partners and, at the same time, ensure our actions are legally compliant through integrated controls in these processes in an efficient manner. We aim to minimise our paper consumption in all paper-intensive processes by 2024.

We continue to measure our degree of automation based on the availability of our eSignature and eInvoice solutions, as well as the eContract ratio for new contracts. In the 2023 financial year, digital signature solutions were available in 27 countries (2022: 27 countries). The proportion of lease contracts concluded electronically via eSignature equalled 40.1 percent in the financial year (2022: 40.5 percent).

Our eInvoice digital invoicing solution continued to be available in 26 countries in the 2023 financial year (2022: 26 countries). While the focus in the 2023 financial year was on further advancing this solution in existing countries, the focus in the 2024 financial year will be on rolling out digital invoicing in Romania and Poland. In future financial years, we will work on continuously improving the measurability of the degree of automation in the core leasing process, which spans from the initial enquiry to the end of the contract.

The TOP-KPI comprises the following:

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

SOCIAL CONTRIBUTION

GRENKE Engagement Score (employee satisfaction)

Our annual employee survey serves as an important basis for evaluating our attractiveness as an employer. As of this year, we have been using detailed questions to calculate the GRENKE Engagement Score (GES). In one score, the GES measures employee satisfaction and summarises the results in the areas of engagement, identification and retention, as well as the overall satisfaction of employees with the Company. The GES is based on a scale of 1 to 7, where 1 = high satisfaction and 7 = low satisfaction. Our goal in the long term is to achieve a GRENKE Engagement Score of at least 2.2.

This year's survey resulted in a GES of 2.1 (2022: 2.0). The participation rate across the GRENKE Group was 68.4 percent (2022: 74 percent).

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

Fluctuation rate

Another indicator of sustainable human resources management and our attractiveness as an employer is the staff fluctuation rate. This reflects the retention and turnover behaviour relative to the average number of employees, excluding parental leave and unpaid absences. Our objective is to achieve a lower staff turnover rate than the financial and insurance services sector. This industry figure was around 15 percent in 2021, which means that we remained within our target range in the financial year. In the 2023 financial year, the Consolidated Group's average fluctuation rate was 9.7 percent (2022: 11.4 percent). This represented a further decline of 1.7 percentage points compared to the previous year.

- TOP-KPI: Percentage fluctuation in the reporting year, measured by retention and turnover behaviour relative to the average number of employees

Training days per employee

We offer a comprehensive range of training and further education programmes for the long-term development of our employees. We measure the utilisation of these programmes based on the average number of days each employee spent on voluntary and mandatory training in the reporting period.

We aim was to increase the average number of training days per employee to 3.5 to 4 days as early as 2023. In the 2023 financial year, the average was 3.7 days (2022: 2.9 days), with a Group-wide training ratio of 99 percent (2022: 99 percent).

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

RESPONSIBILITY AND TRUST

Overall Strategy Awareness (Score)

To best implement our corporate strategy and, in turn, our sustainability strategy, we place a high value on the approval and support of our employees. Our Overall Strategy Awareness (OSA) Score reflects the extent to which our employees identify with our strategy. We measure OSA based on questions included in our annual employee survey concerning our strategy, products and innovation. The Overall Strategy Awareness Score is determined on a scale of 1 to 7, where 1 = high awareness and 7 = low awareness. Our goal is to ensure an OSA Score of 2.5 in the long term.

OSA was essentially unchanged in the 2023 financial year, with an Overall Strategy Awareness Score relatively constant at 2.6 (2022: 2.5).

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

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

To ensure steering along our sustainability strategy across the entire Consolidated Group, we integrate sustainability components into the variable remuneration of top management. We measure this as the proportion of top management positions with variable remuneration featuring sustainability components compared to the total number of top management positions (i.e. the Board of Directors and the first and second management levels). In the 2022 financial year, variable remuneration components were linked to sustainability targets for the first time for the Consolidated Group's entire Board of Directors. This resulted in a quota of 100 percent for the Board of Directors and 1.8 percent for the Board of Directors and senior management as a whole (2022: 1.6 percent). We continue to pursue the integration of sustainability aspects into the variable remuneration of all top management.

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

Completion rate of internal audits

Maintaining and further developing a governance structure with effective processes and controls to ensure integrity and legally compliant behaviour is central to our corporate success. To accomplish this, we measure the proportion of completed audits compared to the total number of internal audits planned for the financial year throughout the GRENKE Group. Our goal was to increase the completion rate of the total number of planned audits to 75 percent by 2023, 85 percent by 2024 and 90 percent as of 2025. We already exceeded our first interim target for 2023 in the 2023 financial year. The completion rate in the 2023 financial year was 81 percent (2022: 58 percent), representing a year-on-year increase of 23 percentage points.

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

Further information can be found in the non-financial statement in Chapter 3.

1.4 Research and development

Our core capabilities include standardised and highly digitalised processes – particularly in the area of leasing – and the efficient evaluation of lease applications. We continuously optimise our software solutions and applications to maintain these capabilities. An important focus of our technical activities is the development of and migration to a suitable and secure cloud infrastructure as part of our Digital Excellence digitalisation programme. We are consistently advancing the development and implementation of automated and customer-centric processes for sales and administration. In 2023, for example, we continued to migrate data from the countries to the central customer master data management system. We also focused on expanding digital know-your-customer processes. Centrally important to this was GRENKE digital GmbH, which houses all of the digital expertise and develops system solutions for us and our partners. In 2023, GRENKE digital GmbH employed 164 people (previous year: 153).

Development costs of EUR 0.9 million (previous year: EUR 4.4 million) were capitalised in the reporting year. Amortisation of internally generated software amounted to EUR 4.4 million (previous year: EUR 4.7 million). In addition, we utilise third-party services for research and development purposes. In the 2023 reporting year, such services were mainly used in connection with IT projects and totalled EUR 13.7 million (previous year: EUR 10.5 million), of which EUR 0.3 million (previous year: EUR 1.9 million) was capitalised.

2. Economic report

2.1 Macroeconomic environment

The macroeconomic environment in 2023 was plagued by a number of challenges. Uncertainty remained high due to the Russia-Ukraine war, which has been ongoing since February 2022. The outbreak of the war between Israel and Hamas in October 2023 also brought added risks to global trade and the world economy.

The European Central Bank (ECB) initially continued its restrictive monetary policy due to a very high 8.6 percent inflation rate in the eurozone at the beginning of 2023. The eurozone's key refinancing rate was still at 2.5 percent at the beginning of the year and the deposit rate, which has since set the trend for the financial markets, was at 2.0 percent. The ECB increased the key interest rate on six further occasions by September 2023, bringing the main refinancing rate to 4.5 percent and the deposit rate to 4 percent and resulting in a challenging capital market environment. Waning inflationary pressures and the associated pause in ECB interest rate increases starting in fall 2023, brought down tension in the capital markets, allowing leading indices to record gains. The annual inflation rate in the eurozone was 2.9 percent in December 2023.

The trend in key interest rates in the United States was similar but ahead of the trend in Europe. Starting at a range of 4.25 to 4.5 percent at the beginning of 2023, the benchmark rate reached 5.25 to 5.5 percent in July 2023 following several hikes by the US Federal Reserve, and has since remained at this level.

In its estimate published at the end of January, the International Monetary Fund (IMF) assumed global growth in 2023 of 3.1 percent, surpassing initial expectations. On the demand side, positive impetus came from global consumer and government spending, which was unexpectedly high in some countries despite the global rise in interest rates. On the supply side, functioning value chains and a solid labour market supported companies‘ production conditions. In addition, falling inflation rates sent a positive signal.

Economic growth according to the IMF

Percent	2023	2022
Worldwide	3.1	3.5
USA	2.5	1.9
Euro area	0.5	3.4
Germany	−0.3	1.8
France	0.8	2.5
Italy	0.7	3.7
Spain	2.4	5.8
United Kingdom	0.5	4.3

The United States proved to be robust in 2023, with stronger growth than in the prior year. In the eurozone, the increase in key interest rates that began in 2022 took its toll, meaning that growth in the eurozone was only around one-seventh of the previous year. However, thanks to the comparatively strong growth in the vacation countries of Spain, Italy and Portugal, the euro economy was able to avoid a recession. The gross domestic product in Germany in contrast declined in 2023. According to the IMF, domestic demand weakened in Germany and export demand was not as strong as in previous years. The IMF also believes German growth suffered from the debt ceiling and the recent ruling of the Federal Constitutional Court.

The debt brake is a subject of controversial debate. According to a survey conducted in February 2024, a majority of 56 percent were in favour of maintaining the debt brake.

The sentiment indicator published by the European Commission for the eurozone economy reached 96.4 points in December 2023 compared to 96.7 points in December 2022. This showed essentially no change in the sentiment of the companies surveyed. After starting the reporting year on an upward trend, the indicator had declined to 93.6 points by September before rising again by the end of the year.

The ifo Business Climate Index, which summarises German companies‘ assessment of their current business situation and their expectations for the development over the subsequent six months, began to steadily decline in April 2023. By December 2023, the index had fallen to 86.4 points (December 2022: 88.9 points). Specifically, companies‘ assessment of their current business situation (December 2023: 88.6 points) was significantly worse than in the same month of last year (December 2022: 94.2 points). When looking to the future, however, companies are more optimistic with expectations for the next six months slightly higher year-on-year at 84.3 points (December 2022: 83.8 points). According to the ifo Institute, the energy crisis and uncertainty surrounding Germany’s financial and economic policies are likely to have had a negative impact on companies‘ assessments. In a sector comparison, companies in the construction industry in particular assessed the business situation negatively due to high interest rates and extensive regulations.

On the positive side, the shortage of materials at the beginning of the year had largely dissipated as the year progressed. While a slight decline in insolvencies was recorded in the eurozone as a whole in the third quarter, the number of insolvencies in Germany in the reporting year increased.

Amid this challenging environment, we succeeded again in continuing our growth trajectory in new leasing business in full-year 2023. We were also able to fully incorporate the ECB‘s interest rate hikes into our conditions and increase the profitability of our new business compared to last year.

2.2 Sector environment

At the time of the publication of this annual report, the Federal Association of German Leasing Companies (BDL) had not yet published any figures for the development of the German leasing market in 2023 as a whole.

The ifo Business Climate Index for the German leasing industry recorded a net increase for the full year. After a high of 31.5 points in April 2023, the index declined until the end of the year ending at 12.2 points in December 2023 (December 2022: 8.4 points). In December 2023, leasing companies gave a rating of 41.3 points for the current business situation, which was better than the rating of –13.5 points given for the expected next six-month business development. The BDL attributes the decline in the ifo Business Climate for the German leasing industry primarily to uncertainties surrounding future economic policies, high interest rates and continuing inflationary pressures.

Leaseurope, the umbrella organisation of European leasing companies, had also not yet published any data for full-year 2023 at the time of publication of the annual report. Based on the publication for the first half of 2023, new leasing business in Europe grew by 9.5 percent compared to the first half of 2022. Volume growth in the largest countries amounted to 1.1 percent in the United Kingdom, 13.4 percent in France and 12.3 percent in Germany.

2.3 Macroeconomic influences on business development

The trend in eurozone interest rates continued to influence our business in the reporting year, whereby we were able to fully price in the higher interest rates in our lease conditions. The two-year interest rate, which is particularly relevant for us due to the approximate two-year duration of our overall portfolio, was 3.3 percent at the beginning of 2023 and had risen to around 3.8 percent by mid-October. After the ECB's meeting at the end of October, which marked, the beginning of the pause in interest rate hikes, two-year capital market interest rates had fallen to 2.8 percent by year-end. In a rising interest rate environment, such as the one we experienced until mid-October, which was filled with recessionary concerns, entrepreneurs prefer to hold free liquidity as a precaution rather than use it directly for operating investments. Since leasing is an important tool for financing and lease instalments are set at the time the investment is made and the contract is concluded, it offers lessees, above all, a reliable basis for calculation, especially in times of higher interest rate expectations. The fact that rising interest rates make loans more expensive and less attractive than lease financing has also had a positive effect on the demand for leasing. At the same time, rising interest rates lead to higher refinancing rates for us as well and thus to higher costs. However, this can be priced into the lease conditions after a time lag of around one-quarter. We made adjustments in our conditions several times in response to the ECB's repeated key interest rate hikes, which ended in September 2023. By the end of 2023, we had been able to fully incorporate the interest rate increases, as key interest rates had remained unchanged in the fourth quarter and we are usually able pass on interest rate increases with a time lag of one quarter. The changes in our conditions versus the prior year when the ECB had embarked on its restrictive monetary course resulted in an improvement in the CM2 margin for 2023 as a whole.

The momentum in new leasing business increased further in the reporting year, as described in Chapter 2.5, likely as a result of companies' decisions to invest in business replacement and expansion as well as in digitalisation and green economy objects using lease financing. In contrast to lending, where liquidity flows to the borrower at the outset and is not necessarily used for investment, each leasing contract is typically based on an object necessary for operations, representing concrete medium to long-term investment demand. The payment behaviour of our leasing customers in the reporting year remained stable, see Chapter 2.6.1.

We have not been directly affected by the war in Ukraine or the sanctions against Russia, as we do not have any locations or commitments in the countries concerned. The same applies to the outbreak of the war in the Middle East, as we have no branches in Israel or in the neighbouring areas involved in the conflict.

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

2.4 Significant events and transactions

2.4.1 Significant events

In the first quarter of 2023, Dr Sebastian Hirsch took over from Michael Bücker as CEO. In a related ad hoc announcement dated February 16, 2023, we announced an agreement between the Supervisory Board and Michael Bücker, the former CEO of GRENKE AG, whose appointment had been revoked for a limited period until February 28, 2023 for health reasons. The agreement ended Mr Bücker's employment at the Company effective February 28, 2023.

Dr Sebastian Hirsch, who was already serving as interim CEO, was then appointed by the Supervisory Board on February 16, 2023 as CEO. Since his appointment as CEO, Dr Sebastian Hirsch has continued his duties as CFO on an interim basis. Dr Martin Paal, VP Controlling at GRENKE AG since June 2022, will take over as head of the finance department after a transition and familiarisation phase. Since February 16, 2023, he has been the acting Senior Vice President and deputy to Dr Sebastian Hirsch for the Finance department.

On **March 2, 2023,** we issued an ad hoc announcement about our Digital Excellence digitalisation programme and an additional investment of EUR 45 million to EUR 50 million. To continue to pursue our successful international growth and expansion strategy, we will invest in the digital optimisation of our entire value chain across more than 30 countries over the next three years. The core element of the digitalisation programme is the transformation to cloud technology. This is the largest single measure accounting for a third of the planned investment. The remaining investment funds will be used to automate all of the core processes for the leasing business. An estimated EUR 15 million were set to be incurred as additional expenditure in the 2023 financial year.

The aim of the Digital Excellence programme is to digitalise internal processes in the core leasing business end-to-end to the greatest extent possible in order to significantly scale the business in new and existing markets and achieve stronger growth. Processing a lease application in the future for example should take seconds instead of minutes („instant decision"). This expanded digitalisation initiative ideally positions us to respond to new demands from our customers and set new trends in leasing for investment projects of small and medium-sized companies by offering lease financing for new object categories, among others. Some investment measures, including expanding our cloud technology, were already planned and are now simply being brought forward and implemented more quickly alongside our ambitious growth path in new business.

Also on **March 2, 2023,** we presented our preliminary unaudited figures for the 2022 financial year and the dividend proposal of EUR 0.45 per share for 2022 from the Board of Directors and Supervisory Board. We also announced our guidance for the 2023 financial year. At the time, the expectation was that new leasing business in the 2023 financial year would be in the range of EUR 2.6 billion to EUR 2.8 billion and Consolidated Group net profit in the range of EUR 80 million to EUR 90 million. Due to the upcoming implementation of the digitalisation programme in the years ahead, the Board of Directors was at that time assuming Consolidated Group net income for 2024 of around EUR 120 million instead of the previous forecast of EUR 140 million.

On **March 23, 2023,** we reported a new rating change by Standard & Poor's. S&P Global Ratings had lowered GRENKE's long-term issuer rating from BBB+ to BBB and affirmed its short-term rating of A-2. The stable (previously negative) outlook expresses the expectation that GRENKE will maintain its appropriate risk appetite, asset quality and high capital buffers and gradually regain its solid risk-optimised profitability over the next two years. In October 2022, we had already received an investment grade rating of „BBB" with a stable outlook from Fitch Ratings (Fitch rating of BBB/stable/F2).

On **April 20, 2023,** we announced our investment of 25 percent plus one voting share in Miete24 P4Y GmbH. Our acquisition of this online platform strengthens our sales infrastructure, particularly in the specialist reseller segment, and opens up new opportunities with commercial customers in the online direct business. The purchase price for the stake in Miete24 totalled EUR 3.0 million. We have also secured a long-term option to acquire the entire company. We will gradually roll out the platform at selected resellers. After successfully launching the new digital platform in Germany, we plan to roll it out internationally as quickly as possible.

On **May 16, 2023,** we held our Annual General Meeting, which took place as an in-person event for the first time since the start of the Covid-19 pandemic. The Annual General Meeting approved the distribution of a dividend of EUR 0.45 per share (2022: EUR 0.51), and all other agenda items were approved by a large majority. This included the amendment to the Articles of Association authorising the Company to hold virtual Annual General Meetings in the future. The longstanding Chairman of the Supervisory Board, Prof Dr Ernst-Moritz Lipp, retired from the Board as scheduled at the end of the Annual General Meeting. Nils Kröber was confirmed as a member of the Supervisory Board for a five-year term of office until the end of the Annual General Meeting 2028. Moritz Grenke, the eldest son of Company founder Wolfgang Grenke and limited partner of the major shareholder Grenke Beteiligung GmbH & Co. KG, was elected to the Supervisory Board for a term of three years.

Also on **May 16, 2023,** at its meeting following the Annual General Meeting, the Supervisory Board elected Jens Rönnberg, auditor and tax consultant, as the new Chairman of the Supervisory Board, and Dr Konstantin Mettenheimer, lawyer and tax consultant, was elected as his deputy. Jens Rönnberg has been a member of the Supervisory Board since November 2019 and was previously the Deputy Chairman of the Supervisory Board. Dr Konstantin Mettenheimer has been a member of the Supervisory Board since the Annual General Meeting 2021.

On **August 9, 2023,** the Board of Directors revised its outlook for the 2024 financial year to reflect the market environment. Based on updated economic forecasts and a continued focus on appropriate margins, the Board of Directors was aiming for new leasing business of EUR 3.0 billion to EUR 3.2 billion in 2024 instead of the previous forecast of around EUR 3.4 billion. GRENKE will continue to pursue its growth strategy with the reduced new business forecast. Based on this revision, the Board of Directors expected Consolidated Group net profit in the range of EUR 95 million to EUR 115 million in the 2024 financial year (previous forecast: around EUR 120 million). The forecast for the 2023 financial year remained unchanged at EUR 2.6 billion to EUR 2.8 billion for new leasing business and EUR 80 million to EUR 90 million for Consolidated Group net profit.

On **September 22, 2023,** we placed our first benchmark bond, which was also the first bond to be used exclusively to refinance sustainable lease objects. The issue volume of this first green bond (ISIN XS2695009998) was EUR 500 million, marking the highest volume for a bond in our company's more than 40-year history. Demand for the bond issue significantly exceeded supply. The bond yields 7.875 percent p.a. and has a duration of 3.5 years maturing on April 6, 2027. Bond issues starting at an issue volume of EUR 500 million are considered benchmark bonds and can be included in a capital market index. This GRENKE Green Bond is a use of proceeds bond, meaning the proceeds are earmarked for the refinancing of what are considered sustainable objects from areas such as renewable energies, energy efficiency, sustainable mobility, and resource and waste management. The eBike business currently accounts for around 80 percent of our green bond portfolio. The remaining volume is divided between photovoltaic and solar systems, charging infrastructure, LED lighting and drinking water installations. The funds will be used both for the existing Green Economy business and its further expansion. Our first green bond was purchased primarily by institutional investors, including asset managers, funds, banks, insurers and pension funds. The regional focus of the offering was Europe, with purchases of the issue made primarily by investors from Germany, the United Kingdom, Austria and Switzerland. With a minimum investment volume of just EUR 1,000, our debut issue also appealed to private investors.

On November 21, 2023, with the Supervisory Board's consent, the Board of Directors resolved to apply for the approval of a share buyback programme in order to make use of the authorisation to acquire treasury shares granted by the Annual General Meeting on August 6, 2020. The implementation of the share buyback programme is subject to the approval of the German Federal Financial Supervisory Authority (BaFin) in accordance with Articles 77 and 78 CRR. The Company intends to buy back the shares via the stock exchange. The Board of Directors will keep the capital market informed of the programme's progress.

On **November 21, 2023,** exactly one year after taking office as CEO on an interim basis, CEO Dr Sebastian Hirsch informed investors and analysts in a virtual CEO update that the slowdown caused by the coronavirus pandemic had been overcome and the past interest rate increases had been fully priced into lease conditions. With a reacceleration in new business, the issue of its first green benchmark bond and the Company's digitalisation programme, GRENKE has achieved a turnaround and a solid launchpad for further growth.

2.4.2 Actual and forecast business performance

On March 2, 2023, we announced our guidance for new leasing business and Consolidated Group net profit for the 2023 financial year. The Board of Directors expected us to generate new leasing business in the range of EUR 2.6 billion and EUR 2.8 billion and Consolidated Group net profit of EUR 80 million to EUR 90 million in the 2023 financial year.

On March 16, 2023, the Board of Directors announced that it also expects a slight year-on-year increase in the CM2 margin, with the gradual achievement of a medium-term CM2 margin target of around 17 percent. The guidance for Consolidated Group net profit for the 2023 financial year was based on the assumption that the loss rate would remain below 1.5 percent. As a result of the expenses from the digitalisation programme, the Board of Directors assumed a cost-income ratio (CIR) for the 2023 financial year of slightly more than 55 percent. As in previous years, the equity ratio was expected to amount to more than 16 percent.

With the publication of the third quarter 2023 results on November 9, 2023, the Board of Directors announced that new leasing business would come in at the lower half of the guidance range of EUR 2.6 billion to EUR 2.8 billion for the 2023 financial year. The continued solid payment behaviour of customers and stable margins as well as the results for the first three quarters had led the Board of Directors at that time to assume that the Consolidated Group net profit for the 2023 financial year would reach the upper half of the guidance range.

In the 2023 financial year, GRENKE generated new leasing business of EUR 2.6 billion and met the lower end of the EUR 2.6 to 2.8 billion guidance range. This represented year-on-year growth in new leasing business for the Consolidated Group of 12.3 percent. Amid a volatile interest rate environment, the CM2 margin reached 16.5 percent after 16.1 percent in the previous year, thereby approaching the medium-term target of 17.0 percent as expected.

The loss rate in the 2023 financial year was 1.0 percent and below the 1.5 percent level as projected at the beginning of the year. At 59.2 percent, the cost-income ratio was slightly above the target level of 55.0 percent.

In the 2023 financial year, GRENKE generated Consolidated Group net profit of EUR 86.7 million, thus meeting the upper end of the guidance range of EUR 80 million to EUR 90 million.

The equity ratio at the end of the year was 19.1 percent and clearly above the set minimum target of 16 percent as expected.

Overview of changes to the Consolidated Group's forecasts in 2023

	Financial year 2023	Guidance 2023 as of November 9	Guidance 2023 as of March 16	Guidance 2023 as of March 2	Financial year 2022
New leasing business	EUR 2,6 bn	lower half or range	EUR 2,6 to 2,8 bn	EUR 2,6 to 2,8 bn	EUR 2,3 bn
CM2-margin of new leasing business	16,5%	--	~ 17,0%	--	16,1%
Loss rate	1,0%	--	≤ 1,5%	--	1,3%
Cost-income ratio*	59,2%	--	slightly above 55%	--	55,2%
Profit	EUR 86,7 m	upper half of range	EUR 80 to 90 m	EUR 80 to 90 m	EUR 84,2 m
Equity ratio	19,1%	--	above 16%	--	20,8%

* CIR excluding other operating income / expenses, as announced at Capital Markets Update May 2022

2.5 New business

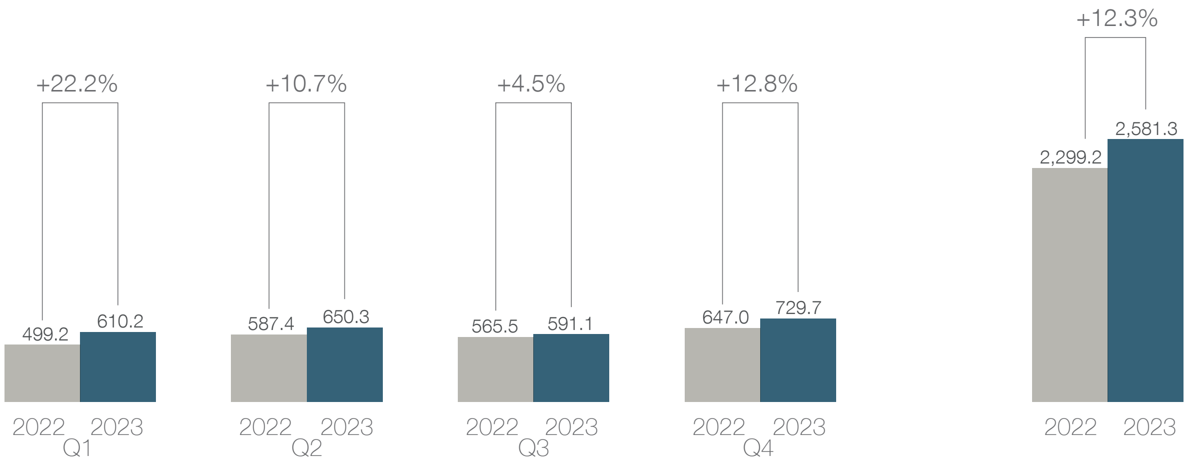
2.5.1 Leasing

New leasing business – defined as the total acquisition cost of newly acquired leased assets – reached a volume of EUR 2,581.3 million in full-year 2023 (previous year: EUR 2,299.2 million), which was 12.3 percent higher than in the previous year. During the reporting year, we were able to increase new business year-on-year in each quarter, making a continuation in our consistent growth trajectory. Based on the initial market data for the 2023 financial year, primarily from Leaseurope for the first half of 2023, we have grown faster than the market.

We were able to further expand our reseller network and now work with more than 36,100 specialised resellers in the more than 30 countries in which we operate.

Development of new leasing business by quarter

in EUR million



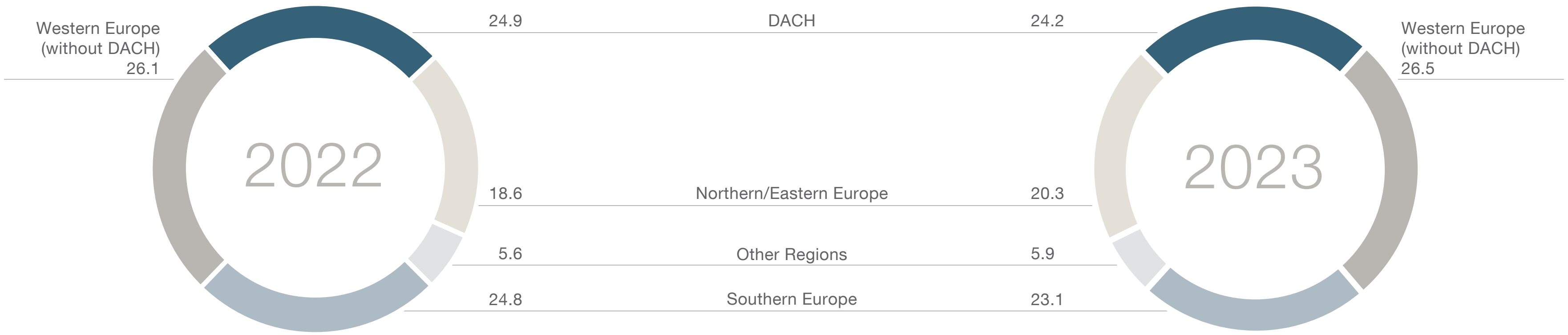
New leasing business

EURm	2023	2022	Change (%)
LEASING NEW BUSINESS	2'581.3	2'299.2	12.3
DACH	625.3	571.4	9.4
Western Europe (without DACH)	683.5	600.0	13.9
Southern Europe	595.7	571.1	4.3
Northern/Eastern Europe	524.7	427.2	22.8
Other regions	152.0	129.5	17.4

Regions:
DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern / Eastern Europe: Denmark, Finland, Ireland, Latvia*, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia, Brazil, Canada*, Chile*, Singapore, Turkey, UAE, USA
* Consolidated franchise companies for which the acquisition of shares is still outstanding as at 31 December 2023

Share of new leasing business by region

in percent



All regions in which GRENKE operates made a positive contribution to the growth in new leasing business in the 2023 financial year. In the DACH region, comprising Germany, Austria and Switzerland, new leasing business increased by 9.4 percent year-on-year to EUR 625.3 million (previous year: EUR 571.4 million). Germany, the largest single market in the region, recorded new business growth of 2.5 percent, thereby accounting for 79.6 percent (previous year: 85.0 percent) of the DACH region‘s new business volume. The year-on-year decline in this percentage was particularly a result of the strong new business growth in Austria (111.7 percent). The predominant growth driver in Austria was the leasing of green economy objects such as bicycles. The model in Austria, taken from Germany, where employers lease eBikes and make them available to their employees has also been financed by GRENKE in Austria since 2023. GRENKE has successfully established a partnership with one of Austria’s leading providers of corporate bike leasing. In Western Europe, without DACH, new business increased by 13.9 percent to EUR 683.5 million in the reporting year (previous year: EUR 600.0 million). In terms of the share of new leasing business across the Consolidated Group, Western Europe, without DACH was the largest region in the reporting year. France, the most important single market in this region, recorded an increase of 10.3 percent for the year. The Northern/Eastern Europe region recorded the strongest percentage increase in the reporting year, with new business growing by 22.8 percent to EUR 524.7 million (previous year: EUR 427.2 million). The United Kingdom, the most important market in Northern/Eastern Europe, made a significant contribution to growth in this region with an increase of 24.1 percent in 2023. The increase in UK business was driven by the acquisition of new dealers through direct, local contact and the revitalisation and further expansion of existing partnerships. Finland (33.1 percent) and Romania (30.0 percent), among others, also made a significant positive contribution to new business growth in the region. Finland’s growth was particularly strong, among others by adding eBike financing and acquiring additional specialist resellers. Finland’s new business in the 2023 financial year totalled over EUR 100 million, making it the sixth GRENKE country after Germany, France, Italy, the UK and Spain to generate more than EUR 100 million in new business in a calendar year.

In Southern Europe, new business increased by 4.3 percent, reaching a volume of EUR 595.7 million (previous year: EUR 571.1 million). Italy, the most important individual market in this region, recorded a slight decline in the volume of new business of 2.2 percent. This decline can largely be explained by the strong focus on margins and the associated adjustment in lease conditions. New business was also impacted by the economic slowdown in Italy, combined with our risk-conscious acceptance practices. Croatia made a positive contribution to the region’s new business performance with growth of 34.2 percent. The volume of new business in other regions increased by 17.4 percent to EUR 152.0 million in 2023 (previous year: EUR 129.5 million).

CM margins in new leasing business

percent	2023	2022	Change (pp)
CM1 MARGIN	**9.8**	**10.0**	**–0.2**
CM2 MARGIN	**16.5**	**16.1**	**0.4**
DACH	12.9	12.0	0.9
Western Europe (without DACH)	17.3	17.4	–0.1
Southern Europe	17.2	16.4	0.8
Northern/Eastern Europe	17.9	18.2	–0.3
Other regions	21.0	20.1	0.9

Contribution margins in new leasing business

EUR million	2023	2022	Change (%)
CM1	**254.1**	**231.1**	**10.0**
CM2	**426.3**	**369.6**	**15.3**
DACH	80.9	68.6	17.8
Western Europe (without DACH)	117.4	103.6	13.4
Southern Europe	102.5	93.6	9.5
Northern/Eastern Europe	93.7	77.7	20.6
Other regions	31.9	26.1	22.1

The contribution margin 1 (CM1) of new leasing business increased by 10.0 percent to EUR 254.1 million in the 2023 financial year (previous year: EUR 231.1 million). At 9.8 percent, the percentage CM1 margin in the reporting year was almost on par with the previous year‘s figure of 10.0 percent. The slight year-on-year decline in the percentage CM 1 margin primarily resulted from the continuous rise in interest rates and associated higher refinancing costs in 2023. Such increases are only passed on to customers in the lease conditions after a time lag, but are immediately included in the contribution margin calculation. In 2023, we were generally able to embed the higher refinancing costs in the lease instalments by adjusting lease contract conditions.

The contribution margin 2 (CM2) of new leasing business increased a significant 15.3 percent to EUR 426.3 million in the 2023 financial year (previous year: EUR 369.6 million). The percentage CM2 margin increased from 16.1 percent to 16.5 percent due to a higher income forecast in the Service & Protect business.

Geographically, the contribution margin 2 improved in all regions. The greatest increases in the absolute contribution margin 2 were 20.6 percent in the Northern/Eastern Europe region and 17.8 percent in the DACH region. The regions Western Europe, without DACH (13.4 percent), and Southern Europe (9.5 percent) also recorded moderate growth. The highest growth in percentage terms was achieved by the other regions segment at 22.1 percent, however, representing the smallest regional group, with a share of 7.5 percent of total contribution margin 2.

The percentage CM2 margin in the reporting year increased significantly, particularly in the DACH region (12.9 percent vs. 12.0 percent in the previous year), Southern Europe (17.2 percent vs. 16.4 percent in the previous year) and other regions (21.0 percent vs. 20.1 percent in the previous year). In Western Europe, the percentage CM2 margin was essentially unchanged at 17.3 percent (previous year: 17.4 percent). In Northern/Eastern Europe, we recorded a moderate decline in the percentage CM2 margin from 18.2 percent to 17.9 percent.

The new business of the consolidated franchise companies in Chile, Canada and Latvia, whose shares were not yet acquired by GRENKE AG as of the reporting date, are included in the figures for the Leasing segment and totalled EUR 54.7 million in the 2023 financial year (previous year: EUR 43.9 million), corresponding to growth of 24.7 percent. The consolidated franchise companies generated a total CM2 of EUR 9.4 million (previous year: EUR 7.2 million) and a CM2 margin of 17.3 percent (previous year: 16.4 percent), which is above the Consolidated Group average of 16.5 percent.

Lease applications and contracts

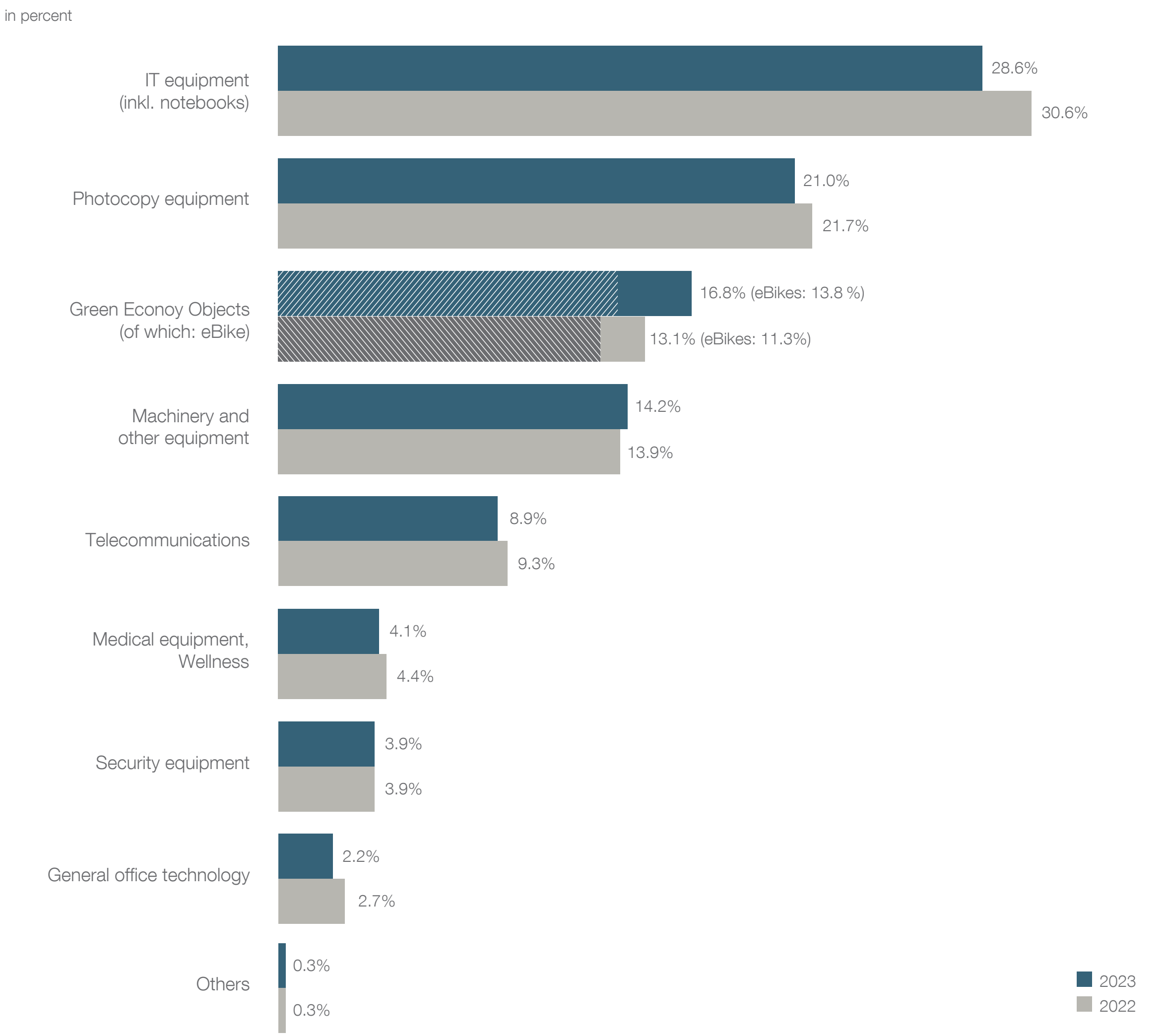
	unit	2023	2022	Change
Leasing applications	units	577'091	530'074	8.9 %
Leasing contracts	units	291'689	268'689	8.6 %
Convertion rate	percent	50.5	50.7	-0.2 pp
Average NAV	EUR	8'849	8'557	3.4 %
eSignature quota	percent	40.1	40.5	-0.4 pp

Financing and realising investments through leasing remains an international trend, and GRENKE continues to register growing demand. In the 2023 financial year, we received a total of 577,091 lease applications (previous year: 530,074). This development can be attributed to our consistent cultivation of the market, which goes hand in hand with entering new partnerships, expanding existing collaborations and growing our business activities in newer object categories such as the green economy. The number of newly concluded lease contracts was 291,689 (previous year: 268,689), for an increase of 8.6 percent. The conversion rate (applications resulting in contracts) was steady at 50.5 percent (previous year: 50.7 percent). In the DACH region, the conversion rate rose to 67.0 percent (previous year: 64.7 percent). The international markets accounted for 469,077 of the applications (previous year: 430,308), leading to 219,282 new contracts (previous year: 204,188) and a conversion rate of 46.7 percent (previous year: 47.5 percent).

The mean acquisition value per lease contract rose slightly by 3.4 percent to EUR 8,849 in 2023 (previous year: EUR 8,557). This was in line with our defined target for 2023 of an average ticket size of under EUR 10,000, reflecting our focus on small tickets.

At 40.1 percent, the proportion of leases that were processed completely digitally using GRENKE's standard eSignature process was almost at the same level as in 2022 (40.5 percent). At the end of the reporting year, this process was established in 27 markets.

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



In line with current trends, we continued to expand our business with green economy lease objects. We recorded a 3.7 percent increase in the proportion of green economy objects in our portfolio of newly concluded contracts. eBikes continue to be the growth driver in this area. In 2023 alone, we financed over 40,000 eBikes representing new business volume of over EUR 130 million. We observed only slight changes in demand in the other categories. For example, the share of IT equipment – the largest object group in terms of number of contracts – fell slightly (–2.0 percent) despite an increase in the number of contracts in the reporting year. The object groups of general office technology, telecommunications, photocopy equipment and medical equipment/wellness also recorded a slight decline compared to the previous year (< 1 percent in each case). In contrast, the share of machinery and other equipment increased compared to the previous year, while the share of business with security equipment remained constant.

The investments realised through leasing with GRENKE also differed according to the type of sales channel. The object groups most in demand at resellers included photocopy equipment, IT and telephone equipment. Investments by entrepreneurs using direct channels were primarily made in eBikes, IT and office equipment.

2.5.2 Factoring

Factoring reported new business with a purchased receivables volume of EUR 838.6 million in the 2023 financial year. This corresponds to an increase of 6.9 percent compared to the previous year. This receivables volume, which has an average term from purchase to maturity of around 43 days, represents a turnover per year of 8.5x (365 days/43 days). This explains why the factoring business, with a reported receivables volume of EUR 83.9 million, continues to account for an insignificant share of the consolidated statement of financial position.

The gross margin of the factoring business is calculated as the income relative to net acquisition values. The refinancing requirement is lower than for the refinancing of new leasing business due to the revolving purchase of receivables and the lower resulting volume.

New factoring business

	unit	2023	2022	Change
NEW BUSINESS FACTORING	**EURM**	**838.6**	**784.2**	**6.9 %**
DACH	EURm	295.6	297.0	-0.5 %
Southern Europe	EURm	183.0	148.5	23.2 %
Northern/Eastern Europe	EURm	360.0	338.7	6.3 %
GROSS MARGIN	**PERCENT**	**1.6**	**1.4**	**0.2 PP**
DACH	percent	1.6	1.5	0.1 pp
Southern Europe	percent	1.7	1.4	0.3 pp
Northern/Eastern Europe	percent	1.7	1.4	0.3 pp
AVERAGE PERIOD	**DAYS**	**43**	**42**	**1**
Average period DACH	days	27	27	0
Average period Southern Europe	days	78	79	–1
Average period Northern/Eastern Europe	days	38	38	–0

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

New factoring business increased 6.9 percent to EUR 838.6 million in the 2023 financial year (previous year: EUR 784.2 million). Of this amount, 17.8 percent was related to receivables management (without financing function). In the DACH region, new factoring business remained constant at EUR 295.6 million (previous year: EUR 297.0 million) and the gross margin rose slightly to 1.6 percent (previous year: 1.5 percent). In Southern Europe, new factoring business grew 23.2 percent to EUR 183.0 million (previous year: EUR 148.5 million). This growth was driven by Portugal which reported an increase of 47.4 percent due to the successful expansion of its business with existing customers through the inclusion of new accounts receivable, the acquisition of new customers and strong synergy effects with the established leasing segment. In Southern Europe, the gross margin rose to 1.7 percent (previous year: 1.4 percent). The Northern/Eastern Europe region achieved growth of 6.3 percent to EUR 360.0 million (previous year: EUR 338.7 million) and increased its gross margin to 1.7 percent (previous year: 1.4 percent). The gross margin is based on the average period of a factoring transaction. The increase in gross margin was mainly attributable to passing on the effects of higher interest rates in Europe to customers by adjusting contract conditions. Due to the different payment terms and payment habits, the average period in the DACH region was approx. 27 days (previous year: approx. 27 days), approx. 78 days in Southern Europe (previous year: approx. 79 days) and 38 days in Northern/Eastern Europe (previous year: approx. 38 days).

2.5.3 GRENKE Bank's lending business

GRENKE Bank's new lending business primarily included loans granted as part of the "Mikrokreditfonds Deutschland" (Microcredit Fund Germany) programme. Through this programme, GRENKE Bank offers government-supported microfinancing of between EUR 1,000 and EUR 25,000. GRENKE BANK's total lending business in the 2023 financial year decreased by 11.8 percent to EUR 45.0 million (previous year: EUR 51.1 million).

2.5.4 Currency effects

The year-on-year change in the average exchange rates of foreign currencies against the euro resulted in negative currency effects of EUR 12.4 million for the new leasing volume in the year as a whole. These effects stemmed largely from the depreciation in the Swedish krona and the Australian dollar. The appreciation of the Swiss franc slightly offset these effects.

2.6 Results of operations

The selected disclosures from the consolidated income statement for the current financial year are explained at Consolidated Group level and on the basis of the segment results.

Interest and similar income from financing business is dependent on lease receivables from current contracts. At the beginning of the 2023 financial year, lease receivables from current contracts amounted to EUR 5.3 billion, compared with EUR 5.1 billion at the beginning of the 2022 financial year. By the end of the 2023 financial year, lease receivables had grown to EUR 5.7 billion. As a result, interest and similar income from financing business amounted to EUR 467.4 million in the 2023 financial year, up 13.0 percent year-on-year (EUR 413.5 million). The continued strong growth in new business in recent quarters is reflected in the interest income on lease receivables. In addition, the stronger margin resulting from the adjusted contract conditions in the new leasing business is gradually being reflected. Due to the higher refinancing requirements associated with the increased volume of new business and the general rise in interest rates, interest expenses increased by 86.8 percent to EUR 128.9 million (previous year: EUR 69.0 million). Despite the positive development, net interest income in the reporting year amounted to EUR 338.5 million, which was 1.7 percent lower year-on-year (2022: EUR 344.5 million). The leasing segment accounted for the majority of net interest income in the 2023 financial year. For further information, please refer to Note 4.1 "Net interest income" in the notes to the consolidated financial statements.

Selected information from the consolidated income statement

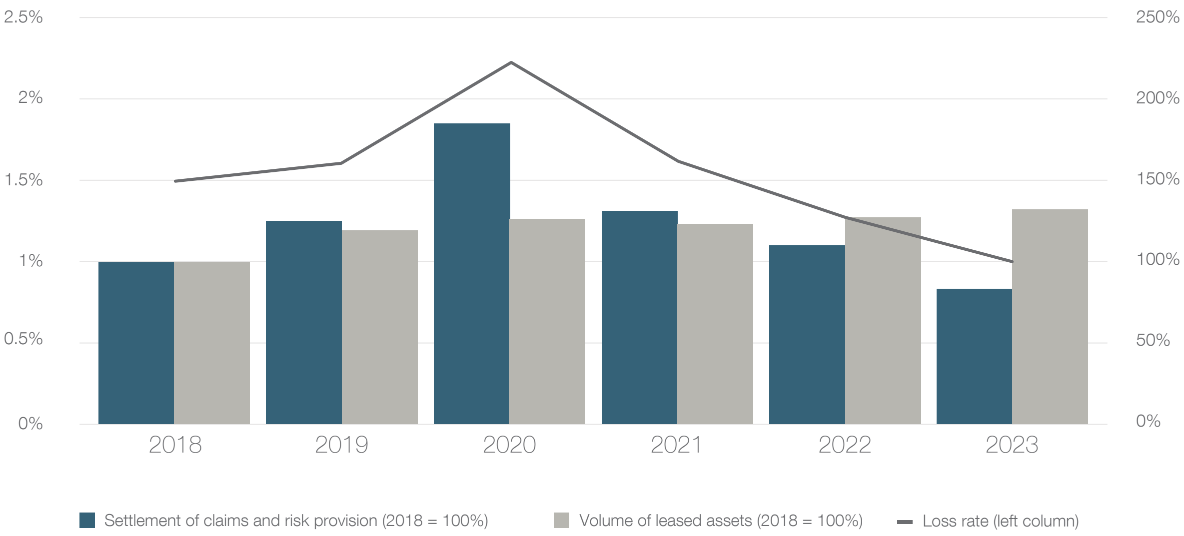
EURk	2023	2022	Change (%)
Interest and similar income from financing business	467'412	413'513	13.0
Expenses from interest on refinancing and deposit business	128'879	69'000	86.8
NET INTEREST INCOME	338'533	344'513	–1.7
Settlement of claims and risk provision	90'829	120'437	–24.6
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	247'704	224'076	10.5
Profit from service business	135'109	124'031	8.9
Profit from new business	46'560	40'673	14.5
Gains (+) / losses (–) from disposals	2'597	–3'121	< -100
INCOME FROM OPERATING BUSINESS	431'970	385'659	12.0
Staff costs	176'007	149'067	18.1
of which total remuneration	144'468	122'637	17.8
of which fixed remuneration	126'009	102'469	23.0
of which variable remuneration	18'459	20'168	–8.5
Selling and administrative expenses (excluding staff costs)	106'465	97'663	9.0
of which IT project costs	13'384	8'602	55.6
GROUP EARNINGS BEFORE TAXES	**110'403**	**111'033**	**–0.6**
GROUP EARNINGS	**86'714**	**84'184**	**3.0**
EARNINGS PER SHARE (IN EUR; BASIC/DILUTED)	**1.79**	**1.75**	**2.3**

Expenses for the settlement of claims and risk provision declined in the 2023 financial year by 24.6 percent to EUR 90.8 million (previous year: EUR 120.4 million). This item consists of the derecognition of bad debts and impairment for expected losses in a risk provisioning sense. The positive development resulted from the conservative risk approach taken in prior years and the continued solid payment behaviour of our customers. The determination of expected credit losses is based on a three-stage approach in accordance with IFRS 9. If a significant deterioration in the credit risk (Level 2) or an impairment in creditworthiness (Level 3) occurs, a risk provision in the amount of the expected losses over the entire remaining term of the contract must be recognised. For information on the method for determining the impairment of lease receivables, please refer to the disclosures in Note 5.2 „Lease receivables“ in the notes to the consolidated financial statements. In contrast, expenses for losses actually incurred and recognised defaults in receivables from non-performing lease contracts decreased to EUR 104.7 million in the 2023 reporting year (previous year: EUR 160.1 million) and are contained in the line item “settlement of claims and risk provision”. The actual losses realised essentially include expenses in connection with the derecognition of receivables, legal costs and income from the sale of items from terminated leases.

Of the total expenses for the settlement of claims and risk provision, EUR 86.9 million (previous year: EUR 105.2 million) or 95.7 percent was attributable to the Leasing business, EUR –5.8 million (previous year: EUR +14.3 million) to the Bank's lending business and EUR 7.9 million (previous year: EUR 0.1 million) to the Factoring business. For further information on the composition of the expenses, please refer to the information in Note 4.2 „Settlement of claims and risk provision" in the notes to the consolidated financial statements.

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

Loss rate* (left column)



The loss rate (expenses for the settlement of claims and risk provision in relation to the volume of leased assets on the respective reporting date) improved to 1.0 percent in the 2023 financial year (previous year: 1.3 percent). The loss rate was thus below its average value since 2018 of 1.6 percent. The volume of leased assets (sum of the net acquisition values of all current leasing contracts) increased by 3.9 percent to EUR 9,415 million as of the December 31, 2023 reporting date (December 31, 2022: EUR 9,059 million) as a result of the higher volume of new business.

The year-on-year increase in interest income and the decline in risk provisioning compensated for the higher interest expenses, resulting in net interest income after settlement of claims and risk provision increasing by 10.5 percent to EUR 247.7 million in the reporting year (previous year: EUR 224.1 million).

The profit from service business improved by 8.9 percent in the reporting year and reached EUR 135.1 million (previous year: EUR 124.0 million). The steady development resulted, among others, from the high volume of new business in the 2023 financial year and previous years. The profit from new business rose by 14.5 percent to EUR 46.6 million in the 2023 financial year (previous year: EUR 40.7 million). As a result of the higher volume of new business, income from lease down payments and the service fee for making the lease assets available for use developed positively in the 2023 financial year. Gains and losses from disposals amounted to EUR 2.6 million (previous year: EUR –3.1 million), mainly due to positive gains and losses from disposals related to contracts that had reached the end of their basic lease term.

Due to the increase in the profit from service business, new business and gains and losses from disposals as well as the lower expenses for the settlement of claims and risk provision, income from operating business in the 2023 financial year rose by a total of 12.0 percent to EUR 432.0 million (previous year: EUR 385.7 million).

The Consolidated Group's largest expense item in absolute terms, staff costs, increased by 18.1 percent to EUR 176.0 million in the reporting year (previous year: EUR 149.1 million). The increase resulted primarily from a higher number of employees as well as a lower variable remuneration salary component and a Consolidated Group-wide inflation-related increase in fixed remuneration of around 3.5 percent in August 2022. The remuneration model contains two components – one fixed and one variable. Fixed remuneration increased by 23.0 percent compared to the previous year and amounted to EUR 126.0 million (previous year: EUR 102.5 million). Variable remuneration, in contrast, fell by 8.5 percent compared to the previous year to EUR 18.5 million (previous year: EUR 20.2 million). The average number of employees in the 2023 financial year was 2,068 (based on full-time employees), up 10.1 percent on the previous year's average figure of 1,878 employees.

Depreciation, amortisation and impairments fell by 16.6 percent to EUR 27.1 million (previous year: EUR 32.5 million). In the 2023 financial year, the item included impairment losses on goodwill totalling EUR 0.6 million, which were attributable to the cash-generating unit from the leasing business in Spain. In the previous year, the Consolidated Group recognised impairment losses on goodwill of EUR 5.9 million. These were attributable to the cash-generating units from the leasing business in Portugal (EUR 5.2 million) and Hungary (EUR 0.7 million). The main reason for the impairments was the significant increase in the discount rates of the cash-generating units.

Selling and administrative expenses increased by 9.0 percent to EUR 106.5 million in the past financial year (previous year: EUR 97.7 million). This was due to additional ancillary staff costs, advertising expenses, increased vehicle costs and maintenance and repair expenses. In addition, IT project costs increased by 55.6 percent to EUR 13.4 million (previous year: EUR 8.6 million). The increase compared to the previous year resulted from activities as part of the Digital Excellence programme, which includes the design and implementation of automated processes in the areas of customer verification and money laundering as well as the gradual establishment of a suitable cloud infrastructure. This was offset by lower legal, consulting and audit costs. These had risen sharply in previous years due to the knock-on effects of the special event-driven audit in accordance with Section 44 (1) sentence 2 of the German Banking Act.

Other operating expenses increased by 31.2 percent to EUR 18.4 million in the 2023 reporting year (previous year: EUR 14.0 million). The increase was mainly due to higher foreign currency translation differences of EUR 4.0 million from the translation of Turkish lira (TRY), resulting among others from the effects of the measurement of hyperinflation in accordance with IAS 29; EUR 1.5 million from the translation of the Chilean peso (CLP); EUR 1.3 million from the Polish zloty (PLN), EUR 1.1 million from the Hungarian forint (HUF) and EUR 1.0 million from the Canadian dollar (CAD). These expenses resulted primarily from derivative hedging transactions, which balance out economically over the total period. This was partially offset by currency translation recognised directly in equity through other comprehensive income. As this mainly relates to the translation of lease receivables in foreign currency countries, this effect is shown in a different line item than the aforementioned translation effects from derivatives. In addition, lease receivables are translated at the exchange rate on the reporting date, whereas derivatives are measured at fair value based on the forward exchange rates applicable on the reporting date. This difference and the resulting valuation effect balance each other out over the term of the hedging relationships.

Other operating income rose to EUR 8.8 million in the reporting year (previous year: EUR 5.5 million), mainly due to the reversal of provisions, prior-period income and reminder fees.

The cost-income ratio rose to 59.2 percent in the 2023 financial year (previous year: 55.2 percent), placing it above the target for the full year of slightly more than 55 percent. Since we calculate the cost-income ratio according to the usual calculation method for the banking/financial sector without the expenses for settlement of claims and risk provision, the underlying operating income – in deviation from the presentation in the consolidated income statement – increased by 3.3 percent to EUR 522.8 million in the 2023 financial year (previous year: EUR 506.1 million). The increase was significantly lower than the increase in staff costs due to the Consolidated Group-wide inflation-related salary adjustment and increased headcount as well as the increase in selling and administrative expenses. This is reflected in the cost-income ratio.

The operating result increased by 15.2 percent to EUR 112.9 million in the 2023 financial year (previous year: EUR 98.1 million).

The balance of other interest income and interest expenses improved to EUR 1.8 million (previous year: EUR 0.9 million), which was mainly due to the general rise in interest rates.

Our earnings before taxes changed only slightly in 2023, declining 0.6 percent to EUR 110.4 million (previous year: EUR 111.0 million). The tax rate fell to 21.5 percent after 24.2 percent in the previous year. Important to highlight is that goodwill impairment is not tax-deductible and therefore had an increasingly negative impact on the tax rate in the previous year.

Accordingly, our Consolidated Group net profit improved to EUR 86.7 million (previous year: EUR 84.2 million), an increase of 3.0 percent. Consolidated Group net profit attributable to the shareholders and hybrid capital investors of GRENKE AG totalled EUR 92.3 million (previous year: EUR 90.4 million). The earnings attributable to non-controlling interests due to the consolidation of the franchise companies totalled EUR –5.6 million (previous year: EUR –6.2 million). Comparability is limited due to the acquisition of shares in several franchise companies during the year. For further information, please refer to Note 6.1 in the notes to the consolidated financial statements. As a result, earnings per share rose to EUR 1.79 in the reporting year (previous year: EUR 1.75).

Segment development

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

As 90.9 percent of our income from operating business in the 2023 financial year was attributable to the Leasing segment (previous year: 92.0 percent), the comments above in this chapter essentially refer to the development in the Leasing segment.

The Leasing segment was able to continue its positive trend despite the challenging environment described in the sections „General economic conditions“ and „Sector-specific conditions“. Operating income in the Leasing segment rose by 10.6 percent to EUR 392.5 million in the reporting year (previous year: EUR 355.0 million). The increase was due to the decline in expenses for the settlement of claims and risk provision, which fell by 17.4 percent to EUR 86.9 million (previous year: EUR 105.2 million). Staff costs rose by 18.0 percent to EUR 160.5 million (previous year: EUR 136.1 million). Despite higher staff costs and increased selling and administrative expenses, the segment result increased by 6.7 percent to EUR 106.9 million in the reporting year (previous year: EUR 100.2 million). This was also attributable to the decline in goodwill impairment of EUR 0.6 million (previous year: EUR 5.9 million).

Operating income in the Banking segment recorded an increase of 68.4 percent to EUR 40.6 million in 2023 (previous year: EUR 24.1 million), due to an increase in the share of Consolidated Group refinancing and lower risk provisions for former loan portfolios. Risk provisioning in the Banking segment totalled EUR –5.8 million in the current financial year, compared to EUR +14.3 million in the previous year. With a simultaneous increase in staff costs to EUR 9.0 million (previous year: EUR 7.5 million) and higher selling and administrative expenses, the segment result totalled EUR 17.9 million (previous year: EUR –0.1 million).

Operating income in the Factoring segment fell to EUR –1.1 million in the 2023 financial year (previous year: EUR 6.6 million). Risk provisioning increased to EUR 7.9 million (previous year: EUR 0.1 million), mainly due to extraordinary impairments. Staff costs rose by 13.0 percent to EUR 6.4 million (previous year: EUR 5.7 million). The segment‘s loss thus totalled EUR 11.4 million (previous year: EUR 2.1 million).

For further details, please refer to Note 8 „Segment reporting“ and Note 9.8 “Events after the reporting date” in the notes to the consolidated financial statements.

2.7 Financial position

At 19.1 percent, the equity ratio was in line with our expectations and remained at a high level. The cash flow from operating activities was significantly higher compared to the prior year.

Refinancing volume increased through the issue of the first green bond with a record volume of EUR 500.0 million at a benchmark level.

Rising lease receivables reflected the continued positive growth in new business.

2.7.1 Capital structure

At the GRENKE Group, we place a particular focus on maintaining an adequate level of liquidity to give us the flexibility to respond to market conditions. Regulatory requirements also require the Consolidated Group to maintain a liquidity buffer.

On the liabilities side of the balance sheet, the rise in total assets was largely attributable to the increase of EUR 624.2 million in financial liabilities to a total of EUR 5.4 billion (December 31, 2022: EUR 4.8 billion). Current and non-current liabilities from refinancing continued to account for the largest share of our financial liabilities, increasing to EUR 3.8 billion compared to the end of 2022 (December 31, 2022: EUR 3.6 billion). Current and non-current liabilities from GRENKE BANK's deposit business also increased by EUR 466.4 million to EUR 1.6 billion (December 31, 2022: EUR 1.2 billion). Current and non-current derivative financial instruments with a negative market value also increased to EUR 22.3 million (December 31, 2022: EUR 6.9 million) due to a normalisation of the euro area interest rate curve as of the reporting date, which had been sharply inverted on the same date in the prior year, and a related effect on currency developments in the 2023 financial year.

Equity as of December 31, 2023 increased slightly to EUR 1.4 billion (December 31, 2022: EUR 1.3 billion). The Consolidated Group generated a net profit of EUR 86.7 million in the reporting period, which was offset by the distribution of a dividend (EUR 20.9 million), interest payments on hybrid capital (EUR 12.9 million), transactions with non-controlling interests (EUR 24.3 million) related to the acquisition of franchise shares, and effects from the market valuation of hedging instruments (EUR 10.1 million). In contrast, the effect of currency translation recognised directly in equity had a positive impact (EUR 5.4 million). Due to the disproportionate increase in total assets compared to equity, the equity ratio decreased to 19.1 percent as of December 31, 2023 (December 31, 2022: 20.8 percent). At this level, the equity ratio continued to exceed the Consolidated Group's self-set target of a minimum of 16 percent.

EURk	Dec. 31, 2023	Dec. 31, 2022	Change (%)
CURRENT LIABILITIES	**2'042'649**	**2'443'391**	**–16.4**
of which financial liabilities	1'831'589	2'247'666	–18.5
NON-CURRENT LIABILITIES	**3'702'022**	**2'637'185**	**40.4**
of which financial liabilities	3'587'328	2'547'052	40.8
Equity	1'354'870	1'332'167	1.7
TOTAL LIABILITIES AND EQUITY	7'099'541	6'412'743	10.7
Equity ratio (in percent)	19.1%	20.8%	–1,7 pp

2.7.2 Cashflow

Cash flow from operating activities increased to EUR 329.3 million in the 2023 reporting year (previous year: EUR –346.8 million). The increase was primarily the result of two effects: the unchanged stable payment behaviour and proceeds from lessees of EUR 2,409.7 million in 2023 and the expansion of refinancing and related proceeds, particularly from the new green bond issue at benchmark level and the increase in GRENKE BANK's deposit business. The selected disclosures from the consolidated statement of cash flows and their development are explained below.

In the presentation below, cash flow from new business includes investments for new lease receivables. These include the net acquisition values of lease objects and the costs directly associated with the conclusion of the contract. Due to the higher volume of new business, investments for new lease receivables rose to EUR 2,656.3 million in the reporting year (previous year: EUR 2,363.8 million). These were offset by the proceeds from the increase in refinancing totalling EUR 2,319.4 million compared to EUR 1,984.5 million in the previous year. In addition, GRENKE BANK AG's deposit business increased by EUR 466.4 million after a decrease of EUR 261.3 million in the previous year. In total, the cash flow from investments in new business increased to EUR 129.5 million (previous year: EUR –640.6 million).

In the 2023 financial year, a total of EUR 2,272.3 million (previous year: EUR 2,065.3 million) was repaid to refinancers. Cash flow from existing business declined to EUR 137.4 million (previous year: EUR 254.2 million) due to higher repayments to refinancers.

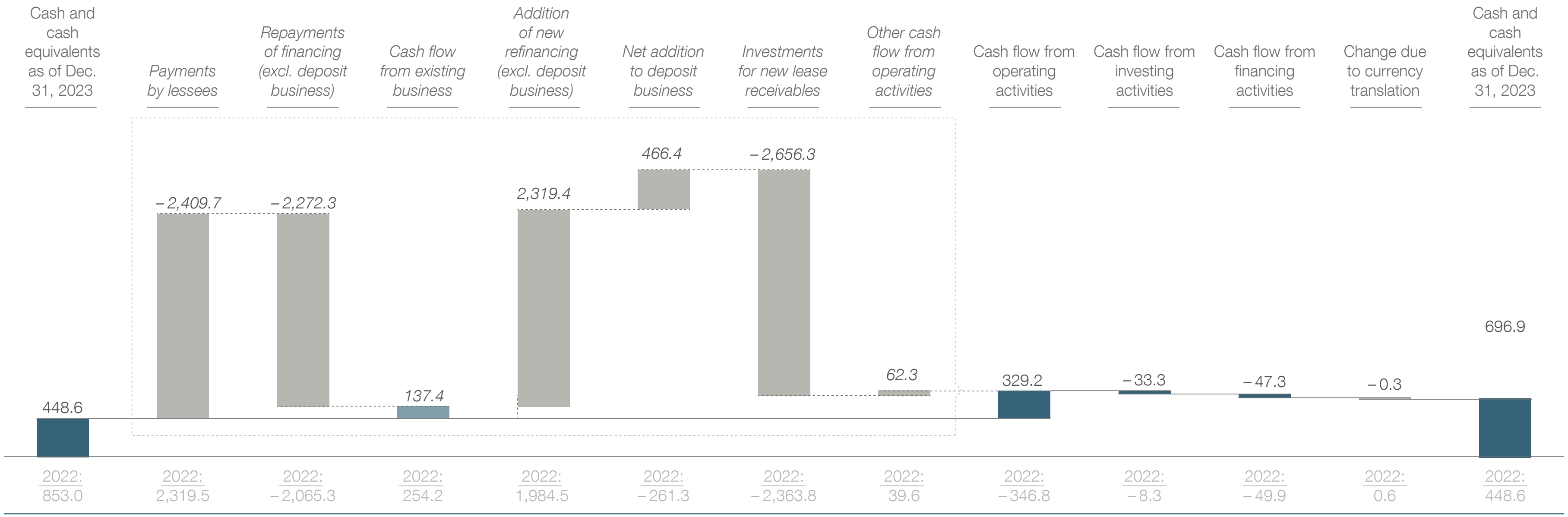
Cash flow from investing activities totalled EUR –33.3 million in the 2023 financial year (previous year: EUR –8.2 million). This consisted mainly of purchase price payments for the acquisition of the former leasing franchise companies in Australia and Singapore, as well as for the factoring franchise companies in Ireland, the UK, Poland and Hungary totalling EUR 24.1 million (previous year: EUR 0.3 million). In addition, a purchase price payment of EUR 3.1 million was made in the reporting period for the acquisition of a minority interest in Miete24 P4Y GmbH. Payments for the acquisition of property, plant and equipment and intangible assets totalled EUR 7.0 million (previous year: EUR 8.2 million).

Cash flow from financing activities totalled EUR –47.3 million in the reporting year (previous year: EUR –49.9 million). The change was primarily due to the slightly lower dividend payment for the 2022 financial year, totalling EUR 20.9 million after EUR 23.7 million in the previous year. The interest payment on hybrid capital amounted to EUR 12.9 million (previous year: EUR 12.9 million). The repayment of lease liabilities also resulted in a cash outflow of EUR 13.4 million (previous year: EUR 13.3 million).

As a result, total cash flow in the 2023 financial year equalled EUR 248.6 million (previous year: EUR –405.0 million). Cash and cash equivalents increased accordingly to EUR 696.9 million as of December 31, 2023, compared to EUR 448.6 million at the end of the 2022 financial year.

Cash flow statement

In EUR millions



2.7.3 Liquidity

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

We have a wide range of refinancing instruments at our disposal that we utilise depending on the market conditions as part of our overall strategy. Our debt financing is essentially based on three pillars: senior unsecured instruments, such as bonds, debentures and commercial paper, which are primarily based on our ratings; the deposit business, including GRENKE BANK AG development loans; and receivables-based financing, consisting primarily of ABCP programmes. We avoid maturity transformation at portfolio level and thus minimise interest rate and follow-up financing risks at portfolio level. Thanks to our broad refinancing mix, we can utilise the individual pillars in a targeted manner and expand or reduce the share depending on requirements and the market situation. At the same time, we want to be active in all three pillars for strategic reasons.

As of December 31, 2023, the refinancing mix based on the GRENKE Group's refinancing pillars was distributed as follows:

EURm	Dec. 31, 2023	Share in %	Dec. 31, 2022	Share in %
GRENKE BANK	1'624	29	1'208	25
Senior Unsecured	2'748	50	2'573	52
Asset Backed	1'163	21	1'137	23
TOTAL	**5'535**	**100**	**4'918**	**100**

The increase in refinancing volumes of EUR 616.6 million to a total of EUR 5,534.5 million (December 31, 2022: EUR 4,917.9 million) was mainly driven by the growth in new business and the associated increase in the refinancing requirements of our leasing business. The increase was primarily covered by deposits at GRENKE BANK AG and senior unsecured instruments.

Refinancing via customer deposits at GRENKE BANK AG amounted to EUR 1,617.1 million as of December 31, 2023. This compares to EUR 1,150.7 million at the end of 2022 and corresponds to a year-on-year increase of 40.5 percent due to the more intense use of GRENKE Bank.

In the 2023 reporting year, we issued two new smaller euro bonds with a total volume of EUR 160.0 million, increased two existing bonds for a total volume of EUR 174.3 million and, above all, issued a green bond at benchmark level with a nominal volume of EUR 500.0 million. In addition to making the scheduled bond redemptions in the reporting year, a voluntary partial redemption of two bonds totalling EUR 180.3 million was also carried out ahead of schedule. Further information on the bonds can be found in the notes to the consolidated financial statements in Note 5.11 and on our company website at www.grenke.com/en/investor-relations/debt-capital/issued-bonds/.

We also issued three new promissory notes in the reporting year with a total nominal volume of EUR 57.5 million and CHF 40.0 million. The promissory notes were repaid on schedule in the reporting year.

In the 2023 financial year, the existing syndicated revolving credit facility of EUR 250.0 million was cancelled and a new syndicated revolving credit facility with a total volume of EUR 400.0 million (drawdowns can also be made in part in Swiss francs, British pounds and Canadian dollars) was signed. The credit facility has a term of three years with an option to extend for a further two years.

In addition, we have had a credit facility with a total volume of BRL 40 million with Banco HSBC S.A., Brazil, since December 2023.

In September 2023, for the first time a new ABCP programme was concluded with the structured entity "Kebnekaise Funding Limited" (sponsor: SEB AB) to refinance lease receivables from Finland. The programme, which has an agreed term of two years, amounts to EUR 100.0 million. As of the reporting date, a total of EUR 29.3 million of the programme had been utilised.

In December 2023, we also launched a new ABCP programme SILVER BIRCH FUNDING DAC (sponsor: HSBC) with a total volume of GBP 136.4 million, thereby expanding our receivables-based refinancing. As of the reporting date, the programme, which has a term of two years, had been utilised in the amount of GBP 22.6 million.

Further information on the refinancing instruments and the refinancing measures implemented in the reporting year can be found in the notes to the consolidated financial statements in Note 5.11 "Current and non-current financial liabilities".

The Consolidated Group's unutilised credit lines (i.e. bank lines plus available bond volumes) amounted to EUR 3,667.4 million, HUF 540.0 million and PLN 40.0 million as of December 31, 2023 (December 31, 2022: EUR 3,671.1 million, HUF 540.0 million, PLN 40.0 million and HRK 40.0 million).

We use various refinancing instruments and stagger their maturities over several periods. This allows the Consolidated Group to react flexibly to changes in the refinancing markets. The table below shows the expected cash outflows resulting from the contractual obligations existing as of December 31, 2023. Of the total financial debt of EUR 1.3 billion due in 2024, EUR 451.4 million is attributable to liabilities from ABCP programmes and EUR 772.6 million to bonds, debentures and private placements. Details on the maturities of the individual instruments are presented in Note 5.11 "Current and non-current financial liabilities" in the notes to the consolidated financial statements.

The GRENKE Group's off-balance sheet obligations totalled EUR 869.5 million as of December 31, 2023 (previous year: EUR 838.4 million). In addition to the usual purchase obligations in the course of ordinary business activities, these include irrevocable loan commitments and obligations from pending transactions. Leasing and rental agreements are only off-balance sheet to the extent that a lease liability does not have to be recognised in accordance with IFRS 16. Further details on off-balance sheet obligations can be found in Note 9.2 "Contingent liabilities and other financial obligations" in the notes to the consolidated financial statements.

Expected cash outflows from contractual obligations

			Payment due			
EURk	Dec. 31, 2022 total	Dec. 31, 2023 total	1 to 3 months	3 months to 1 year	1 to 5 years	after 5 years
Financial liabilities	4'030'296	4'368'462	435'204	867'650	2'858'548	207'060
ABCP-related liabilities (denominated in EUR)	966'436	1'028'439	106'326	285'199	634'851	2'063
ABCP-related liabilities (not denominated in EUR)	141'655	173'337	16'131	43'717	110'665	2'824
Bonds, debentures, private placements (denominated in EUR)	2'368'792	2'649'288	231'910	437'458	1'932'477	47'443
Bonds, debentures, private placements (not denominated in EUR)	334'746	370'008	56'875	46'375	112'534	154'224
Sales of receivables agreements (denominated in EUR)	5'884	3'417	617	1'850	950	0
Sales of receivables agreements (not denominated in EUR)	134'454	104'503	13'346	38'377	52'780	0
Payments related to bank liabilities	78'329	39'470	9'999	14'674	14'291	506
Hybrid bond	236'035	259'550	0	14'988	244'562	0
Leases and rentals	40'186	51'901	5'726	13'915	27'216	5'044
Irrevocable credit commitments	6'392	7'360	7'360	0	0	0
Purchase obligations*	818'479	838'856	668'969	169'887	0	0
Obligations from onerous contracts	4'041	8'268	1'574	2'652	3'953	89
TOTAL CONTRACTUAL COMMITMENTS	**5'135'429**	**5'534'397**	**1'118'833**	**1'069'092**	**3'134'279**	**212'193**

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

2.8 Net assets

Compared to the end of the 2022 financial year, our total assets increased by EUR 686.8 million to EUR 7.1 billion as of December 31, 2023 (December 31, 2022: EUR 6.4 billion).

The increase in our total assets as of December 31, 2023 was mainly attributable to the increase in current and non-current lease receivables. Our largest balance sheet item, lease receivables, rose by EUR 455.9 million to EUR 5.7 billion compared to the end of the 2022 financial year (December 31, 2022: EUR 5.2 billion) due to the continued positive development of new business. For further details on the development of lease receivables in the 2023 financial year, please refer to Note 5.2 „Lease receivables" in the notes to the consolidated financial statements.

EURk	Dec. 31, 2023	Dec. 31, 2022	Change (%)
CURRENT ASSETS	**3'180'347**	**2'847'293**	**11.7**
of which cash and cash equivalents	697'202	448'844	55.3
of which lease receivables	2'076'719	1'985'059	4.6
NON-CURRENT ASSETS	**3'919'194**	**3'565'450**	**9.9**
of which lease receivables	3'623'135	3'258'885	11.2
TOTAL ASSETS	7'099'541	6'412'743	10.7

Cash and cash equivalents increased by EUR 248.4 million to EUR 697.2 million (December 31, 2022:

EUR 448.8 million). As of December 31, 2023, EUR 484.7 million (December 31, 2022: EUR 326.6 million) of the cash and cash equivalents were held in Deutsche Bundesbank accounts.

The decline in non-current and current derivative financial instruments with a positive market value to EUR 18.7 million (December 31, 2022: EUR 38.0 million) was the result of a normalisation of the interest rate curve in the euro area as of the reporting date that was still sharply inverted in the previous year and corresponding currency developments in the 2023 financial year.

Within non-current assets, property, plant and equipment remained almost unchanged at EUR 88.8 million (December 31, 2022: EUR 88.0 million). The 26.3 percent decline in other intangible assets to EUR 12.2 million (December 31, 2022: EUR 16.5 million) was the result of low investments in the reporting year (EUR 2.4 million), which were offset by amortisation and impairment losses of EUR 6.7 million. Goodwill fell slightly to EUR 34.4 million (December 31, 2022: EUR 34.9 million) due to the impairment of the Spain cash-generating unit in the amount of EUR 0.6 million. For further information, please refer to the disclosures under Note 5.7 "Goodwill" in the notes to the consolidated financial statements.

2.9 Overall statement on the Consolidated Group's business performance and position

The 2023 financial year was another challenging year for us. From a global perspective, the wars in Ukraine and the Middle East weighed on the global economy. Despite the slowdown in the eurozone economy compared to the previous year, inflation during the financial year remained well above the ECB's 2 percent target. Consequently, the ECB raised its benchmark rate on six occasions from 2.5 percent at the beginning of the year to 4.5 percent by September 2023. Since September 2023, interest rate momentum has calmed, albeit at a comparatively high level. This caused a continued rise in refinancing costs in 2023 as a whole. The higher interest rates also slowed investment and consumption, and economic output weakened accordingly. In light of these developments, we adjusted our outlook for the 2024 financial year on August 9, 2023. Given the circumstances, the Board of Directors of GRENKE AG believes that we achieved good results in 2023.

As planned, we recorded significant growth in new leasing business in every quarter and continued the previous year's growth trajectory. With EUR 2.6 billion in new leasing business, we reached the lower end of our annual forecast. We not only focused on growing our leasing volumes during the year, but also on our profitability. With a CM2 margin of 16.5 percent, we were fully in line with our medium-term target of 17 percent and were able to successfully pass on the rising refinancing costs to lessees with the usual time lag of around one-quarter.

The high quality of our portfolio was also clearly evident in the 2023 financial year. As a result of the stable payment behaviour of entrepreneurs, expenses for the settlement of claims and risk provision continued to fall. This brought our loss rate down from 1.3 percent in the previous year to 1.0 percent in the reporting year, which was well below our forecast of less than 1.5 percent.

On September 22, 2023, we reached two important milestones with the issue of a green bond of EUR 500 million at benchmark level. First, this was the first bond issue in GRENKE's history to be used exclusively to finance sustainable lease objects. Second, it was the first time that the benchmark class of EUR 500 million was reached. The green bond has a term of 3.5 years and a coupon of 7.875 percent. This green bond issue underlines our company's growth ambitions and the increased relevance of leasing green economy objects in the areas of renewable energy, energy efficiency, sustainable mobility and resource and waste management. eBikes currently make up around 80 percent of our Green Economy portfolio.

In March 2023, S&P Global Ratings reaffirmed our investment grade rating of BBB+/negative/A-2. In November, Fitch Ratings also reaffirmed its investment grade rating of BBB/stable/F2. Based on our strong equity ratio of 19.1 percent at the end of 2023 and our diversified refinancing options, the Board of Directors is confident that we will be able to finance our planned growth in new leasing business at attractive conditions in the coming year.

3. Non-Financial Statement 2023

3.1 GRENKE at a glance

3.1.1 Report and regulatory framework

This report presents the mandatory non-financial consolidated statement ("Non-Financial Statement" or "NFS") of the GRENKE Group for the period from January 1 to December 31, 2023. The Non-Financial Statement is a legal requirement pursuant to Sections 289b (1) and 289c HGB in conjunction with Section 315b HGB and the requirements of the EU Taxonomy (EU Regulation 2020/852) and associated delegated acts. In preparation for the mandatory implementation of the (EU Directive 2022/2464) Corporate Sustainability Reporting Directive (CSRD) for the comparability of corporate sustainability reporting starting with the 2024 financial year, we have further developed the content of NFS. In our annual report, we use the NFS statement to report annually on how we deal with the impacts, opportunities and risks relating to the selection of non-financial topics relevant to GRENKE (see Chapter 3.2.1 „Stakeholder dialogue and materiality analysis"). We provide information on the development status of our sustainability strategy (see chapters 3.2.2 „Sustainability strategy and goals" and 3.3.1 „Sustainable corporate governance"), as well as on our management approaches, key measures and the progress made during the financial year (see Chapter 3.4 „Material sustainability topics"). We publish further information and updates during the year on our website at www.grenke.com/en/.

Included companies

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

Applied framework

In the 2022 financial year, the NFS was prepared for the first time according to the "with reference" option of the Global Reporting Initiative Sustainability Reporting Standards (GRI SRS) – i.e. the general standards GRI 1 to 3 as well as the thematic standards on economic topics (GRI 200 series), environmental topics (GRI 300 series) and social topics (GRI 400 series). In this NFS report for the 2023 financial year, we have added further data points from the topic standards. We publish the list of standards we cover from the GRI Content Index on our website at www.grenke.com/en/esg/.

Editorial note

The NFS is published annually as part of the group management report. The reporting date for the 2023 NFS is December 31, 2023. Events of particular relevance to the non-financial aspects in the reporting period were taken into account until February 5, 2024. For any questions regarding the report, please contact our Investor Relations department (investor@grenke.de).

3.1.2 Our business model and value chain

For details on the Consolidated Group, its business activities and a description of our value chain, please refer to Chapter 1.1.1 "Business model and segments" contained in the combined management report. Details on the ownership structure of GRENKE AG can be found in the explanations in the chapter entitled „Share and Investor Relations" as well as in Chapter 7 "Acquisition-related disclosures" in the consolidated management report. Updates on the ownership structure and other capital-market-relevant information are published throughout the year on our website at www.grenke.com/investor-relations/grenke-share/shareholder-structure/.

3.2 Our sustainability strategy

3.2.1 Stakeholder dialogue and materiality analysis

The materiality analysis completed in the 2022 financial year forms the basis for the material topics in our sustainability strategy as well as those contained in this NFS. Building on our strategy control process, our materiality analysis process is conducted at least once every five years and reviewed and updated annually.

We base our materiality analysis on our continuous dialogue with our stakeholders. Since 1996, we have been collecting and analysing the expectations of stakeholder groups – mainly capital market participants and our employees, customers, and partners – and incorporating them into our strategic decisions. We use various target group-specific communication formats and channels to engage with our stakeholders.

Dialogue on sustainability issues is becoming increasingly important due to growing government regulation in the ESG area since 2017 and rising sustainability reporting expectations, among others. By embedding sustainability in our corporate strategy, the relevant topics have become an integral part of our stakeholder dialogue. In 2023, our engagement with stakeholders took place primarily in quarterly town hall meetings, as well as in the context of investor meetings and ESG roadshows, such as those related to our green bond issue.

In addition, we continued to add ESG topics to the annual employee survey. In producing this NFS, a focus was also placed on the internal collaboration with the more than 25 departments involved in preparing the non-financial reporting.

Stakeholder	Formats and channels

Management and employees
// Supervisory Board
// Board of Directors and senior management
// Employees
	Management meetings, CEO letter, ESG Committee, quarterly town hall meetings, regular employee information (intranet), annual employee survey, campaigns on occupational health and safety; social media (LinkedIn, Xing, Facebook), workshops and ESG projects

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

Capital market
// Investors (debt and equity)
// Banks/financial analysts
	Annual reports, the Annual General Meeting, analyst and investor conferences, road shows and capital market conferences, ESG Ratings (ISS ESG, S&P Global, Sustainalytics, MSCI, EthiFinance Ratings)

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

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

We designed our materiality analysis to meet the double materiality requirement of Section 289c (3) of the German Commercial Code (HGB) and align with the GRI 3 standard. This approach also prepares us for the CSRD requirements, which will take effect starting with the 2024 financial year. This involves identifying those non-financial topics that are material from both the inside-out and outside-in perspectives. The inside-out perspective describes the impact of our company on society and the environment. The outside-in perspective, on the other hand, describes the impact of non-financial topics on GRENKE Group‘s business performance, operating results and position (see the diagram „Materiality matrix“). The first step was to identify our most important internal and external stakeholder groups (see the chart „Relevant stakeholder groups“). We did this while paying particular attention to the potential influence of stakeholders on GRENKE and vice versa.

Relevant stakeholder groups

Several sources were used to compile the potentially relevant non-financial topics. These included, ESG issues already identified by GRENKE along our business strategy, content from the GRI frameworks, ESG-related enquiries from rating agencies and industry comparisons on material ESG issues.

Materiality analysis process

The potentially relevant content was again validated for its relevance to our business model and consolidated into a list of 20 ESG topics covering the following areas:

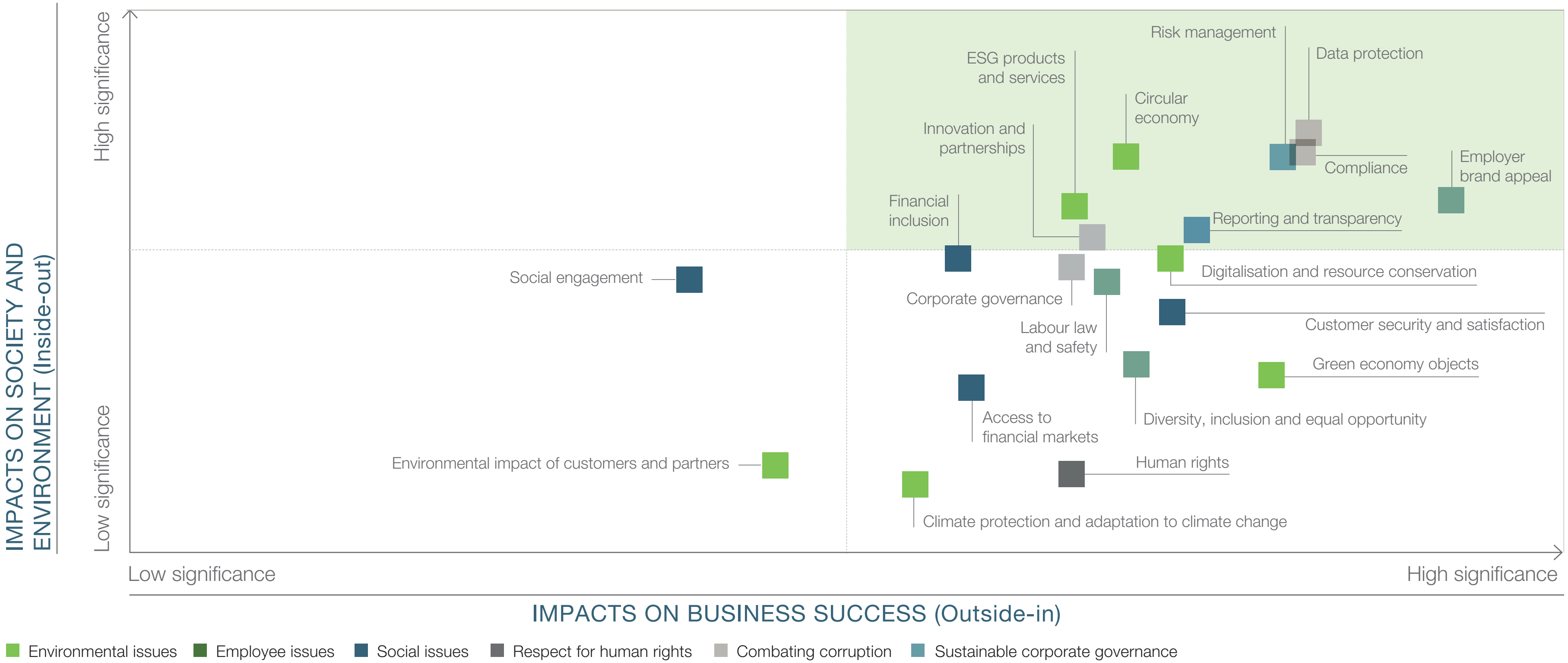
- Environmental concerns
- Social issues
- Labour and human rights issues
- Business model and innovation
- Leadership and governance

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

We surveyed our external and internal stakeholders as part of our materiality analysis in the 2022 financial year. An online survey was used to contact 708 external stakeholders and 266 internal stakeholders. A total of 147 internal stakeholders and 60 external stakeholders responded to the survey, representing a response rate of 21.3 percent. Next to interviews with the Supervisory Board, individual expert interviews were also conducted with research and science representatives from the fields of bioeconomy, sustainable corporate management, sustainable product development and HR management/leadership. They gave further insight into the classification of non-financial topics and helped to validate the results of the stakeholder survey. All responses from the online survey and expert interviews were analysed and mapped in a materiality matrix (see the diagram „Materiality matrix“).

In the 2023 financial year, we reviewed and validated our materiality analysis. In this context, GRENKE BANK AG conducted its own materiality analysis. The materiality of the material topics defined for GRENKE BANK by the Consolidated Group was confirmed by a survey of other bank-specific external and internal stakeholders.

Materiality matrix



In the course of validating the results of the materiality analysis, the following definitions of the material topics were supplemented and adopted to better integrate them into our operations and management:

- ESG products and services

This topic describes our ability to offer sustainable (leasing) financing and services and to enable SMEs to invest in their sustainability. The two topics "ESG-related products and services" and "Green economy objects" were combined due to their similar content.

- Circular economy

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

- Digitalisation and resource conservation

This topic describes our ability to digitalise processes and procedures, among others, to minimise the use of resources.

- Employer attractiveness

This topic measures our ability to attract qualified employees and retain them with adequate opportunities for promotion and personal development as well as target group-oriented offers.

- Customer safety and satisfaction

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

- Innovation and partnerships

This topic describes the development and maintenance of targeted partnerships as part of our commitment to promoting a sustainable society and taking an innovative approach to solutions.

- Risk management

This topic addresses our ability to assess, manage and minimise risks that could potentially affect the Company's position and development.

- Reporting and transparency

The focus of this topic is on the transparent design of corporate communications and financial and non-financial reporting.

- Compliance and data protection

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

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

- Climate change mitigation and climate change adaptation

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

- Labour law issues and safety

We consider these issues to be fundamental prerequisites for meeting the expectations for employer attractiveness. In addition, employee matters constitute minimum content according to Section 289c HGB. Consequently, these are also the subject matter of the Non-Financial Statement.

□ Respect for human rights

Respect for human rights is a fundamental prerequisite for the fulfilment of our strategically material topics. These are also specified as minimum content in Section 289c HGB and are therefore also included in the Non-Financial Statement.

As of the 2024 financial year, GRENKE will be subject to the reporting requirements of the CSRD and its definition of double materiality. In preparation for this we added a new material topic to our NFS for the 2023 financial year:

□ Access to financial markets

This topic concerns GRENKE Group's access to financial markets in terms of raising and utilising capital and particularly the procurement of sustainable capital, such as through the issue of (green) bonds.

The table below provides an overview of the allocation of topics according to classifications under Section 289 HGB:

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

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

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

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

Sustainable corporate governance
// Risk management
// Reporting and transparency
// Access to financial markets

3.2.2 Sustainability strategy and targets

We see our non-financial commitment as a key success factor for our future viability and performance and strong long-term market position. Sustainability has been an integral part of our business activities since our foundation more than four decades ago. GRENKE's business model makes it easier for SMEs to utilise the latest resource-saving technologies by offering a variety of financing options. At the same time, our solutions ensure that leased objects continue to be utilised or optimally disposed of after the lease contract expires. Sustainability is already embedded in our corporate strategy. This is the basis for our sustainability strategy, which describes our sustainability vision "To be a pioneer for sustainable SMEs".

In line with this vision, our sustainability strategy sets out our ESG objectives and measures along the three dimensions of climate and environment, social contribution, responsibility and trust. We have defined a strategic ambition for each dimension. For our sustainability strategy, we derived the strategic focus topics from the analysis of our material topics (see Chapter 3.2.1 "Stakeholder dialogue and materiality analysis").

We continue to base the design of our strategic ambitions on the United Nations Sustainable Development Goals (SDGs).

Our sustainability strategy focuses on 9 of the 17 goals of the 2030 Agenda (see diagram "Our sustainability ambitions").

Our sustainability ambitions

Enabler for sustainable SMEs

Climate and Environment

We accelerate the transformation to a green future by providing sustainable financial services and facilitating green investment choices.

- // ESG products and services
- // Circular economy
- // Digitalisation and resource conservation

Social Contribution

We promote equal opportunities and innovative strength for our customers, partner companies and employees alike.

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

Responsibility and Trust

We strengthen transparent communication and create a sustainable corporate structure and culture.

- // Risk management
- // Reporting and transparency
- // Compliance and data protection

CLIMATE & ENVIRONMENT

In consideration of the climate and the environment, we want to support the transformation to a green future with our range of sustainable financial services and make it easier for our customers to make environmentally conscious investment decisions. Our goal is to steadily increase the share of green economy objects in the new leasing business and finance the sustainable investment needs of our SME customers (SDG 12). This includes objects for the generation and storage of renewable energies (SDG 7). The development of local green economy expertise and partner networks enables effective risk management and the utilisation of growth opportunities (see Chapter 3.4.1.1 „ESG products and services").

We also intend to continue advancing our own product range in line with ESG criteria and offer our SME customers a sustainable lease contract oriented towards a circular economy and resource conservation (see Chapter 3.4.1.1 „ESG products and services“). The digitalisation of our business processes plays a key role in reducing our environmental footprint (SDG 12 and 13). By 2025, we want to become climate-neutral in terms of Scope 1 and 2 emissions and, at the same time, steadily reduce our Scope 3 emissions. Our Digital Excellence digitalisation strategy is relevant to achieving these goals (see Chapter 3.4.1.3. “Digitalisation and resource conservation” and Chapter 6.2.2.5 „Overall statement on future development“).

To make the sustainability of our leasing portfolio measurable and transparent, or at a minimum objectively verifiable, we are continuing to develop our GRENKE Sustainability Index (GSI). The GSI will enable us to talk in concrete terms to our partners and SME customers about sustainability issues and raise the awareness of sustainable investment opportunities.

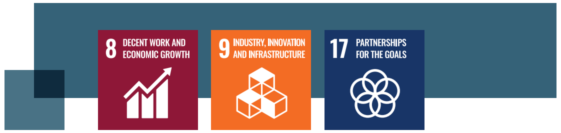
SOCIAL CONTRIBUTION

We see our social contribution in our promotion of equal opportunities and our innovative strength for our SME customers, business partners and employees alike. Our financing solutions are especially tailored to the investment needs of small and medium-sized companies. Thanks to the share of medical technology equipment in our lease portfolio, our solutions are also contributing to promoting health and well-being in society (SDG 3).

We want to strengthen and expand our reputation in the job market as an attractive employer to secure the Company‘s long-term success. An important indicator is the satisfaction of our own employees, which we measure annually and continually improve by taking effective measures. We consider equal opportunities and diversity (SDG 5) to be the cornerstones to achieving this. We consider gender diversity in the composition of the Board of Directors, Supervisory Board and our workforce. The selection and development of our talents – regardless of culture, nationality, ethnicity, gender, sexual orientation, physical abilities, faith, political beliefs, age and experience – are also particularly important to us and must be encouraged. Our offers to employees include models for appropriate remuneration schemes, flexible work schedules and the promotion of employee health, including ergonomic workspaces and preventive healthcare.

We increase access to high-quality education (SDG 4) internally through the training and development of our employees (see Chapter 3.4.2.1.5 „Employee qualification and development“). Outside of the Company, we are involved in various partnerships and sponsorships to promote education and culture as well as research and development.

RESPONSIBILITY & TRUST



Our understanding of responsibility and trust is the combination of a sustainable corporate structure and culture with transparent, reliable and trustworthy corporate governance. We ensure our lasting success through careful risk management (see Chapter 3.4.3.1 „Risk management“). We incorporate current developments and circumstances, such as the impacts, opportunities and risks of climate change, into our risk management. Transparent reporting and capital market communication (see Chapter 3.4.3.2 „Reporting and transparency“) form an important cornerstone of our trusting relationships with our stakeholders. We see this as a necessary prerequisite in our promotion of sustainable economic growth and innovation for SMEs through our financing solutions (SDG 8 and 9). The responsible handling and protection of our stakeholders‘ data (see Chapter 3.4.3.3 „Compliance and data protection“) continue to build trust, laying the foundation for long-term partnerships (SDG 17).

Our progress in these areas of action and the achievement of our sustainability goals are measured and managed using relevant non-financial performance indicators. We call these indicators TOP KPIs (see Chapter 1.3.3. “Non-financial performance indicators”).

The chapters that follow give a more detailed description of the progress we have made through the aforementioned activities.

Our strategic areas of action

Climate and Environment	Social Contribution	Responsibility and Trust
Increase share of green economy objects and introduce GSI	Ensure employer appeal and retain employee retention	Identification with group and sustainability strategy
Net zero emissions scope 1 and 2	Develop our talents and knowhow	Integrate ESG aspects in company steering
Digitalise all our core processes and reduce paper consumption	Diversity and share of women	Compliant behavior and internal controls

3.3 Sustainability at GRENKE Group

3.3.1 Sustainable corporate governance

3.3.1.1 ESG organisation and management

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

GRENKE AG complies with the primary legal requirements for the management and supervision of listed companies, as set out in the German Corporate Governance Code (GCGC) and the standards for good and responsible corporate governance recommended by the GCGC, to the highest degree possible (see Chapter 8 „Corporate Governance Statement“). The measures we are taking to strengthen our governance were validated again by the results of the DVFA Scorecard 2023: GRENKE AG took third place among the SDAX companies for the second consecutive year.

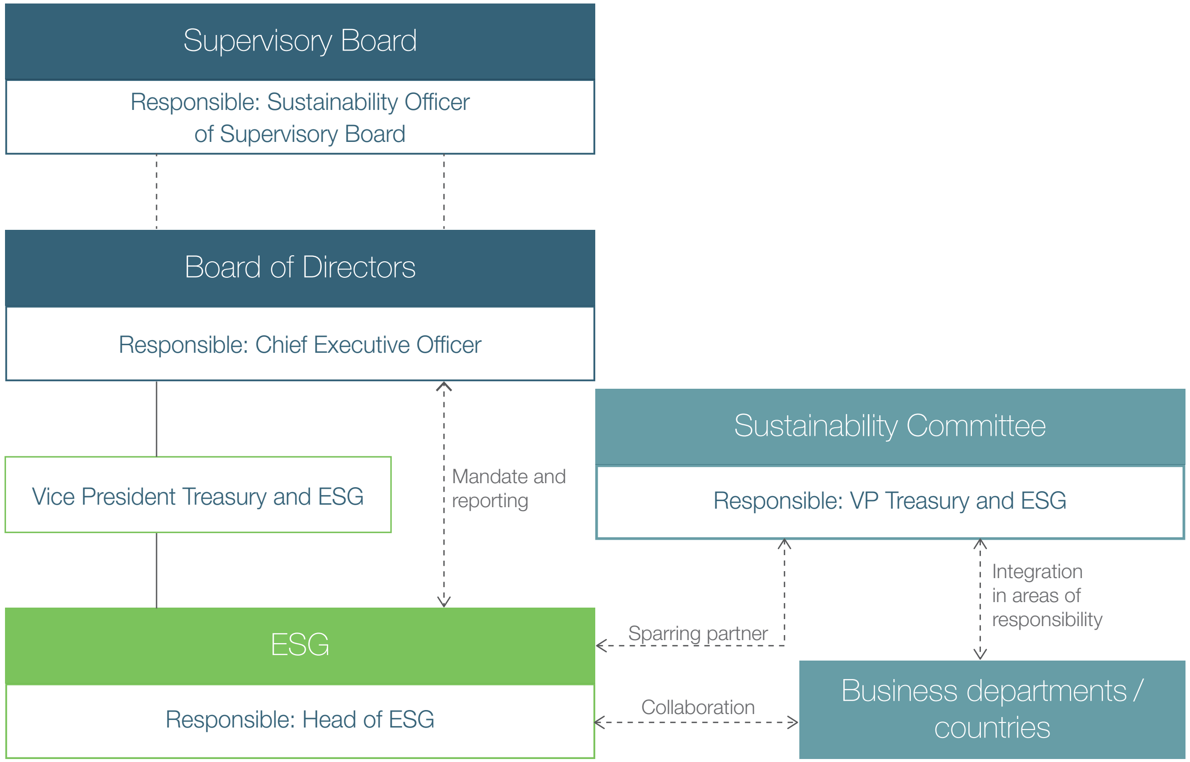
As a stock corporation under German law, GRENKE AG has a Board of Directors, a Supervisory Board, and an annual general meeting. The Board of Directors is responsible for managing the Company and is monitored and advised by the Supervisory Board. For information on personnel changes in the Board of Directors and the Supervisory Board, please refer to Chapter 4 “Changes in the governing bodies”.

Our commitment to sustainability is an integral part of our business strategy. The responsibility for sustainability therefore lies with our CEO Dr Sebastian Hirsch. All areas of the Board of Directors were closely involved in the initial development of our sustainability strategy in 2022. We continue to develop and update the sustainability strategy in the 2023 financial year. During the strategy’s implementation in the 2023 financial year, all members of the Board of Directors were kept regularly informed. In the 2022 financial year, the importance of ESG for the Consolidated Group was reinforced by the appointment of Dr Ljiljana Mitic as the sustainability officer within the Supervisory Board. As an expert in sustainable corporate development, she is supporting and monitoring the ESG transformation of the GRENKE Group (www.grenke.com/en/management/supervisory-board/).

The ESG department, created in 2022, is responsible for the operational management of GRENKE's sustainability strategy. This includes the responsibility for the further development of the strategic direction and the coordination of Group-wide ESG activities. The detailed range of tasks of the ESG department include the following:

- Advancing the sustainability strategy
- Further developing a comprehensive control system
- Coordinating and managing the Group-wide operationalisation of the sustainability strategy
- Developing our CO_2-neutral strategy
- Further advancing and updating our ESG policies
- Internal and external non-financial reporting and responsibility for ESG data management
- Building up expertise on the topic of sustainability in all countries and locations
- Exchanging and advocating with internal and selected external stakeholders

ESG organisation



ESG management

The ESG department manages sustainability activities in close coordination with the Board of Directors and specialist departments. This enables it to develop viable solutions and a foundation for decision-making for the operational implementation in the specialist departments.

In the 2023 financial year, we established the Sustainability Committee to act as a sparring partner for the ESG department and drive the integration of sustainability issues in the key departments. The 8-member committee comprises the areas of ESG, Refinancing, Human Resources, Purchasing and Portfolio Management, Risk Management, Accounting and Taxes, and Investor Relations. Our CEO and our Sustainability Officer on the Supervisory Board were also invited to the committee‘s first meeting in December 2023.

In addition to anchoring ESG within the organisation, we underscore the high relevance of the ESG topic by linking the remuneration of the Company's top management to the achievement of sustainability targets.

We also measure the proportion of top management positions that incorporate a sustainability component into variable remuneration as a TOP KPI (see Chapter 1.3.3 "Non-financial performance indicators"). In addition to the Board of Directors, we also consider top management to include the first and second management levels. The Consolidated Group‘s entire Board of Directors Variable have had components of their remuneration linked to sustainability targets since the 2022 financial year, resulting in a ratio of 100 percent for the Board of Directors for both the 2022 and 2023 financial year. Since his appointment as of March 1, 2023, sustainability targets also began to apply for the Chief Representative Dr Martin Paal. This resulted in a slight increase in the overall ratio for the Board of Directors and top management to 1.8 percent in 2023 (2022: 1.6 percent). For further details on remuneration, please refer to our remuneration report (www.grenke.com/en/investor-relations/reports-and-presentations/).

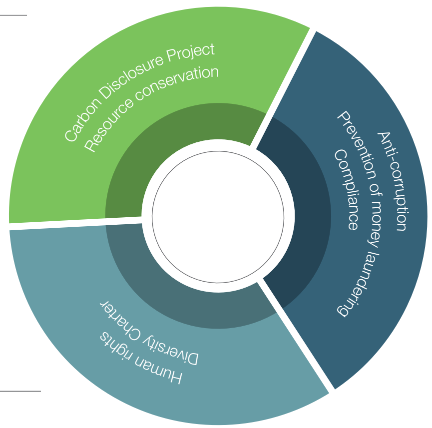
3.3.1.2 ESG compliance

We use appropriate initiatives, measures and concepts to operationalise our sustainability strategy and integrate it into the business organisation and processes.

Central elements of sustainable corporate management

Climate and environment

- // Environmental policy
- // Travel policy
- // Resource conservation
- // Carbon Disclosure Project
- // Digitization of processes
- // Corporate Carbon Footprint



Responsibility and trust

- // Green Bond Framework
- // Data protection
- // Compliance management system
- // Know-your-customer process
- // GRENKE Integrity Line
- // Audits (external and internal)
- // Quality management

Social contribution

- // Code of conduct
- // Supplier Code of Conduct
- // Diversity Charter
- // Engagement score
- // GRENKE Talent Lab
- // OHS Policy

The measures and concepts of the focus topic “Responsibility and Trust” are particularly strongly influenced by legal regulations, which we have implemented accordingly into our organisational structure.

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

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

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

- Information security: We expanded our information security management system in the 2023 financial year and continue to develop it, particularly in order to meet the relevant regulatory requirements. We review and ensure the effectiveness of the measures taken by undergoing internal and external audits and conducting employee training (see Chapter 3.4.3.3.4 „Information security“).

3.3.2 Sustainable corporate policies

3.3.2.1 Policies and guidelines

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

- UN Sustainable Development Goals

We take responsibility for sustainable development across all our business activities and have integrated the United Nations Sustainable Development Goals (SDGs) into our sustainability strategy (see Chapter 3.2.2. „Sustainability strategy and goals“).

- Diversity Charter

Equal opportunities and diversity are an integral part of our corporate culture. By signing the Diversity Charter in the 2022 financial year, GRENKE Group has actively committed to further embedding the concept of diversity in the organisational structure. We are also committed to an organisational culture characterised by mutual respect and appreciation and align our personnel processes in such a way that they complement the diverse skills of our employees. We recognise the diversity within and outside our company and utilise this potential in furthering our company's development. At the same time, we promote internal and external dialogue about the Diversity Charter and involve our employees in its implementation.

- Carbon Disclosure Project

In order to report transparency on our CO_2 emissions as well as the opportunities and risks for our business model from climate change, we submitted the Carbon Disclosure Project (CDP) reporting questionnaire for the first time for the 2022 financial year. In the 2023 financial year, we responded to the questionnaire again and submitted it for a rating for the first time. The results are expected at the beginning of 2024.

- GRENKE Code of Conduct

We have summarised the applicable standards for compliance and GRENKE-compliant behaviour in our Code of Conduct (see Code of Conduct at www.grenke.com/en/code-of-conduct/). In it, we commit ourselves as a globally operating company to comply with local, national and international laws. Our Code of Conduct is not just a guide but a binding guideline for our values and behaviour. It is binding for everyone working at GRENKE. We expect our suppliers, partners and consultants to also comply with our Code of Conduct by implementing similar standards.

The Code of Conduct sensitises us to the legal risks in our day-to-day work based on the applicable laws and our own corporate guidelines. We see our Code of Conduct as an ethical guide for our actions and decisions (see diagram „Contents of our Code of Conduct“).

GRENKE Code of Conduct

GRENKE Code of Conduct	
Trust and risk culture	Respect for and compliance with national and international law
Respect, fairness, equal opportunities, tolerance and anti-discrimination	Zero tolerance for corruption and bribery
Avoiding and dealing with conflicts of interest	Ensuring objective and independent reporting
Protection of company assets	Zero tolerance for unauthorised use or disclosure of inside information
Documentation of internal processes and quality assurance	Compliance management and money laundering prevention
Safe and healthy working environment with respect for employee and human rights	Sustainable working environment and environmental protection
Development of products and provision of services with added value for customers	Sponsoring and supporting social activities
Free and fair competition	Material procurement
Dealing with customers and partners in compliance with applicable standards and regulations	Guidelines for decision-making and compliance with the Code of Conduct
Data protection	Protection of IT systems and responsible use of technological advancement

GRENKE Supplier Code of Conduct

We believe a solid cooperation is built on transparency and trust. We also expect our suppliers to comply with our Code of Conduct by implementing similar standards for themselves and their suppliers and subcontractors (see diagram "Principles of our Supplier Code of Conduct").

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

GRENKE Supplier Code of Conduct

GRENKE Supplier Code of Conduct

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

Environmental guidelines

The environmental guideline summarises our efforts in the area of environmental protection. We are committed to continuously improving our environmental management system according to the regulatory and compliance obligations. We define this as the fulfilment of the requirements of environmental law and the usual market standards. We therefore base our actions on the requirements of ISO 14001. Our initial certification in accordance with this standard is being reviewed for 2024.

Health and Safety guidelines

The aim of this guideline, which applies to all GRENKE companies in Germany, is to maintain, improve and promote the health and safety of our employees through efficient and systematic occupational safety, supplemented by measures to promote occupational health.

3.3.2.2 Quality management

Next to ensuring our compliance with the legal requirements, we have set high quality standards for our own actions. We employ a quality management system that provides a framework for the operating and work processes established across the Consolidated Group in its everyday business.

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

Since 1998, GRENKE's quality management has been certified annually by the independent auditing company TÜV SÜD Management Service GmbH. Following its surveillance audit in 2021 and the update in the 2022 financial year, in the 2023 financial year, TÜV SÜD Management Service GmbH reconfirmed

Quality Management Control Loop

our well-functioning and effective quality management system that fully meets the requirements of the ISO 9001:2015 standard. The current certificate is valid until October 2025. Our certified locations and companies can be found on our website (see www.grenke.com/de/unternehmen/grenke-deutschland/auszeichnungen-zertifizierungen/).

Quality management is a central component of our corporate philosophy, risk management and due diligence processes. We systematically review and optimise the Group's organisational structure, processes and results using a quality management control loop. This control loop comprises the components of quality policy, quality objectives, programmes and projects, quality audits and quality reviews, in order to contribute to the Company's lasting success (see diagram „Quality management control loop"). As part of the quality management control loop and in addition to the aforementioned TÜV monitoring and recertification audits, we carry out internal quality management audits and continually record and regularly update quality-relevant documentation. This helps us to ensure that both legislative changes and ongoing product and process adjustments are reflected in our quality management. It also enables us promptly identify process deviations and make adjustments when necessary. In the 2023 financial year, 32 locations were audited by TÜV SÜD as part of the random sample certification (2022: 31 locations), and 107 internal audits took place (2022: 115 internal audits).

The dedicated certification of our environmental management system and our sustainability activities in accordance with ISO14001 will also be reviewed for the first time for the 2024 financial year.

Welcoming the ideas and suggestions of our employees has always been part of GRENKE's corporate culture. We digitised and optimised the process for this input back in 2018 and revised it again in 2022. Since the fourth quarter of 2022, our employees have had the opportunity to submit their ideas on an ongoing basis. This continuous process replaced the previously periodic campaigns and topic requirements.

Ideas can be submitted at any time using a dedicated tool and realised in a simple and intuitive way. The decision to accept or reject an idea is now based on objective criteria that result in an overall score. For ideas that achieve an overall score of ≥ 3.5 points, employees receive a one-time cash bonus. This is one way we continue to promote and expand the innovative strength of our employees.

In the 2023 financial year, 41 ideas (2022: 45 ideas) were submitted using the new idea process. A number of the suggestions this year concerned IT development requests, which were referred to the relevant process. So far, three of the ideas submitted in 2023 have been accepted, one of which turned out to be unfeasible. Of the ideas still outstanding from previous years, 11 are currently being implemented.

3.4 Key sustainability issues

3.4.1 Climate and environment

3.4.1.1 ESG products and services

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

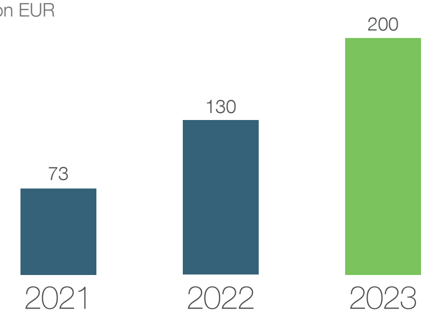
In order to meet SME customer needs, our leasing and rental products cover a wide variety of leasing objects, which also ensures that we have a diversified portfolio (see diagram, Composition of our leasing object portfolio). Given the transition of the economy as a whole towards sustainability, we too are striving to make our object portfolio more sustainable. By financing green economy objects, we contribute to the sustainable transformation of our customers' own business activities and the economy as a whole. By "green economy objects", we mean objects such as those used for the generation and storage of renewable energies, sustainable mobility solutions, and resource management. In addition to our eBike business, green economy objects include, photovoltaic and energy storage systems, wall boxes and charging infrastructure. Since 2022, the colleagues from our Sales department have been further developing our specialised green economy market approach, which is specifically focused on approaching new reseller partners and customers.

Composition of our leasing object portfolio

In the 2023 financial year, these efforts increased the share of green economy objects – measured in terms of net acquisition volume – within the Group-wide new leasing business to 7.7 percent (2022: 5.7 percent[1]). Particularly popular among green economy objects continues to be eBikes, which accounted for 4.3 percent of the Group's new leasing business in 2023 (2022: 4.3 percent). The share of green economy objects in our new leasing business in the 2023 financial year corresponds to a net acquisition volume (NAV) of EUR 200 million (2022: EUR 130 million) (see the chart „GEO by NAV").

GEO by NAV (2021, 2022, 2023)

as of December 31, 2023
in million EUR



In the context of ESG, we also make a contribution to healthcare by enabling medical practices and medical facilities to finance medical technology objects. The share of medical objects in our total portfolio remained constant Group-wide at 8.0 percent in the 2023 financial year (2022: 8.0 percent).

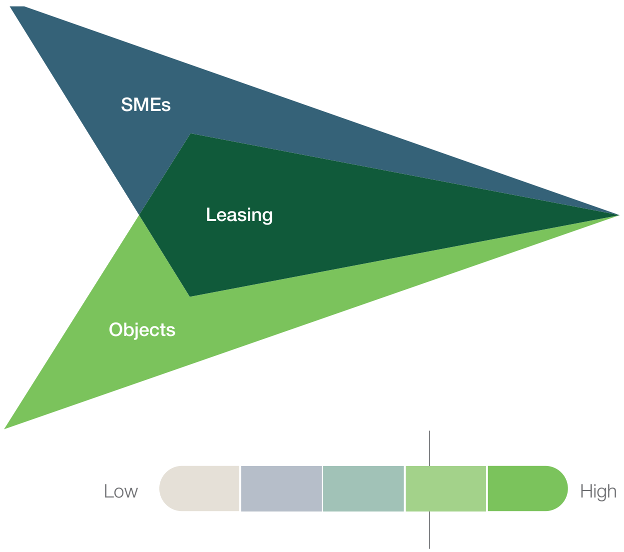
As a financing partner, we are not directly involved in the production of goods and commodities, but we nevertheless strive to exert our influence on sustainability criteria in upstream and downstream processes (see GRENKE Code of Conduct in Chapter 3.3.2.1 "Policies and guidelines").

The sustainability of our services is influenced by both the leased assets and the lease contracts themselves. In order to make the sustainability of our financing transparent and measurable, we are developing the GRENKE Sustainability Index (GSI). This index takes into account the various components relevant to the lease contract's life cycle. These include parameters related to the leased asset (e.g. asset category or useful life), the contract (e.g. digitalisation of the settlement processes) and our lessees (e.g. industry code). The GSI is intended to serve as a tool for our Sales department to lead the dialogue on sustainability aspects with our SME customers and partners. To help accomplish this, the GSI evaluates our financing transactions, taking into account the specifics of property-related financing. The evaluation criteria are specially defined and do not correspond to the criteria for sustainable financial products as defined by the Sustainable Finance Disclosure Regulation (SFDR) or are derived from it. We decided to use the GSI definition because no relevant criteria for sustainable leases exist.

In the 2023 financial year, we continued the development of the GSI and validated the modelling in collaboration with the Karlsruhe Institute of Technology (KIT). The suggestions from the research collaboration with KIT led to the strategic weighting of the variables included so that the GSI could be used as a meaningful valuation metric. The project work on the GSI will continue in 2024 and preparations will be made to launch it on the market.

[1] The definition of green economy objects was further developed and expanded in 2023 to include new object types such as bottled water systems. This resulted in a share of green economy objects of 5.7 percent in 2022. According to the previous definition, the share in the previous year was 5.2 percent.

GRENKE Sustainability Index



GRENKE Sustainability Index

In cooperation with the Karlsruhe Institute of Technology (KIT), we are developing the GRENKE Sustainability Index (GSI).

The GSI will evaluate every leasing contract in terms of its sustainability. It will create transparency for us as well as for our customers and partners and raise awareness of sustainable investment opportunities.

To develop a sustainable leasing contract, we also started planning another project in cooperation with KIT and AfB gGmbH in the 2022 financial year. The project was continued in the 2023 financial year.

We want to enable our sales employees to talk to our lessees and business partners about sustainability. Training courses and other formats cover the sustainability in our product and property portfolio. The aim of these workshops is to operationalise and expand the green economy objects we can finance. We use these formats to support the local implementation of our Group-wide sustainability strategy in line with country-specific requirements.

It is our aim to continuously develop our employees' ESG expertise to establish a common understanding of our sustainability issues. This will help ensure our employees align their own actions with our sustainability strategy. Last year, we developed a training programme covering ESG basics as well as the topic of ESG@GRENKE – Our Ambitions & Insights. In 2022, the topics were covered in 32 interactive, digital live sessions and a voluntary training programme was attended by 910 colleagues from 28 countries. In the current 2023 financial year, the content was published as learning videos and has been permanently available for downloading. New formats and interactive learning opportunities are planned for the 2024 financial year.

Our national companies have also launched the following additional sustainability initiatives:

- CLIMATE FRESK: In the 2023 financial year, all employees at GRENKE LOCATION SAS in France participated in the „Climate Fresk“ workshop. The content of the workshop was based on the scientific publications of the Intergovernmental Panel on Climate Change (IPCC) reports. The aim was to provide high-quality further education on climate topics. The content dealt particularly with approaches to better understand climate-related problems and to develop measures and solutions (see Climate Fresk at www.climatefresk.org/).

- SEED programme: In July 2023, GRENKE LOCATION SAS France launched a programme to communicate and improve sustainability aspects with its specialist reseller partners. As part of the programme, participating specialist reseller partners were supported by the independent third-party partner EcoVadis over a period of 12 months. After an initial audit, the specialist reseller partners had the opportunity to improve their own sustainability policies during this period by implementing concrete measures on predefined topics. GRENKE‘s SEED programme also offers participating specialist reseller partners training and information on sustainability topics. Through this programme, we are supporting our partners on their road to improved sustainable corporate management. The programme is also another building block for supporting SMEs and strong long-term partnerships (see GRENKE SEED programme at www.grenke.fr/rse/programme-rse/).

- ZERO PER CENTO: At our location in Italy, GRENKE LOCAZIONE SRL, corporate events are organised with a catering service that promote the employment of disadvantaged and mentally disabled people and focuses on the selection of sustainable products from the region and a plastic-free facility (see www.zeropercento.org).

- OPERA IN FIORE: The Italian subsidiary based in Milan has entrusted the maintenance of its green office spaces to a cooperative that promotes the work and social reintegration of disadvantaged people with prison records (see www.operainfiore.it).

3.4.1.2 Circular economy

As a leasing provider, we see a key advantage in supporting a sustainable circular economy. For us, this begins even before the potential return of the objects. The objects we lease are new and meet the current market and technology standards, which we expect will extend the useful life of the leased objects and allow them to be used by our lessees beyond the normal leasing period. We also make sure that the items can either transition to a second product life by reselling them after the lease term or that the recycling of their resources can be guaranteed. These are ways we can make a valuable contribution to the transition to a sustainable circular economy.

The majority of the objects are resold to specialist reseller partners at the end of their term. We operate our own recycling platforms in our core markets of Germany, France, and Italy to give the remaining lease assets a second life cycle. In these countries, our asset brokers can resell lease assets to third-party customers after testing them for their proper function, allowing them to be used again.

In 2023, our GRENKE asset brokers took in 27,287 objects (2022: 23,837 objects). The redemption rate was 5.7 percent in Germany (2022: 6.5 percent), 9.9 percent in France (2022: 9.9 percent) and 4.4 percent in Italy (2022: 3.1 percent). Of these, 24,351 objects were resold to third-party customers (2022: 23,381 objects), of which 14,135 were in Germany (2022: 13,021 objects), 6,988 in France (2022: 8,371 objects) and 3,228 in Italy (2022: 1,989 objects).

Only a small proportion of objects, 394 in total, could not be transitioned to a second life cycle and were disposed of properly by our asset brokers (2022: 456 objects). Of these disposed items, 343 were in Germany, 5 in France and 46 in Italy (2022: 429 in Germany, 6 in France, 21 in Italy). This resulted in more objects being reused compared to the prior year, while the proportion of items disposed of properly continued to fall.

We will continue to work closely with our GRENKE asset brokers to promote the reusability of our leased assets and reduce our impact on the environment. We are also looking at improving our return processes, with respect to areas such as the packaging used, as part of our effort to make lease agreements more sustainable. GRENKE will also work on waste management and measures to avoid waste in connection with object returns. The measures in the 2023 financial year included increased cooperation with emission-free shipping partners and transport service providers, and the use of more sustainable packaging materials.

3.4.1.3 Digitalisation and resource conservation

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

- Number of countries with available eSignature solutions
- Number of countries with available eInvoice solutions
- Ratio of eContracts, measured by the percentage share of lease contracts concluded with eSignature compared to the total number of new contracts concluded

As a provider of small-ticket lease financing, our business model traditionally involves a high volume of paperwork and documents. Our goal is to minimise paper consumption in all paper-intensive processes by 2024.

In the 2022 financial year, we launched the Fast.Forward.Digital (FFD) focus programme to support our digitalisation strategy. In the 2023 reporting year, the FFD team continued to work with other specialist departments to further develop scalable and automated target processes for our core leasing business throughout the Company. During the financial year, this included enquiry processing, partner onboarding and property utilisation at the end of the lease. FFD handed over the target processes that it developed to the IT department for implementation. The aim of further development will be to create a customer experience that is as fully digitalised as possible and strengthen the automation of our small-ticket business processes.

Digital personnel file

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

Digital customer portal

Using our digital customer portal, our lessees can manage their contracts, invoices and data online at any time. The portal continued to be available in 27 countries in the 2023 financial year (2022: 27 countries[2]). The plan is to roll it out in other GRENKE markets in the future.

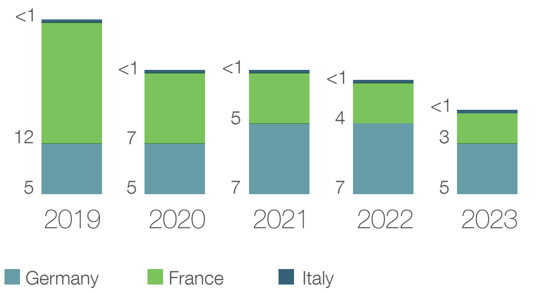
The dispatch of invoices is largely paperless. In 2023, our digital invoicing solution continued to be available in 26 countries[3] (2022: 26 countries) (TOP KPI). While the focus in the 2023 financial year was on further development in the existing countries, the rollout in Romania and Poland is planned for the coming 2024 financial year.

We also use electronic invoicing in our collaboration with public institutions. According to the EU Directive (2014/55/EU), all EU countries must gradually introduce e-invoicing, at least in the business-to-government sector. We are currently implementing e-invoicing in Germany, France, Italy, Portugal, Sweden, Turkey and Finland, as well as in our franchise subsidiary in Chile. We perform format adjustments on a regular basis, which included our subsidiary in Italy in the 2023 financial year.

Overall, the aforementioned measures at GRENKE further reduced the volume of invoices sent by regular mail. In Germany the volume fell by more than one percentage point to 5 percent (2022: 7 percent) and in France it fell to 3 percent (2022: 4 percent). The very low share in Italy remained unchanged at less than 1 percent (see diagram „Percentage of printed invoices in core markets“).

Percentage of printed invoices in core markets

as of December 31, 2023, in percent



eSignature

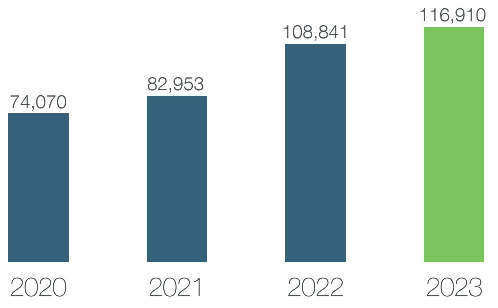
GRENKE introduced the eSignature solution back in 2015 and has seen the usage of this product increase ever since. The process, which is free of charge for specialist resellers and customers, simplifies the conclusion of financing agreements. The documents are sent electronically and signed with a legally valid signature. This solution saves us paper for printouts and envelopes. eSignature was initially rolled out in Germany and France and is currently available in a total of 27 markets (2022: 27) (part of the TOP KPI). We use two market solutions for this: DocuSign and the BankID via

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

Verified. In three markets, BankID is used as the digital signature solution, while DocuSign is used in the remaining 24. Thanks to our solutions, the ability to digitally sign documents continues to be available in over 80 percent of GRENKE's markets. In the 2023 financial year, a total of 116,910 contracts were concluded with electronic signatures (2022: 108,841 contracts; see chart „Number of lease contracts concluded with electronic signatures").

Number of lease contracts concluded with electronic signatures

as of December 31, 2023



As a result, the percentage share of digitally signed contracts was largely constant, corresponding to an eContract ratio (component of the TOP KPIs) of 40.1 percent in 2023 (2022: 40.5 percent). To further promote eSignature via DocuSign, the qualified electronic signature was introduced in Germany in the second quarter of 2022. In addition to the signature, this method also includes digital identification via VideoIdent. The introduction of the qualified electronic signature in other countries is being examined for 2024.

Electronic signatures are now also a permanent feature used within the Group, for example when signing meeting protocols or contracts between Group companies.

Advertising material

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

New Work concepts

We strive to utilise our building space in a manner that is both efficient and conserves resources. This is our response to the changes in the world of work (New Work) brought about by digitalisation and, at the same time, meets our goal of making our workplaces more attractive for employees. As part of our New Work concepts, we take care to adapt our building and space designs to the changing environmental and climate conditions, for example, by continuously reducing our consumption of resources. Since 2022, the location of our Italian subsidiary "De Castillia 23" in Milan, which includes new space and workplace concepts, has served as a model and an example for other GRENKE locations. In the spirit of New Work and resource conservation, locations and spaces in Australia, Brazil and Canada, among others, were remodelled in 2023. When selecting new offices and office equipment attention was paid to the careful use of resources. For example, the relocation of the Melbourne site was conducted in an entirely CO_2-neutral manner and the furniture used was also made from recycled materials. The projects launched at the headquarters in Baden-Baden in 2022 to optimise space continued in the 2023 financial year. The first areas are scheduled to be completed in 2024.

In addition to redesigning our office space, we have been sponsoring the „Blooming Nature Park" project of the Black Forest Central/North Nature Park since 2023. Under the motto „Blooming Headquarters", we are helping to preserve the cultural landscape and protect species by planting around 450 square metres of native wildflower seeds on the Company's premises in Baden-Baden. After sowing in autumn 2023, new habitats for bumblebees, wild bees and butterflies will be created from next spring. As part of the accompanying hands-on campaign, we distributed flower seed packets to our employees. In two online presentations, an expert from the Central/North Black Forest Nature Park provided information on optimal planting. By doing so, we want to raise awareness for the promotion and protection of biodiversity.

Waste and water management

We take our responsibility for environmental protection very seriously and endeavour to ensure that our business processes conserve resources. This includes the economical use of energy, water and other natural resources. Our Environmental Policy, published in 2023, summarises our promise along the key aspects (see GRENKE Environmental Policy at www.grenke.com/en/esg/).

As a financial services provider, our water consumption and actual waste generation are naturally low. Nevertheless, we want to increase our employees‘ awareness of the responsible use of water and the waste we produce. We also strive to further reduce our consumption using the appropriate measures.

In accounting for our corporate footprint in the 2023 financial year, we calculated that the Consolidated Group generated 135 tonnes of waste (2022: 31 tonnes). This year-on-year increase is attributable to the fact that the availability of data in the 2023 balance sheet was significantly higher than in the previous year. Thanks to this increased data availability, we were also able to determine our water consumption for the first time in 2023, which resulted in a value of 40,234 cubic metres.

To be able to record our emissions and consumption across the Consolidated Group as comprehensively as possible, we intend to continue our measures in 2024 to increase our data availability. We will specifically focus on the data availability on the utility bills of our locations, which are largely leased.

More information on determining our emissions and consumption in accordance with the GHG Protocol and our measures follows in the next chapter (see 3.4.1.4 „Climate protection and adaptation to climate change“).

3.4.1.4 Climate protection and adaptation to climate change

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

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

We are working to further develop our Group-wide climate targets in line with the 1.5-degree target by 2050. We began analysing our carbon footprint in 2021 to reduce CO_2 emissions. This initially involved defining the data requirements and determining system limitations. In the 2022 financial year, we worked with DEKRA Assurance Services GmbH to establish and evaluate our carbon footprint in accordance with the Greenhouse Gas Protocol (GHG Protocol) for the first time. We were able to approximate our corporate footprint for the first time for 2022. We base the calculation of our carbon footprint on the GHG Protocol Corporate Standard. Within our corporate structure, we follow the “operational control approach”. This means that in addition to the emissions of GRENKE AG, we also record all emissions that arise in the subsidiaries and franchise companies, as GRENKE AG, as the parent company, exercises operational influence over them. Greenhouse gas emissions are measured in accordance with the GHG Protocol and based on the list of the Kyoto Protocol. For the sake of simplicity, the term CO_2 emissions is generally used. Emissions are expressed in tonnes of CO_2 equivalents (tCO_2e).

Scope 1 emissions comprise the direct greenhouse gas emissions resulting from the heating and cooling systems at the locations and the fuel-powered vehicle fleet. Scope 2 and Scope 3 emissions refer to indirect greenhouse gas emissions.

Scope 2 includes emissions from the supply of electricity and district heating. As specified in the GHG Protocol, we distinguish between the location-based and market-based methods in the calculation. The location-based method takes into account average emission factors for the electricity grids in the respective countries. The market-based method takes into account contractual agreements under which the organisation purchases electricity from specific sources, such as fossil, renewable or other generation plants. If this information is unknown, a mix factor is used in the calculation. Consequently, the emissions result differs depending on the method chosen. Our corporate footprint takes into account the Scope 2 values calculated using the location-based method. We also disclose the values according to the market-based method.

Scope 3 covers the indirect emissions from daily operations and along the value chain. Scope 3 emissions in the GRENKE Group result largely from purchased goods, merchandise and services, as well as from business travel, employee commuting and transportation routes, as these categories are within our sphere of influence. Our water consumption and the waste we generate are also included in Scope 3.

In the 2023 financial year, we continued our annual assessment and implemented further measures to ensure Group-wide data availability. We established a digital solution for the detailed collection, processing and monitoring of our emissions and consumption figures in 2023. This tool enables us to carry out detailed analyses from a Group perspective right down to the level of our individual locations worldwide. In the 2022 financial year, emissions data could not yet be collected in full for the entire GRENKE Group. As a result, the data on Scope 1 and Scope 2 greenhouse gas emissions only covered around 70 percent of our locations and areas utilised. In the 2023 financial year, we achieved coverage of over 90 percent in Scope 1 by improving data quality. Data on Scope 2 was collected for all of our locations and areas utilised.

As part of the calculation of our carbon footprint in the 2023[4] reporting year, Scope 1 emissions amounted to around 3,840 tCO_2e (2022: 4,492 tCO_2e). At 3,051 tCO_2e, the largest share of this resulted from our company vehicle fleet. A further 723 tCO_2e resulted from our consumption for oil and gas heating and 66 tCO_2e from cooling systems.

According to the location-based method, Scope 2 emissions in the 2023 statement of financial position amounted to 944 tonnes tCO_2e and resulted from the purchase of electricity and district heating (2022: 870 tCO_2e). At 843 tCO_2e, the majority of these Scope 2 emissions were attributable to our electricity consumption. Of this, 201 tCO_2e were sourced from renewable energies, such as green or eco-electricity, and 642 tCO_2e from conventional (non-renewable) energy sources. In addition, 101 tCO_2e resulted from the purchase of district heating.

4 Our company footprint is calculated annually on the basis of consumption and emissions data from the previous calendar year. This is due to the fact that some of the data required to determine the footprint is only available with a time lag, e.g. the data from the utility bills for our office space.

Accounting for our corporate footprint in accordance with the GHG Protocol:

in tCO2e	2023	2022	Change (absolut)
SCOPE 1 TOTAL	3'840	4'492	–652
SCOPE 2 TOTAL (LOCATION-BASED)	944	870	74
Scope 2 total (market-based)	2'089		
SCOPE 3 TOTAL	3'119	6'186	–3'067
TOTAL	7'903	11'548	–3'645

In 2023, we also further expanded the assessment of our Scope 3 emissions initiated in 2022. The emissions reported in the 2023 financial year now cover around 60 percent of our locations and areas used (2022: 30 percent) and amount to a total of 3,119 tCO_2e (2022: 6,186 tCO_2e).

Our reported emissions are broken down by country and region as follows:

Regions	Scope 1 in tCO_2e	Scope 2 in tCO_2e	Scope 3 in t CO_2e	Total	Share of total emissions in %
DACH	2'058	511	2'252	4'821	61
WESTERN EUROPE	322	51	197	570	7
SOUTHERN EUROPE	914	104	316	1'334	17
NORTHERN/EASTERN EUROPE	443	122	251	816	10
OTHER REGIONS	103	156	103	362	5
TOTAL				7'903	100

Despite the increased availability of data, this year‘s assessment of our corporate footprint shows a significant overall year-on-year reduction of 32 percent. The changes can be attributed to our measures to optimise our carbon footprint as well as more precise data on our consumption and emissions.

In terms of Scope 1 emissions, we were able to save around 15 percent compared to the previous year. In the 2023 financial year, we made progress with the electrification of our company vehicle fleet. The consumption of oil and gas for heating also fell. For Scope 2, the increasing availability of data on our electricity consumption led to an increase of 9 percent.

Also in the case of our Scope 3[5], we were able to significantly increase the availability of data compared to the previous year and obtain more precise information on the categories included. For example, for the first time our transport service providers in the asset broker business provided us with detailed emissions data on the services used in 2023. In Germany, the switch to emission-free shipping methods also led to tangible savings. Compared to the previous year, this year‘s measurement shows an overall reduction of around 50 percent.

Our corporate footprint

3.66 t CO_2e

per employee

0.03 t CO_2e

per new contract

0.03 t CO_2e

per 10000 EUR of new leasing business

53%

of our total emissions are measured from our headquarter operations in Baden-Baden

99%

of our total emissions originate from our Leasing segment

Our Corporate Carbon Footprint

5 Scope 3 emissions have been calculated using the expenditure-based calculation method in accordance with the GHG Protocol since the 2023 financial year. In 2022, the average-based method was still used.

We are continuously working to improve the availability of data, particularly with regard to our Scope 3 emissions. We also intend to take further measures to optimise our corporate footprint in the 2024 financial year.

Energy consumption and energy mix

Our energy consumption is one of the biggest drivers of our CO_2 emissions to date. We are continuously working to reduce the energy consumption of our locations. To achieve our climate targets, we are constantly modernising our buildings and upgrading them to meet the latest energy standards. Further details on our land use concepts can be found in Chapter 3.4.1.3 "Digitalisation and resource conservation".

The corporate buildings we lease in Germany are generally equipped with an energy certificate. We regularly commission energy audits in Germany to determine the Company's energy efficiency and initiate measures to increase efficiency where necessary. In the 2021 financial year, energy audits in accordance with DIN EN 16247 were carried out at our headquarters in Baden-Baden and at other branches in Germany. TÜV SÜD has been commissioned to carry out regular recertification; the next audit is scheduled for 2026.

We are working towards procuring an increasing proportion of our electricity for all locations from renewable and emission-free energy sources. For this purpose, a photovoltaic (PV) system with a maximum output of 165 kWp was placed in operation at our own building in Baden-Baden in September 2022. In the 2023 financial year, 156 MWh were generated by the PV system. We are continuing to switch to emission-free electricity tariffs for our leased office space. Overall, the energy mix of our measured consumption is distributed as follows:

Energy consumption in megawatt hours	2023	2022	Change (absolute)
TOTAL ENERGY CONSUMPTION (ELECTRICITY, HEAT, DISTRICT HEATING)	**7'949**	**11'225**	**–3'276**
Electricity consumption	3'448	3'018	430
Thermal energy consumption from heating oil and gas	3'934	6'888	–2'954
district heating energy consumption	567	1'319	–752

Electricity consumption is recorded on the basis of group-wide electricity invoices.

In addition to measures to reduce the energy consumption of our locations, we are promoting the switch from CO_2-intensive business travel to more environmentally friendly forms of communication such as video and audio conferencing. During the Covid-19 pandemic in 2020, 80 percent of employees worked remotely at times. The use of digital audio and video conferencing remains high thanks to the permanent establishment of a hybrid way of working, i.e. a mix of remote working and working at our locations. Around 9.23 million audio conferences (2022: 3.63 million) and around 2.02 million video conferences (2022: 1.63 million) took place in the 2023 financial year.

We regulate unavoidable business trips with our travel policy. Our travel policy recommends that rail travel and all forms of public transport should be preferred to air travel for business trips. To raise awareness among employees, CO_2 emissions are displayed when planning travel in order to emphasise the attractiveness of these modes of transport. Compared to 2021, the number of business trips in Germany has risen again as expected following the Covid-19 pandemic. With the introduction of the new digital travel booking and invoicing tool Concur in Germany in 2022, we created the basis for improved data availability for our business trips. In the 2023 financial year, 359 rail journeys (2022: 190 rail journeys) and 118 air journeys (2022: 95 air journeys) were made in Germany. The increase in travel activity is due to the continued normalisation in society following the pandemic. Nevertheless, the ratio of air travel to rail travel still stands at 1:3.

We expect the fundamental revision of our vehicle policy in 2023 to make a significant contribution to reducing our emissions. Without restricting the mobility of our sales force and our employees, the focus is now entirely on electromobility.

Electric vehicles accounted for 27 percent of the Group's total vehicle fleet in the 2023 financial year (2022: 12 percent). The proportion of fully electric vehicles tripled. Electric vehicles accounted for 64 percent of the new vehicles ordered in Germany in the financial year (2022: 39 percent). Following the introduction of hybrid vehicles as a transitional technology, only one of the new vehicles ordered in the financial year (2022: 22 vehicles) was fully electric, while all other newly ordered electric vehicles were fully electric models.

Since the 2023 financial year, the pool vehicles at the Baden-Baden (headquarters) and Karlsruhe (GRENKE Digital GmbH) locations have been fully electric and emission-free. Three new electric vehicles were added to the pool vehicle fleet in 2023. Two of these vehicles will be stationed at the Baden-Baden site and one at the Karlsruhe site. This means that regular journeys between the locations can be carried out emission-free.

3.4.2 Social contribution

3.4.2.1 Employer attractiveness

Our success is largely based on the skills and commitment of our employees. Recruiting, retaining and developing employees is therefore at the heart of our HR strategy. In 2023, we were certified and recognised as a „Top Employer Germany“ for the first time. Our Irish subsidiary was also named „Best Place to Work“ in 2023, making it one of the 30 best employers in Ireland. Our Portuguese subsidiary was also recognised in 2023 as one of the 50 best employers in Portugal.

We want to continue to ensure an adequate number of employees while keeping staff turnover (TOP KPI, see Chapter 1.3.3 „Non-financial performance indicators“) as low as possible. We are therefore continuously working on our appeal as an employer. The HR department coordinates and manages all key personnel matters in close cooperation with the Board of Directors and the local managing directors. Personnel issues and key performance indicators are regularly evaluated and discussed at the meetings of the Board of Directors.

We value fairness, respect and mutual appreciation and support personal responsibility and equal opportunities. In our Code of Conduct, we have summarised the obligations of our employees towards GRENKE, but also the obligations vice versa (see www.grenke.com/en/esg/). With regard to improving the working environment, we always include the wishes of our employees in our considerations.

We pay particular attention to creating a pleasant and safe working environment in order to protect the physical and mental health of our employees. Our so-called „House of Benefits“ illustrates the four pillars of our offerings: Flexibility, Family, Health and Personal Development. Overall, it is based on a transparent salary model with additional offers in the areas of finance and mobility. The Group-wide offer can be customised by the national companies according to the employee structure and local conditions. (see chapters 3.4.2.1.4 „Work schedule models and remuneration“ and 3.4.2.1.5 „Employee training and development“).

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

3.4.2.1.1 Workforce development

In the 2023 financial year, we employed an average of 2,158 people (headcount; 2022: 1,954). In full-time equivalents (FTEs), this corresponds to 2,068 employees (2022: 1,878). In terms of headcount, our German locations accounted for 896 employees (2022: 800), while 1,262 people (2022: 1,154) were employed at our international locations.

Number of employees

Annual average, by headcount*

	2023		2022	
	male	female	male	female
TOTAL EMPLOYEES	**1'003**	**1'154**	**887**	**1'067**
Full-time employees	965	945	856	883
Part-time employees	38	210	31	184

* Excluding employees on parental leave, management and trainees.

We also employed 58 trainees and dual study students in the Consolidated Group (2022: 47 trainees and dual study students). With the start of the training programmes in the 2024 financial year, we are planning to add 55 new training positions. Of these, 31 positions will be in Germany and 24 at international locations.

Workforce development

Annual average, by headcount

	2023		2022	
	male	female	male	female
TOTAL REGIONS				
Average number of employees during the year	1'003	1'154	887	1'067
entries	273	251	216	243
departures	97	113	101	121
GERMANY				
Average number of employees during the year	473	423	403	396
entries	134	83	83	78
departures	33	41	46	49
FRANCE				
Average number of employees during the year	73	121	65	105
entries	25	41	21	37
departures	6	6	5	8
ITALY				
Average number of employees during the year	82	131	81	130
entries	4	6	5	10
departures	4	5	4	11
GRENKE LEASING				
ANNUAL AVERAGE NUMBER OF EMPLOYEES (M/F)	1'965		1'774	
GRENKE BANK				
ANNUAL AVERAGE NUMBER OF EMPLOYEES (M/F)	110		102	
GRENKE FACTORING				
ANNUAL AVERAGE NUMBER OF EMPLOYEES (M/F)	83		78	

The fluctuation rate determined on the basis of people joining and leaving the Company, which we have defined as a TOP KPI (see Chapter 1.3.3 „Non-financial performance indicators“), averaged 9.7 percent for the Consolidated Group in the 2023 financial year (2022: 11.4 percent). In Germany, this figure was 8.3 percent in 2023, compared to 11.8 percent in 2022, which corresponds to a decrease of 3.5 percentage points. Our aim is to achieve a lower fluctuation rate than the rate of the financial and insurance services sector. The rate for the industry was around 15 percent in 2021, which means that we remained within our target range in the financial year. In the 2023 financial year, one employee was terminated for operational reasons (2022: 0), with the employment contract ending at the end of the year as of December 31.

3.4.2.1.2 Diversity, inclusion and equal opportunities

We see diversity and equal opportunities as fundamental principles and important components of our corporate success (see Chapter 3.3.2.1 „Policies and guidelines“). We want to attract, promote and retain the best employees for the long term, irrespective of culture, nationality, ethnicity, gender, sexual orientation, physical and mental abilities, faith, political beliefs, age and experience. We launched an interdisciplinary project in the 2023 financial year to strengthen our understanding of diversity, inclusion and equal opportunities and the services we offer. The aim of the project is to further develop our measures and strengthen our corporate culture.

We have embedded gender diversity in our company since 2021 with specific targets for the boards and management levels. In the 2023 financial year, the proportion of women on the Supervisory Board remained at 17.0 percent, which was once again below our target of 33.0 percent. Over the long term, however, the aim is to achieve the target again of 33.0 percent. The target set by the Supervisory Board of 25.0 percent women on the Board of Directors was met. Further information on the composition of the Supervisory Board and Board of Directors can be found in the „Report of the Supervisory Board“ chapter.

We are GRENKE

2,000
We are more than 2,000 colleagues

141
We are represented at 141 locations

33
We live in 33 countries

37
We are on average 37 years old.

6.6
We have been with GRENKE for an average of 6.6 years

We are GRENKE

Proportion of women on the Board of Directors and Supervisory Board

As of Dec. 31; in percent

	2023		2022
	target	result	result
Supervisory board	33.0	17.0	17.0
Board of Directors	25.0	33.0	33.0 (until Dec. 1: 25.0)

As part of organisational changes, we adopted a new definition of senior management in 2022 and define this as the first and second management levels below the Board of Directors.

Proportion of women in senior management

As of Dec. 31; in percent

	2023		2022
	target	result	result
GRENKE AG	30.0	33.9	42.1
GRENKE Group	30.0	28.0	26.1

In the 2023 financial year, the ratio of women in top management at GRENKE AG was 33.9 percent (2022: 42.1 percent). In both 2022 and 2023, we were therefore above the gender-specific target of 30.0 percent. In 2023, the proportion of women in top management across the Consolidated Group was 28.0 percent (2022: 26.1 percent), which was below the gender-specific target. We are adhering to the target of at least 30.0 percent in top management and are endeavouring to also achieve this in the GRENKE Group.

In order to implement our principles of equal opportunities and diversity, our external personnel service providers are also required to include all genders equally in their selection process when selecting new talent in order to fill the advertised position with the most suitable candidates.

We also firmly believe that effective collaboration across generations is a decisive factor for GRENKE's future viability. The age structure of our total workforce is broken down as follows:

Age structure

As of December 31; in percent

	2023	2022
Under 30 years	22	23
30 to 50 years	64	64
Over 50 years	14	13

3.4.2.1.3 Employee satisfaction and well-being

We want to remain an attractive employer and offer our employees a safe and appealing working environment. As part of our annual satisfaction survey for all employees, we determine the GRENKE Engagement Score throughout the Consolidated Group, which we have also defined as a TOP KPI (see Chapter 1.3.3 Non-financial performance indicators). This score is used to measure the satisfaction of our employees and summarises the results from the areas of engagement, identification & retention, and overall satisfaction with the Company in one score. The score is measured on a scale of 1 to 7, where 1 = high satisfaction and 7 = low satisfaction. In the 2023 financial year, we received responses from 1,546 employees (2022: 1,495 employees), resulting in a participation rate of 68.4 percent (2022: 74 percent). Based on all of the responses received, the GRENKE Engagement Score in 2023 was 2.1 (2022: 2.0). We continue to strive to increase the satisfaction of our employees within the organisation.

To improve employee satisfaction, we have continuously introduced measures that focus on appropriate remuneration, work-life balance and support in special life circumstances (see „House of Benefits" and Chapter 3.4.2.1.4 „Work schedule models and remuneration"), as well as various topics relating to the health and well-being of our employees. Employee sick days fell slightly in the 2023 financial year. Colleagues were absent due to illness for an average of 7 days (2022: 8 days). In Germany, the figure was 11 days (2022: 12 days).

Our health and well-being measures primarily encompass the following:

- We offer our employees the opportunity for regular preventive medical check-ups. This includes preventive check-ups for managers every 2 years from the age of 40 and annual check-ups from the age of 50.
- The health platform GRENKEmachtfit, which was introduced in Germany in 2017, supports our company's health management by offering fitness options and nutritional advice. In the reporting period, 77 percent of the workforce in Germany was registered on the platform (2022: 81 percent). In 2023, several courses continued to be offered digitally although face-to-face meetings were also offered

again. The platform is also used to efficiently organise the occupational health screening for computer workstations (G37 examinations) and to support internal as well as team and health-promoting athletic groups.

- Our country organisations are able to design comparable health offers and implement similar offers. In France, the Quality of Life at Work Week („Semaine QVT") was celebrated for the second consecutive year in June 2023. Personal mobility and physical health also play an important role. In addition to the health seminars, „Cycle to Work" challenges were once again organised in France and the UK. The aim of the campaigns was to cycle to work as often as possible. In Poland, Portugal and France, partnerships were established with fitness centres to expand the range of activities on offer. In addition to organised sports sessions, care is taken in our branches to offer a balanced selection of lunch menus in addition to the fruit baskets provided.

- In the 2023 financial year, we trained 15 Mental Health First Aiders (see GRENKE Health and Safety Policy at www.grenke.com/en/esg/). Other mental health measures and campaigns are planned for the coming financial year and are already in preparation.

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

- Since 2006, the company football team at the Baden-Baden location has met weekly for training and takes part in recreational competitions, including the GRENKE tournament in 2023.

- Employees have been taking part in the B2RUN company run since 2014. Colleagues organise regular running get-togethers to prepare together, which also encourages new participants to take part. In the 2023 financial year, GRENKE registered a total of 133 employees in ten cities for the event. (2022: 110).

3.4.2.1.4 Work schedule models and remuneration

Our digital infrastructure offers our employees various options for flexible, remote work. Many of our colleagues took up this offer again in the 2023 financial year. We welcome the fact that all of our employees work remotely at least one day a week and, depending on their area of work, offer them up to four days of remote work per week, in consultation with the responsible manager. On average, our colleagues requested 3.0 days of remote work per week (2022: 2.9 days). We provide our employees with digital training on remote work and working at a distance in order to support them with any technical, communication and organisational challenges that may arise.

We also want to make working at our locations more attractive for our employees and are evolving with the changes of the working world. We are continuously developing new space and workplace concepts to meet the requirements of our employees in the context of New Work approaches (see also Chapter 3.4.1.4 „Climate protection and adapting to climate change").

GRENKE employees have numerous options for individual, life-phase-oriented work schedule and work location models. Young parents in particular utilise special scheduling models that allow them to achieve the best possible work-life balance. In principle, all our employees are entitled to parental leave when a child is born. In addition, the „Support in Special Life Situations" programme was introduced in 2021 to support colleagues in particularly challenging life situations. The programme gives people the opportunity to reduce their workload to 80 percent and still receive full pay from GRENKE. Any employee can take advantage of this programme with the approval of their manager and the HR department. We offer this programme to our employees once every three years for a maximum duration of two months.

In the 2022 financial year, these programmes were supplemented by the „Welcome Baby" measure, which gives all new parents the opportunity to reduce their work hours to 75 percent for the first six weeks with full pay after the birth of their child. Our employees took advantage of the following offers:

Use of work schedule models

As of December 31, by headcount

	2023		2022	
	male	female	male	female
Parental leave	19	57	27	59
Special life situations	5	9	9	6

A total of 44 people returned from parental leave in the 2023 financial year (2022: 59).

We also redesigned the remuneration system for our employees in the 2022 financial year with a changeover to our Total Reward System. With this changeover, the proportion of fixed remuneration was increased and the proportion of variable remuneration decreased accordingly. The components of the variable remuneration were also adjusted. The increased satisfaction of employees with this new remuneration model was reflected very positively in our employee survey in 2022 (see the development of the GRENKE Engagement Score TOP KPI in Chapter 1.3.3 „Non-financial performance indicators" and Chapter 3.4.2.1.3 „Employee satisfaction and well-being" for details).

The 2023 financial year was also influenced by sharply rising consumer prices in the economy as a whole. In response, the German government introduced a law on October 19, 2022 allowing employers in Germany to pay out inflation compensation bonuses up to a maximum amount of EUR 3,000 in addition to wages, free of tax and social security contributions, until the end of 2024. We made use of this offer in the 2023 financial year and, as in 2022, paid our employees an inflation adjustment bonus.

GRENKE plans to introduce a compensation grid in Germany in 2024 in order to be able to carry out a gender pay gap analysis, among other things. This grid will make it possible to analyse the salaries of employees for gender-specific differences. By analysing the data, potential inequalities can be identified and appropriate measures derived. The aim is to be able to assess and ensure that the gender-independent pay that is already culturally embedded today becomes even better in the future.

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

- GRENKE contributes to childcare costs for children who are not yet old enough to start school and contributes to the care of relatives in need. GRENKE grants a monthly allowance of EUR 250 per dependent relative. Families also receive a childcare allowance of EUR 250 for the first child up to school age. For the second child, support of EUR 125 is granted, and for each additional child EUR 50.

- With the company bike leasing scheme, we offer employees the opportunity for tax-advantaged bicycle and eBike leasing to make the option of climate-friendly commuting more attractive. To encourage the use of this offer, we provided several informational training sessions that explained the application, processing and benefits in a transparent manner. Employees at the locations in Baden-Baden also had the opportunity to test various bikes and receive advice from a bicycle specialist as part of an action day.

3.4.2.1.5 Employee qualification and development

Business and work processes are changing, as are the legal frameworks and resulting requirements. In a constantly changing market environment, the knowledge, skills and motivation of employees are becoming increasingly important, as is ongoing professional development. We are convinced that well-qualified employees make the difference. Further training brings know-how and expertise to our company, promotes innovative strength, performance, and motivation as well as job satisfaction. In addition, a broad range of further training programmes and development opportunities are increasingly becoming decisive factors for candidates when choosing an employer. As personnel development is a high priority at GRENKE for the aforementioned reasons, we measure the number of days of training per employee as part of our TOP KPIs (see Chapter 1.3.3 „Non-financial performance indicators“). In the 2023 financial year, our employees attended an average of 3.7 days of further training (2022: 2.9).

We have firmly anchored employee development in our HR management. This is no longer just about developing and expanding selected specialist knowledge, but about social, personal and digital skills in particular. These areas are playing an increasingly crucial role in a fast-changing environment.

GRENKE largely uses SAP SuccessFactors software to manage its core HR processes. The software supports us at all levels of HR management, including in our recruitment, development and retention of employees. In the 2023 financial year, we also introduced a redesigned intranet page, making it easier for our employees to find and use relevant HR content. We also added a new eLearning series “#knowyourHR”, in which HR processes are explained in short sequences with the help of an authoring tool.

Orientation and induction

We want to give all new employees the best possible start at our company. As early as the selection process, applicants are supported by an HR Business Partner as their dedicated contact person in the HR department and informed about every step of the application process. Applicants can also get to know their new team during a „taster session“ as part of the process. The application process can be carried out completely digitally. This allows us to offer a high degree of flexibility to everyone involved in the process.

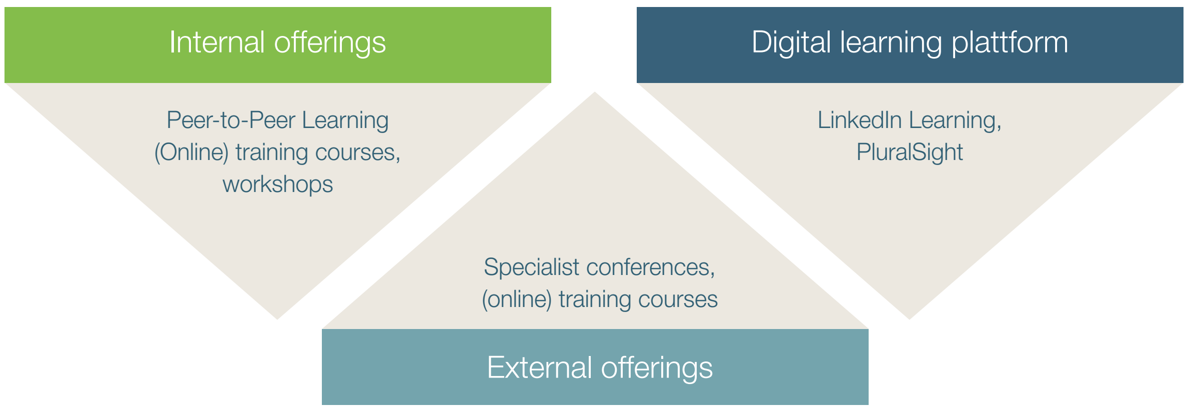
Our digital „Join GRENKE“ programme was established to help new team members integrate into our company. As part of the programme, employees learn about GRENKE‘s history and brand, business model, work environment and individual departments, among others. This enables them to internalise their respective areas of responsibility and the interaction between individual departments and processes. In addition to their introduction to the GRENKE Group, new employees naturally also undergo comprehensive professional training within their teams. The Board of Directors also welcomes new colleagues personally in regular welcome calls, giving them the opportunity for direct dialogue. Our „Buddy Programme“ also helps new employees arrive at GRENKE and find their way around. We use digital platforms and tools to support the exchange and development of expertise as well as networking within the entire GRENKE Group. To this end, we offer „Explore Breaks“, which are virtual meeting places and exchange formats where employees can network with colleagues from GRENKE locations worldwide across teams and countries.

In accordance with legal requirements, we extensively sensitise our new employees to relevant compliance topics such as money laundering, fraud prevention, anti-corruption, bribery and the handling of gifts and invitations. This includes online training as part of the induction process, which is conducted independently of the mandatory compliance training (see Chapter 3.4.3.3 „Compliance and data protection“ for details).

GRENKE Talent Lab

The GRENKE Talent Lab is a central platform within the Consolidated Group featuring the complete range of training offered. It provides employees cross-location, instructive and methodically structured training in a variety of formats. Learning programmes are tailored to the various departments and functions within the organisation. As part of our personnel development strategy, we differentiate between the two areas of personnel qualification and personnel development. These two pillars complement each other and were designed as a holistic learning journey that can be individually tailored to each team member.

GRENKE Talent Lab



At GRENKE, personnel qualification means supporting employees in their day-to-day tasks with high-quality and practice-oriented further training, so they are permanently qualified for their area of responsibility. When compiling the annual training programme, we place particular emphasis on a mixture of internal and external training as well as supplementary individual training. By using various learning formats and media, including modern eLearning programmes, we ensure the quality of the training offered and the transfer of knowledge within the Company. Internal training measures are carried out by experts from the respective departments and supported by the HR department. For external training, we commission trained and experienced speakers for the respective specialist topic. The HR department uses a specially developed evaluation model to select and assess external speakers and coaches. Thee offers of the digital learnings platform LinkedIn Learning can also be used within the Talent Lab. This platform offers over 17,000 eLearning modules on topics such as business administration, IT and creativity. Training courses cover areas such as project management methods, the use of hardware and software, and design thinking. To give our employees a better overview of the platform's many possibilities, we compile interesting content in German- and English-language collections and provide targeted information on our intranet (Top 5 training courses)

GRENKE talent development

and by email. The PluralSight learning platform is also available for IT professionals.

In the 2023 financial year, 99 percent of all colleagues took part in at least one training course as part of the GRENKE Talent Lab (2022: 99 percent). This corresponded to an average of 29 learning hours per employee (2022: 23 learning hours). Our goal is for every employee to take part in at least one additional training course from the Talent Lab in addition to the mandatory training courses.

We define personnel development as the targeted, individual promotion of our employees across all hierarchical levels. We offer them the opportunity to have an annual review meeting with the responsible managers, in which, among other things, the degree of fulfilment of tasks is discussed and performance, potential and individual skills are assessed. We also use this to identify potential training needs, which are taken into account in annual training schedules. Since 2022, the annual review process has also included senior management, i.e. the first level below the Board of Directors.

Since 2018, we have been running the „Leadership Personality" programme specifically for our managers. This programme is evaluated and developed on an annual basis. Several national and international groups have now successfully completed the programme. The training programme consists of a total of five modules with ten training days.

The programme is supplemented by individual coaching for each participant. The modules deal with relevant content on the theory and practice of managing employees and linked to GRENKE-specific topics. In 2022, for example, the topics of working and leadership at a distance were added in view of the remote work offers – both in person and in an online format. In 2023, the topic of „healthy leadership" was given greater focus. The focus is always on maintaining an open dialogue and the practical application and experience of the learning content. The GRENKE team receives support from an external partner during implementation. We are successively expanding the further development of our managers. For example, a separate management development programme was piloted in the German sales organisation in 2023 that focuses on the special challenges faced by managers in sales. We developed corresponding guidelines to give our managers Group-wide guidance for their leadership role. The introduction and anchoring of the GRENKE Leadership Guide is planned for 2024.

As part of our personnel development programme, we also offer employees the opportunity to apply for individual, unscheduled further training. These further training projects or specific requests for support can be applied for outside of the annual training portfolio. Once the application has been reviewed and approved, an individual funding agreement is concluded between the employees and GRENKE.

3.4.2.1.6 Training and education

Our goal is to build the loyalty of our suitable junior staff and managers early on, particularly in times of skilled worker shortages and demographic change. Our human resources management is always improving and advancing our offers for training and education. As part of these efforts, we rely, among others, on our training concept, as well as on our collaborations with schools and universities, such as the „Wirtschaft macht Schule" project, as well as our internship offers and our diverse initiatives in the area of career orientation. We are pleased to have met interested parties physically at training and education fairs again in 2022. This included, the Karlsruhe career training fair entitled „Einstieg Beruf"; the „Tag der offenen Tür", an open house from the Baden-Württemberg Cooperative State University (DHBW) location in Karlsruhe; „Campustag", or campus day, held by DHBW in Mannheim; and the education forum in Sinzheim.

We give all our employees the opportunity to acquire the necessary skills for their career at GRENKE, starting with training at our company. We provide our trainees and dual study students with individual support that takes into account their strengths as well as the requirements of their specific field. The apprenticeship or dual study programme begins with „Start-Days" event at the Baden-Baden headquarters. In recent years, this event has been held entirely digitally.

In 2023, both days could take place live and on site again on August 30 and 31. The trainees and dual study students were able to get to know not only the training team and the responsible contact persons from the specialist departments, but also the Board of Directors in person.

Training and education at GRENKE

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

Presentations, workshops, team building and plenty of networking opportunities provided a first-class introduction to professional life.

We ensure that uniform and comprehensive basic knowledge is imparted in addition to individual specialist skills through half-yearly deployment planning and standardised induction plans in the specialist areas. The contact persons responsible for supervising, supporting and familiarising trainees and dual study students in the specialist departments have passed the IHK trainer aptitude test. The training programme is complemented by regular feedback meetings, which also take into account the development wishes of our junior staff in particular. Through practice-oriented training, the trainees and dual study programme students develop important skills in their chosen occupation or study programme and also gain an understanding of the challenges of everyday working life at GRENKE. As their development progresses, the trainees and dual study programme students also have the opportunity to actively participate in projects and contribute their own ideas.

In cooperation with the German Chambers of Industry and Commerce (IHK), we offer the following apprenticeships:

- Office management specialist (for the Baden-Baden headquarters and various sales locations)
- Digitalisation management specialist (for the Baden-Baden headquarters)
- IT specialist in application development (for Karlsruhe)
- IT specialist for systems integration (for the Baden-Baden headquarters)

We have also been training talented young people in various degree programmes in cooperation with the Baden-Württemberg Cooperative State University (DHBW) since 2004. Our 2023 training programme included the following degree courses:

- International Business (B.A.)
- Business Administration – Digital Commerce Management (B.A.)
- Business Administration – Digital Business Management (B.A.)
- Accounting und Controlling (B.A.)
- Business Informatics (B.Sc.) (various degree programmes)
- Business Administration – Financial Services
- Computer Sciences – Cybersecurity (B.Sc.)

Due to the ever-changing market environment and the requirements, our training programme is subject to continuous review and adjustment. As part of this process, we work on identifying new training vocations and study programmes and constantly revise our portfolio to best meet the internal demand for young talent.

In the 2023 financial year, a total of 58 people across the Consolidated Group (2022: 47 people) completed a dual study programme or apprenticeship, 36 of these people were in Germany (2022: 29). We are proud to have taken on the majority of our trainees and dual study programme students again this year. The retention rate across the Consolidated Group was 72 percent (2022: 91 percent). In Germany, six graduates were taken on. This corresponds to a nationwide retention rate of 100 percent.

We also continued to offer training programmes at our international subsidiaries. Our French subsidiary GRENKE LOCATION SAS had a total of 12 trainees in 2023 (2022: 11). In Italy, there were again no trainees in the 2023 financial year. In the UK, Denmark and Finland, all of the trainees who completed their training were taken on as employees. Internationally, 12 people (2022: 6) completed their vocational training, 7 of whom were subsequently hired (2022: 5). The employment ratio for trainee graduates abroad in the 2023 financial year was 58 percent (2022: 83 percent). The trainee ratio of the GRENKE Group‘s training companies increased slightly to 2.6 percent in the 2023 financial year after 2.3 percent in the previous year. In order to continue our training programme and develop new talent, 55 training positions are planned for the 2024 financial year. Of these, 31 positions will be in Germany and 24 at our subsidiaries abroad. The following programmes are also offered as part of our Group-wide training:

- We offer our trainees an opportunity to be qualified as training ambassadors by the German Chamber of Industry and Commerce. In this role, they provide support at career guidance events and present their respective job profile and our company.
- In addition, 3 internships (2022: 2) were organised, which enabled the interns to work in their area of interest in specialist departments. Through our presence in the pre-vocational education sector, our aim is to support pupils in their career orientation and to further strengthen the perception of GRENKE as a committed and attractive training company and employer in the long term.
- In addition to existing collaborations, the GRENKE Group organises further activities in cooperation with selected universities and initiatives that also contribute to strengthening our employer brand and thus to attracting talent. These include the cooperation with the Karlsruhe Institute of Technology (KIT) to develop the GRENKE Sustainability Index (GSI) (see Chapter 3.4.1.1 „ESG products and services“). More information on other partnerships can be found in Chapter 3.4.2.5 „Innovation and partnerships“.

In 2023, we were recognised for our commitment to training for the seventh time in a row in the categories „Best Trainer in Germany“ and „Best Trainer in Germany for Dual Studies“ as part of the study of the same name conducted by the business magazine „Capital“. Achieving the highest possible number of points in this award once again reinforces us and our measures to ensure outstanding training quality in our company. We are equally proud of the excellent performance and commitment of our trainees and dual students.

3.4.2.2 Labour law issues and occupational safety

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

With the expiry of the SARS-CoV-2 Occupational Health and Safety Ordinance, the obligation to have a hygiene concept also ended on February 2, 2023. However, GRENKE attaches great importance to protecting its employees and is therefore still offering free rapid antigen tests and FFP2 masks, among others. Furthermore, in 2023, our Covid Response Team (CRT), in close coordination with our company doctor from Klinikum Mittelbaden, informed our employees by email about health prevention measures in the workplace, especially in the autumn and winter months. This also applies to other cold symptoms and responsible behaviour to avoid infection in the workplace.

In addition, our prerequisite for safe behaviour is to inform employees about hazards in their workplace and to encourage their motivation to adopt safe behaviour. The safety information is in line with the statutory occupational health and safety requirements, the accident prevention regulations and the internal guidelines of GRENKE AG and its subsidiaries. The initial physical instruction provides information on occupational health and safety rules and is the basis for all further instructions - which are also documented. Instruction at GRENKE takes place when new employees are hired (onboarding), when they change jobs, when there are changes in their area of responsibility and when new work equipment is introduced. At least once a year, GRENKE provides refresher training in a digital eLearning format.

We summarise our approach and the requirements for protecting the health and safety of our employees in our health and safety policy (OHS Policy). We published this policy on our website in the 2023 financial year (see www.grenke.com/en/esg/). This policy applies to all of our companies in Germany.

Company officers are appointed in the areas of occupational medicine, occupational safety and fire protection in order to maintain, promote and improve health and safety in the workplace. The prerequisites to become an officer and the duties and tasks of the job are derived from the German Occupational Safety Act (ASiG) in conjunction with DGUV Regulation 2 (German Social Accident Insurance), the building regulations of the German federal states, relevant official requirements, and the ISO 9001 standard.

In the 2023 financial year, HR reported 6 work-related accidents (2022: 9 accidents) to our accident insurance in Germany. The cases were spread across the individual Group companies as follows:

Work-related accidents

As of December 31, based on reported accidents

	2023	2022
GRENKE AG	3	2
GRENKEFACTORING GmbH	0	1
GRENKE BUSINESS SOLUTIONS GmbH & Co. KG	2	2
GRENKE digital GmbH	0	4
GRENKE Investitionen & Verwaltungs KGaA	1	0

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

3.4.2.3 Respect for human rights

We consider respect for human rights to be a matter of course. As part of our compliance management (see Chapter 3.3.2 „Sustainable corporate policy"), rules for equal treatment, anti-discrimination and respect for human rights are defined in the Code of Conduct and applicable guidelines (see www.grenke.com/en/esg/). These were thoroughly updated and published in the 2023 financial year. We are also improving our ability to receive and respond to information from employees and external persons regarding possible rule violations, particularly with regard to possible human rights abuses, discrimination and racism. Among other things, we are planning a separate category in our GRENKE Integrity Line whistleblower system that clearly indicates the possibility of submitting such reports (see Chapter 3.4.3.3. „Compliance and data protection").

In the 2023 financial year, GRENKE AG continued its audits and planning with regard to the implementation of the German Supply Chain Due Diligence Act (LkSG). The analysis showed that GRENKE AG does not fall within the scope of the LkSG as of January 1, 2024 because it does not exceed the statutory threshold of at least 1,000 employees in Germany and is not expected to exceed it in 2024 in any case.

Moreover, with a view to our growth strategy and commitment to ESG, we have continued to analyse and plan suitable measures to ensure LkSG and ESG compliance in consultation with all departments involved. The focus is on setting up suitable processes, particularly digital ones, for auditing our specialist reseller partners and our own procurement processes.

As part of our responsible approach to sustainability issues, we paid particular attention to ESG-related topics when revising our Code of Conduct and our Supplier Code. We formulated clear expectations regarding the avoidance of child labour, forced labour and human rights violations, as well as environmental requirements. In addition, we will explicitly open up our whistleblower system to human rights and environmental complaints.

3.4.2.4 Customer safety and satisfaction

Our aim is to provide entrepreneurs, and particularly SMEs, with the best possible support for their investments and financing. In total, our customers include over half a million SMEs. We currently operate in 31 countries through both indirect and direct sales (see Chapter 1.1.1 "Business model and segments" contained in the of the group management report). To ensure that our lessees are satisfied, we focus on simple and fast financing solutions as well as personalised service tailored to the business needs of our lessees and business partners. Our sales employees held a total of 67,114 meetings with customers and partners in the 2023 financial year (2022: 56,650 meetings). Our digital meetings via video conferencing system were also popular in 2023, with a total of 17,880 digital meetings held. As in the prior year, this corresponded to 27 percent of all meetings held in the 2023 financial year (2022: 27 percent), compared to 73 percent for meetings that took place in person (2022: 73 percent).

Indirect market access, i.e. sales via specialist reseller partners, continued to account for the majority of our new business at 83.0 percent in 2023 (2022: 82.1 percent). In the 2023 financial year, we worked with 36,164 specialist reseller partners (2022: 33,412). One indicator of the satisfaction of our specialist reseller partners is the duration of our business relationships. In the 2023 financial year, we continued to work with 62 percent (2022: 62 percent) of our active specialist reseller partners[1] for more than three years. We align our measures to further develop our market access with the needs of our customer groups. In the 2022 financial year, we began reorganising our sales structure in Germany, France, Italy and Spain. By introducing cross-regional hubs and a clearer segregation of duties, we enabled our sales employees to focus more on supporting our customers and partners in line with their needs. In 2023, this was continued in Sweden, Finland, Portugal, the Netherlands, Belgium and Ireland. The introduction in other countries is planned for 2024.

The direct market approach is becoming increasingly important in addressing our customers. Since 2019, direct sales have accounted for an increasing share of the total volume of new business. In the 2023 financial year, this share amounted to 17.0 percent (2022: 18.0 percent). The loyalty of our lessees gives us an indication of their satisfaction with our product range and service. In contrast to the individual contract-based agreements with lessees through resellers, in direct sales, we generally agree on twelve-month terms for our financing with entrepreneurs. The approved financing volume can be accessed quickly and easily by our direct customers over this period for any purchases that arise. In the 2023 financial year, 4,384 direct customers opted for a new financing facility with GRENKE (2022: 4,310 follow-up contracts). These follow-up contracts therefore had a share of 43 percent (2022: 41 percent) compared to the total number of all contracts in direct sales.

Accompanying offers from GRENKE Bank

In addition to our offers for financing leasing investments, GRENKE BANK AG complements our product range with customised loan and banking solutions. In the 2023 financial year, the number of business current accounts and loan accounts increased by 7.5 percent to a total of 12,635 (2022: 11,755 accounts).

GRENKE BANK AG also cooperates with development banks, which enables us to pass on favourable refinancing conditions to SMEs via our leasing business. The total volume of refinancing funds from development banks to make lease offers more financially attractive for SMEs amounted to EUR 12.5 million in 2023 (2022: EUR 10 million).

In the 2023 financial year, GRENKE BANK AG continued to offer microloans on the market with the German Federal Ministry of Labour and Social Affairs (BMAS). With this programme, we enabled entrepreneurs and company founders to access loans with an individual loan amount of up to EUR 25k and contribute to strengthening SMEs and securing the jobs associated with these businesses. GRENKE BANK AG granted a total of 2,393 microloans in the 2023 financial year (2022: 2,751). The total number of loans granted thus fell slightly by 13 percent compared to the previ-

1 We define active specialist reseller partners as those who have sent us at least one enquiry in the last 365 days.

ous year, in which the Bank recorded an increase of around 39 percent.

The managed portfolio of state-supported microloans in the 2023 financial year amounted to EUR 96,933 at year-end (2022: EUR 94,380). The proportion of borrowers and applicants with a migration background for microloans fell from 24 percent in the 2022 financial year to 20 percent in the 2023 financial year. Overall, 28 percent of those we supported were women (2022: 28 percent) in the 2023 financial year and 72 percent men (2022: 72 percent).

The aim of BMAS funding is to create jobs. In the 2023 financial year, our plan through the issue of microloans was to create 1,691 new jobs (2022: 1,942 jobs), or 13 percent fewer jobs than in the previous year (2022: increase of 54 percent).

Accompanying offers from GRENKEFACTORING

We enable SMEs through various factoring and other services (see Chapter 1.1.1 „Segments“ for details) to improve their liquidity situation and let us handle administrative tasks so they can focus more strongly on their business activities . Cooperation with our factoring clients is also characterised by long-term relationships. Existing customers have been working with us for an average of seven years.

The satisfaction of our customers and partners is a top priority for us. We will continue to develop our overall concept in order to better determine the satisfaction and willingness of our lessees and partners to recommend us to others and to maximise this through relevant measures. Using a survey tool, a dealer satisfaction analysis and a continuous satisfaction survey for new customers were carried out in the 2023 financial year. We plan to expand the survey to all customer groups in the current 2024 financial year.

GRENKE Bank AG's microloan business

As of December 31

		2023	2022
Number of microcredit loans granted in cooperation with the BMAS	–13%	2'393	2'751
of which share of microcredit loan borrowers who have a migration background	4%	20%	24%
of which planned increase in jobs through the implementation of the projects	–13%	1'691	1'942
Managed portfolio of state-subsidized microcredit loans at the end of the financial year	3%	96.933 EUR	94.380 EUR

3.4.2.5 Innovation and partnerships

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

As part of our corporate responsibility and social commitment, we sponsor sports, culture and education, as well as projects that promote children and young people. In the 2023 financial year, we supported projects, institutions and various associations by donating a total of approximately EUR 1.8 million (2022: EUR 1.5 million). Some examples of GRENKE‘s regional social commitment in the areas of sports, culture, and the promotion of children and young people are described below:

- GRENKE Chess Classic and GRENKE Chess Open

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

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

- KSC GRENKE aKAdemie

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

- Namesake of the GRENKE-AutoEder U19 cycling team

In the 2023 financial year, we expanded our commitment to the promotion of youth sports and will be taking it international in the future. By entering the world of cycling, we are supporting the development of talented young cyclists on their way to the professional ranks with a long-term partnership from 2024 – as the namesake of the GRENKE-Auto Eder U19 team. In addition, the GRENKE logo will be featured on the jersey of the BORA – Hansgrohe WorldTour team from the coming season

- KSC eSports team support

The world of sports and the interests of young talent continue to evolve. With the eSports team "PHIRONIX", which we support as a top partner of the Karlsruher SC, we support young talents. The games can be seen on the Twitch platform and on the VBL website. The GRENKE logo is visible on the jersey sleeves of the Karlsruhe eSportsmen and in the live-streamed events.

- GRENKE Cup indoor football tournament

The fifth GRENKE Cup under the patronage of GRENKE AG together with the SV Sinzheim booster club took place in November 2023. The indoor football tournament promotes a stronger connection of sports with schools, universities and training.

- „Columbus – Discover Classical Music!" school project

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

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

- SRH Berlin University of Applied Sciences

Since 2016, we have been supporting the SRH Berlin University of Applied Sciences through an endowed professorship for entrepreneurship consisting of two half-time doctoral positions until 2022 and the establishment of the GRENKE Centre for Entrepreneurial Studies research institute, which opened in January 2018. The institute focuses on analysing business start-ups and uses scientific methods to determine the success factors to use in practice. The SRH GRENKE Innovation Festival also took place in the 2023 financial year.

- CyberForum and CyberChampions Award

CyberForum e. V. in Karlsruhe supports start-ups with digital business ideas in particular and organised the CyberLab Festival in the 2023 financial year. Awards were presented in the categories CyberChampion, Innovative AI, Impact and an audience award. GRENKE also supported the event in the 2023 financial year.

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

- SOS Children's Villages Christmas donation

Supporting children in need to give them a better future is an important matter to us. For this reason, we support SOS Children's Villages at Christmas time with a donation of EUR 25,000 (2022: EUR 25,000). SOS Children's Villages is an independent, non-governmental and non-denominational aid organisation for children and is active worldwide.

- Centre for European Policy

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

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

- Cesano Women Football Idrostar

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

- FAI – Fondo Ambiente Italiano

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

- Cercle d'Echecs de Bischwiller

GRENKE also supports the youth activities at the chess centre in Bischwiller, France, and continues its efforts here to promote chess and youth activities internationally.

3.4.3 Responsibility & Trust

3.4.3.1 Risk management

3.4.3.1.1 Corporate Risk Management

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

GRENKE's risk management requirements are based largely on the „Fact Sheet on Dealing with Sustainability Risks" dated December 20, 2019 (amended on January 13, 2020) and the 7th amendment to BaFin's Minimum Requirements for Risk Management (MaRisk) dated June 29, 2023, which stipulate that companies must integrate sustainability risks into their risk management. This means, in addition to identifying, assessing, managing and monitoring these risks, risks should be taken into account in the business strategy and organisation (see Chapter „3.2 Our sustainability strategy" and „3.3 Sustainability in the GRENKE Group").

ESG is not just part of our business strategy and standalone sustainability strategy, it also helps form our risk strategy. We consider ESG aspects as risk drivers that can materialise in our existing risk types. For example, no separate „sustainability risks" risk type is established as part of the risk inventory. This approach is based on the fact that sustainability risks have an impact on numerous known risk types and therefore require an integrated approach. The aim is to take sustainability aspects into account in the risk-specific analysis of business activities and portfolio composition.

Since 2022, our risk inventory has considered the ESG aspect from the economic and normative perspectives of the risk-bearing capacity calculation. All relevant risks along the ESG dimensions are assessed according to physical and transitory influences. A total of 20 risks (2022: 16 risks) were assessed as material as part of the 2023 risk inventory.

Our business model requires a careful assessment of these risks. Whereas ESG risks tend to have a long-term impact on a portfolio, our leases have comparatively short terms. This means that transitory risks can only have a very limited impact during the term of the contract. The structure of our financing solutions also minimises physical risks, as property insurance is required for the leased asset in all cases.

Ad hoc risk reports are used to increase transparency and keep the Board of Directors informed. A total of 15 new risk reports were submitted in the 2023 financial year (2022: 13). In addition, one existing risk report from 2022 was updated in the 2023 financial year. However, the increase in ad hoc reports is not the result of ESG risk factors, but of the organisation's increased and targeted awareness of risks in general. The topic of ESG risks will continue to be the subject of further developments in the GRENKE Group's risk management in 2024.

3.4.3.1.2 Internal audits

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

The completion rate for internal audits in the 2023 financial year was 81 percent (2022: 58 percent), an improvement of 23 percent compared to 2022. The absolute number of completed audits also increased from 77 in 2022 to 95 in 2023. In response to the results of the special audit, the Internal Audit department was significantly expanded in terms of quantity and quality and the processes were fundamentally revised. The conceptual reorganisation of the division in 2021 led to a significant expansion of relevant audit content. Given the increase in personnel during that time, the completion rate is expected to increase further in 2024.

3.4.3.2 Reporting and transparency

The dialogue with our stakeholders and the results of our materiality analysis form the basis of our sustainability strategy and our non-financial reporting. Accordingly, communication with our stakeholders is a high priority for us. For an effective exchange with our stakeholders, we have several departments that interact with internal and external stakeholders. Internal communication is managed by the Corporate Communications department. Its primary purpose is to inform, orient, motivate and exchange with our employees worldwide. It aims to inform about current developments in the Company and give our employees the opportunity to give direct feedback to the Board of Directors, which is also an element of our corporate culture.

Internal communication utilises various communication channels and tools to convey information bilaterally and multilaterally. These include not only content contributions on the company-wide intranet or by email, but also multimedia formats (text, sound and images). This includes clips, event-related video addresses, at least four virtual dialogue-based staff meetings (town hall meetings) per year and online survey tools. To determine how well our employees identify with the corporate strategy, we measure the Overall Strategy Awareness (OSA) score, which we have defined as a TOP KPI (see Chapter 1.3.3 „Non-financial performance indicators“), as part of an annual employee survey. This TOP KPI is determined on the basis of all responses to the questions on strategy, products and innovation on a scale from 1 = high awareness to 7 = low awareness. In the 2023 financial year, our OSA achieved a score of 2.6 (2022: 2.5). From this, we conclude that our employees continue to identify with our corporate and sustainability strategy.

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

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

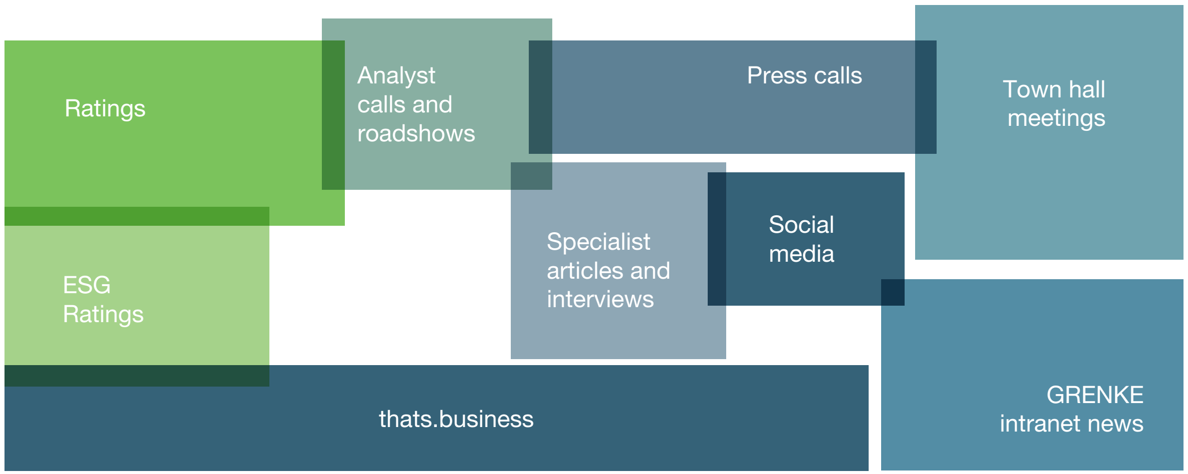
The Investor Relations department conducts the dialogue with equity investors and analysts. The department is responsible for regular reporting in the form of reports, such as the annual report, half-year report and quarterly reports, as well through the mandatory communication required in accordance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

The Treasury department is responsible for communication with debt investors and analysts. Tasks include publishing information on debt instruments and assessing market risks, talking with debt capital providers, and cooperating with rating agencies. More information on this can be found in Chapter 5.7 “Liquidity risks”.

The marketing department targets the group of customers and specialist reseller partners. It provides information about our current product developments and offers, initiates marketing campaigns and operates our website.

The HR department addresses potential new employees in external communications and ensures that we attract new talent. Among other things, this is done via posts on our social media channels, direct dialogue on feedback platforms and positioning at trade fairs and events.

Transparency and communication



ESG communication

We provide all our stakeholders with up-to-date information on developments in the area of ESG. In addition to our annual Non-Financial Statement, we created a separate section on ESG on our website in the 2022 reporting year (see www.grenke.com/en/esg/). The section was updated and expanded in 2023. It features information on our strategy, guidelines, measures and initiatives, in addition to our ESG ratings and reporting data.

Examples of GRENKE communication channels and instruments

- Social media

Over the past few years, we have established our own company channels in the social networks relevant to us and regularly post information from various departments. Our aim is to increase awareness, improve our image, adequately address new target groups, strengthen customer loyalty and increase the reach of Company messages, products and services.

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

- thats.business – our digital magazine

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

3.4.3.3 Compliance and data protection

3.4.3.3.1 Compliance management

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

Local compliance officers and compliance officers in the respective countries are responsible for ensuring that our standards are adhered to both nationally and internationally. The subsidiaries are regularly reviewed as part of compliance and money laundering audits. The local compliance officers report both to the local Board of Directors and to the GRENKE Group‘s compliance officer, who forwards the key information to the responsible member of the Board of Directors (CRO).

He also supports the Board of Directors as a whole in preventing breaches of the law, corruption and fraudulent behaviour and in clarifying dubious cases. The responsible Board of Directors receives an annual compliance report. The Group's Compliance department also informs the Board of Directors and Supervisory Board of any significant findings in the form of an annual compliance report.

Legal updates are communicated to the relevant specialist departments throughout Germany via the legal monitoring tool, which in turn evaluates the updates in terms of their relevance and risk and, if necessary, adapts the written policies to the new legal requirements. The realisation and implementation of legal changes is also tracked using tools. The executive bodies are informed about significant legal changes by means of regular compliance reporting.

The existing rules on the prevention of conflicts of interest and the handling of inducements are further developed on an ongoing basis. Regular dialogue with the local compliance officers has already been introduced throughout the Group. All employees are kept informed of current compliance-related topics such as sanctions against Russia, cyber fraud, compliance risks and the handling of gifts by means of compliance newsletters, for example. Further developments in the area of compliance are also the subject of compliance training, which all employees across the Consolidated Group were required to complete in the course of 2023. In addition to the mandatory training for all employees, colleagues in the Compliance department receive several days of external training each year to enhance their expertise.

We provide our colleagues with a number of ways to report possible violations of regulations. With our GRENKE Integrity Line whistleblower platform, we enable our employees, lessees, business partners and third parties to draw our attention to possible breaches of rules at any time while maintaining confidentiality (see www.grenke.com/de/unternehmen/grenke-gruppe/grenke-integrity-line/). In the 2023 financial year, 20 reports were received via the whistleblower system (2022: 14 reports). We handle the reported information responsibly. GRENKE responds to violations of the law with appropriate measures.

3.4.3.3.2 Money laundering prevention

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

In the 2023 financial year, 14 compliance reviews on the implementation of money laundering prevention (2022: 15 reviews) were carried out in the subsidiaries on the basis of the regular audit. A Group-wide risk analysis was also carried out. This produces the result of the Consolidated Group risk analysis, from which the legally prescribed control and audit procedures are derived. The resulting control plans are approved by the CRO.

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

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

3.4.3.3.3 Data protection

By continuously developing our data protection management system, we ensure that data processing within the Consolidated Group complies with the law and that we identify potential violations at an early stage and take the appropriate action. The European General Data Protection Regulation (GDPR) has ensured harmonisation of data protection laws within the European Union. In the context of our business activities, we are guided by this set of rules worldwide. In addition, the implementation of data protection requirements also requires us to take into account the national legislation of our markets, which means that different data protection regulations continue to apply in individual member states in addition to the provisions of the GDPR.

Data protection officers have been appointed at GRENKE AG and numerous subsidiaries in accordance with the legal requirements. In addition, subsidiaries have the option of appointing data protection officers even if they are not legally required to do so.

GRENKE AG also established binding requirements for data protection in the GRENKE Group in the 2023 financial year, including by means of a Group-wide guideline. The Data Protection Organisation at GRENKE has also been strengthened in terms of personnel. Data protection officers and the Data Protection Organisation are available to the specialist departments, subsidiaries and employees, as well as to customers and business partners, as competent contact persons. In the 2023 financial year, we did not receive any reports of possible violations of data protection regulations.

Our employees are informed of the current requirements and developments in the area of data protection through annual training and continually updated information on the intranet. In addition to the topic of data protection, the topics of money laundering prevention, information security and compliance are also part of the mandatory training for our employees. These are also carried out for new colleagues as part of the induction process. This ensures that all employees have the right tools to deal with the risks of these governance topics. The training ratio on these topics for the 2023 financial year was 96.8 percent (2022: 83.2 percent).

Mandatory training

- // Prevention of harassment and discrimination
- // Combating money laundering
- // Compliance
- // Data protection
- // Occupational safety (environmental, health and safety policy)
- // Information Security Essentials
- // Operational damage reports and ad hoc risk reports
- // Driver training

3.4.3.3.4 Information security

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

A business impact analysis was carried out for the first time using a new methodology and is being gradually refined. Among other things, our processes are categorised according to their economic relevance for GRENKE based on the duration of their downtime. The categorisation is transferred to the individual process components from infrastructure, IT, personnel and service providers and coordinated with the responsible parties. The findings are reviewed by the Business Continuity Management (BCM) team with a plausibility check and adjusted in consultation with the respective departments, particularly the IT department. The continually increasing transparency forms the basis for additional measures planned to expand risk-reducing methods. These include, converting IT platforms, promoting strategic security concepts and modifying them to continuously expand protection.

Based on the findings of our IT emergency management system and business impact analysis, we developed our own unit for the further development of holistic business continuity management (BCM) in the 2022 financial year. We expanded it further in the 2023 financial year and further developed the emergency management system. Coordination with the respective specialist departments takes place on an ongoing basis. The establishment of an emergency manual with associated response plans is being continuously developed. We also intensified the processing of findings from internal and external audits in order to recognise and eliminate potential risks at an early stage. This also included the revision and adjustment of various guidelines, particularly in the area of business continuity management.

Our Board of Directors is regularly informed of the current status of information security management and close cooperation and coordination is maintained by interfacing with important departments, including the Compliance, Data Protection and Risk Management departments. A key measure in the 2023 financial year was the deeper cooperation between the first and second lines of defence in accordance with the three lines of defence model. This ensures that tasks are processed more effectively.

In various target group-oriented and modular training courses, employees are made more aware of the key topics of information security. The advantage of the modular training structure of the courses is that we can have a prompt, targeted response to changing situations, such as the increase in phishing attempts (see Chapter 3.4.2.1.5 „Employee qualification and development“).

3.4.3.4. Access to financial markets

Through our leasing and rental solutions, we facilitate the investments of over half a million SMEs worldwide. GRENKE‘s refinancing plays a central role in optimally supporting our SME customers through our financing solutions. A diversified refinancing structure enables the GRENKE Group to respond to market developments at all times. We generally refinance ourselves independently of individual banks via direct access to various refinancing alternatives on the debt capital markets. Debt-based financing is essentially based on three pillars (see Chapter 2.7.3 „Liquidity“ for details):

- Deposits at GRENKE BANK
- Asset-based loans, including through ABCP programmes
- Senior unsecured instruments such as bonds, promissory notes and commercial paper

Three pillars of refinancing

GRENKE BANK	ASSET BACKED	SENIOR UNSECURED
// Deposit	// ABCP	// DIP bonds
// Global loan	// Asset-based loans	// Promissory notes
		// SynLoan & RCFs
		// Commercial Paper
		// Money market
		// Overdraft

As part of our refinancing strategy, GRENKE BANK AG has been purchasing lease receivables from the Consolidated Group companies since 2009. In addition, GRENKE BANK cooperates with various development banks by purchasing earmarked receivables from lease agreements in the form of global loans. We pass on the favourable conditions resulting from refinancing with development banks 1:1 to our leasing customers.

Sustainability aspects are becoming increasingly relevant for access to capital as a result of investor interest and increasing ESG-related financial market regulation.

ESG ratings and benchmarks can facilitate access to capital for companies that operate sustainably. They provide investors with a basis for evaluating and comparing the sustainability performance of companies. In addition to our well-established investment grade ratings from S&P Global and Fitch Ratings, we aim to establish marketable ESG ratings. We have therefore expanded our cooperation with the key ESG rating providers ISS ESG, S&P Global, Sustainalytics, MSCI and EthiFinance Ratings in the 2022 financial year. We were able to increase our corporate rating from ISS ESG from D to D+ at the beginning of 2023 and significantly improve our quality score. We also achieved significant improvements with S&P and are now among the top 25 percent in this rating. There were also further significant improvements compared to the previous year in the Sustainalytics and EthiFinance ratings. Our MSCI rating was unchanged.

Our non-financial reporting as part of this Non-Financial Statement and other publications on our website provide the basis for the assessments (see www.grenke.com/en/esg/). The improvement in our results corroborates the focus of our ESG activities and the optimisation of our ESG performance. We plan to continue to develop and update our ESG ratings in the 2024 financial year.

We would also like to strengthen our access to capital by expanding our refinancing mix to include sustainable product variants. With regard to the third pillar – senior unsecured instruments – green bonds, for example, make it possible to promote sustainable projects in a targeted manner. In 2003, the GRENKE Group set up a Debt Issuance Programme (DIP) to issue bonds. The prospectus is subject to the EU Prospectus Regulation (2017/1129) and offers investors the opportunity to make an informed assessment of the issuer, possible risks and the issuer's financial position. These publications are available on our website (see www.grenke.com/en/investor-relations/debt-capital/issued-bonds/).

Due to our intention to issue sustainable bonds, we already included potential financing for ESG projects in the DIP prospectus dated July 13, 2021. Sustainable financing has become a more concrete topic over the years, and therefore a separate Green Bond Framework was created and integrated into the DIP prospectus dated March 23, 2023 in the addendum dated August 23, 2023. In accordance with the requirements of the ICMA Green Bond Principles (GBP) of June 2021, the framework describes the use of the issue proceeds, the project evaluation and selection process, the management of the proceeds and reporting.

With GRENKE green bonds, we promote the sustainable transformation of SMEs by financing and refinancing our green economy business (see Chapter 3.4.1.1 “ESG products and services”). In accordance with the ICMA's Green Project Categories from 2022, we support the following categories:

- Renewable energies
- Energy efficiency
- Clean transportation
- Pollution prevention and control
- Sustainable water and wastewater management

In its Second Party Opinion dated May 16, 2023, Sustainalytics validated our GRENKE Green Bond Framework as an independent third party. It considers the GRENKE Green Bond Framework to be credible, effective, and in line with the four pillars of the ICMA GBP 2021.

In September 2023, we placed our first GRENKE Green Bond via our DIP. The issue volume of this first green bond (ISIN XS2695009998) was EUR 500 million – the highest bond value in the Company's more than 40-year history. The bond was issued with a coupon of 7.875 percent p.a. and a 3.5 year maturity ending on April 6, 2027. Demand for the issue significantly exceeded supply and came primarily from institutional investors, including asset managers, funds, banks, insurers and pension funds. More details on our Green Bond Framework are available on our website (see www.grenke.com/en/investor-relations/debt-capital/issued-bonds/). In accordance with our Green Bond Framework, we will also report on the allocation of funds there annually from September 2024.

We are also considering the further inclusion of sustainable financing instruments in 2024 to take into account current sustainability in our refinancing mix.

3.5 Information according to Article 8 of the EU Taxonomy

The EU Taxonomy for Sustainable Development („EU Taxonomy“) translates the European Union's climate and environmental goals into a classification system for sustainable economic activities. In accordance with Article 8 of EU Regulation 2020/852, in conjunction with Delegated Regulation EU 2021/2178 (Disclosures Delegated Act, DDA), the European legislator prescribes a standardised disclosure of sustainability-related key performance indicators (Taxonomy KPIs) throughout Europe as part of non-financial reporting.

The Taxonomy KPIs prescribed by the legislator take sector-specific characteristics into account by differentiating between non-financial and financial companies. The scope of application of the corresponding KPIs for financial and non-financial companies is defined by the European sustainability reporting requirements for companies.

Until the 2022 financial year, the Non-Financial Reporting Directive (NFRD) and the national law derived from it to strengthen company's non-financial reporting in their management and group management reports (CSR Directive Implementation Act, „CSR-RUG“) formed the basis for the classification of GRENKE AG. As a financial holding company under the supervision of BaFin in accordance with the German Banking Act (KWG), GRENKE, which has a credit institution and other financial services institutions as subsidiaries, reported the climate protection-related disclosures until 2022 in accordance with the statutory requirements of Sections 340 et seq. HGB in conjunction with the EU Taxonomy and the delegated acts issued on the EU Taxonomy in accordance with the requirements for financial companies.

The scope of application and the reporting requirements in accordance with Article 8 of the EU Taxonomy are specified at the European level by the CSRD starting with the 2023 financial year. In the 2023 financial year, we took the IDW guidelines on Article 8 Taxonomy reporting (revised version dated December 1, 2023) as an opportunity to re-examine the KPIs to be reported by GRENKE.

GRENKE AG does not qualify as a CRR credit institution as defined in Article 4 (1) No. 1 of Regulation EU 575/2013 due to the absence of a deposit-taking, proprietary trading or issuing business. GRENKE AG is considered a financial holding company as defined in Article 4 (1) No. 20 of Regulation EU 575/2013 and, as such, does not fall under the types of financial undertakings referred to in Article 8 of the EU Taxonomy. The Draft Commission Notice dated December 21, 2023 was not taken into account for this report. As the parent company of the GRENKE Group, for the 2023 financial year the classification of GRENKE AG as a non-financial company is decisive for Group reporting in accordance with Article 8 of the EU Taxonomy. Accordingly, GRENKE must report annually on the share of Taxonomy-eligible and Taxonomy-aligned environmentally sustainable economic activities for turnover, capital expenditures and operating expenses.

3.5.1 Taxonomy eligibility and Taxonomy alignment of our activities

The Taxonomy KPI survey initially provides for the delimitation of economic activities that are, in principle, Taxonomy-eligible. Taxonomy eligibility requires that the economic activity is listed in the delegated acts of the EU Taxonomy. In view of our business model as a lease financier for SMEs (see Chapter 1.1.1 “Business model and segments”), our economic activities include a broad portfolio of lease objects (see Chapter 3.4.1.1 „ESG products and services“). To review the economic activities that are Taxonomy-eligible for GRENKE, we pursued a lease object-oriented approach. This means that the leasing of an object type must be allocated to an activity specified in the delegated act in order to be assessed as Taxonomy-eligible.

In the course of implementing the EU Taxonomy, we subjected our business model to a detailed analysis. Our core leasing business can essentially be classified as Taxonomy-aligned with regard to the delegated act on Environmental Objective 4 „Transition to a circular economy“. The eBike business, where we support our SME customers in increasing their sustainable mobility (see Chapter 3.4.1.1 „ESG products and services“), was identified as a Taxonomy-aligned activity in accordance with Environmental Objective 1 „Climate change mitigation“.

An activity is considered Taxonomy-aligned if it is Taxonomy-eligible and makes a significant contribution to one of the 6 environmental objectives of the EU Taxonomy. At the same time, it must be ensured that none of the other objectives are significantly impaired („Do No Significant Harm“ – DNSH) and that the minimum standards („minimum safeguards“ – MS) are complied with (see diagram „EU Taxonomy objectives“).

EU Taxonomy objectives

Reporting requirements in accordance with EU Taxonomy – FY 2023

Taxonomy eligibility and for the first time taxonomy conformity

1. Climate change mitigation
   - // GRENKE eBike Business – Supporting sustainable cycling logistics
2. Climate change adaption

Taxonomy eligibility

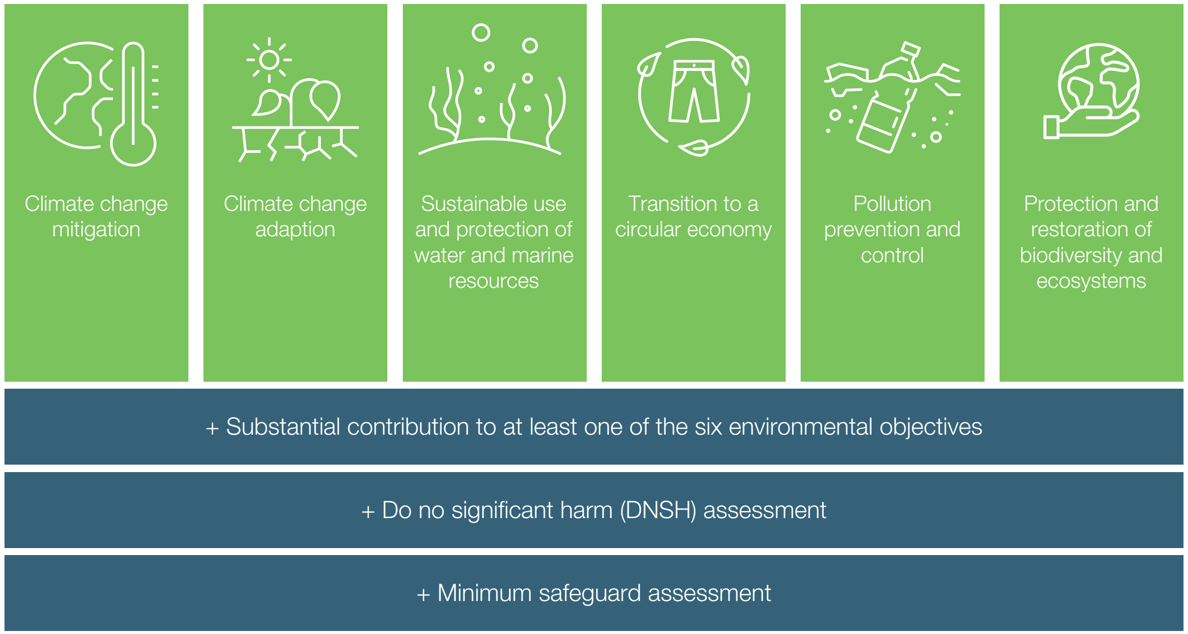
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
   - // Leasing activities of our core business, in particular IT and medical equipment
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The Climate Delegated Act EU 2021/2139 (CDA) dated June 4, 2021, defines the technical assessment criteria (TSC) for evaluating the significant contribution of economic activities to achieving the environmental objectives of „climate change mitigation“ and „climate change adaptation“. The Environmental Delegated Act EU 2023/2486 (EDA) supplements the technical assessment criteria for environmental objectives 3 through 6. The amendments to the Climate Delegated Act EU 2023/2485 add further economic activities to the assessment in accordance with environmental objectives 1 and 2. These only need to be checked for Taxonomy eligibility for financial years 2023 to 2025, in accordance with the added Article 10 (6) of the EU Taxonomy Regulation.

Ensuring minimum safeguards

The requirements for minimum safeguards are based on internationally recognised frameworks such as the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the core labour standards of the International Labour Organisation and the Universal Declaration of Human Rights. Compliance with the frameworks within the GRENKE Group is underpinned by our Code of Conduct and our Supplier Code (see Chapter 3.3.2.1 „Guidelines and frameworks“). We also take appropriate measures to ensure compliance with labour law and occupational safety within our business operations (see Chapter 3.4.2.2 „Labour law and safety“). We ensure compliance with the requirements to prevent corruption and bribery and to strengthen fair competition through our compliance management system (see Chapter 3.4.3.3 „Compliance and data protection“).

Reporting requirements in accordance with the EU Taxonomy – FY 2023



3.5.2 Taxonomy KPIs and qualitative information

In the following, we present the share of turnover, capital expenditure and operating expenses identified for GRENKE in connection with environmentally sustainable economic activities. If an economic activity contributes significantly to several environmental goals, the most relevant environmental goal is specified for the calculation of the KPI in accordance with the EDA. There is no double counting.

The relevant scope of consolidation for the calculation for the GRENKE Group corresponds to the scope of consolidation in accordance with IFRS. In accordance with the requirements of the DDA, we would like to point out the challenges arising from existing data gaps. As part of our efforts to provide transparent and meaningful information, we supplement the quantitative disclosures with qualitative explanations that cover the scope of the assets and activities recognised for the Taxonomy KPIs. These include details on our sources of information and the inherent limitations of our approach, which is characterised by a best effort, yet conservative, approach to the market.

The data collection for all material Taxonomy KPIs – turnover, capital expenditure (CapEx) and operating expenditure (OpEx) – was driven by an interdisciplinary team in accordance with the “best effort” principle. In order to follow a conservative reporting approach and ensure a uniform data basis, we decided in this report to exclude incomplete data on the economic activities of our factoring companies and GRENKELEASING s.r.o. (Czech Republic) from all KPI calculations.

For the 2023 financial year, our reporting in accordance with the EU Taxonomy Regulation therefore covers approximately 98.4 percent of our Consolidated Group revenue (see 3.5.2.1 „Turnover KPI“). The three reported Taxonomy KPIs – Turnover, CapEx and OpEx – therefore represent a high level of coverage with the existing financial reporting systems.

The requirements of the EU Taxonomy stipulate the disclosure of prior-year figures to ensure comparability. In the previous year, only the share of Taxonomy-eligible economic activities was required to be reported due to the simplification provision. As the first disclosure of Taxonomy-aligned data for GRENKE will take place as of the 2023 financial year and the transition from reporting as a financial company to a non-financial company will also take place in this year, no previous year‘s figures are shown in this report.

Our approach reflects GRENKE‘s commitment to both meeting the EU Taxonomy requirements and ensuring transparent and responsible reporting to our stakeholders. Despite the existing challenges posed by data gaps, we have made extensive efforts to ensure the integrity and reliability of our reporting. For the coming reporting years, we aim to continuously improve the quality of our data by expanding our data collection with regard to the data of the other subsidiaries.

The mandatory information to be disclosed for the 2023 financial year in accordance with Article 10 (4) and (6) DDA is as follows for the December 31, 2023 reporting date:

Turnover

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		EURk	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)																			
Operation of personal mobility devices, cycle logistics	CCM 6.4.	19'989	3.1%	J	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-		
TURNOVER OF ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED) (A.1)		19'989	3.1%	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y	-		
OF WHICH ENABLING		0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y	-	E	
OF WHICH TRANSITIONAL		0	0.0%	0.0%						Y	Y	Y	Y	Y	Y	Y	-		T
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Operation of personal mobility devices, cycle logistics	CCM 6.4.	11	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	881	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5.	508'165	79.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
TURNOVER OF TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES) (A.2)		509'057	79.3%	0.1%	0.0%	0.0%	0.0%	79.1%	0.0%								-		
A. TURNOVER OF TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		529'046	82.4%	3.3%	0.0%	0.0%	0.0%	79.1%	0.0%								-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
TURNOVER OF TAXONOMY-NON-ELIGIBLE ACTIVITIES		113'282	17.6%																
TOTAL		642'328	100%																

	Proportion of turnover/ Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per obejctive
CCM	3.1%	3.3%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	-	79.1%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

3.5.2.1 Turnover KPI

The Turnover KPI is calculated as the ratio of Taxonomy-aligned turnover (numerator) to the Consolidated Group's total net turnover (denominator).

The denominator takes into account the total turnover of all Group companies included in the scope of consolidation. As part of the implementation of EU Taxonomy reporting as a non-financial company, we analysed the definition of net turnover for GRENKE in the 2023 financial year, as our consolidated income statement (Consolidated Group P&L) otherwise corresponds to the structure for financial companies. For the purposes of EU Taxonomy reporting for the leasing business, we define the term net turnover in accordance with Article 2 No. 5 of the Accounting Directive (2013/34/EU). It therefore includes the turnover recognised in accordance with International Accounting Standard (IAS) 1 (82a). We recognise these items accordingly for our Leasing segment.

Net turnover for the Leasing segment:

Designation	Business segment
Interest income from the leasing business	Leasing
Income from operating leases	Leasing
Income from Protect and Services	Leasing
Income from down payments and processing fees	Leasing

Due to the designation of our subsidiary GRENKE BANK AG as a CRR credit institution, the definition of turnover for the Bank is based on the amendment to Article 2 No. 5 of the Accounting Directive 2013/34/EU with reference to Article 43 (2) (c) of the Banking Directive 86/635/EEC, which was prompted by Article 1 No. 2 CSRD. Turnover as defined under Article 8 of the EU Taxonomy Regulation on reporting for the Bank's business activities includes interest income, commission income from the lending business and other operating income of GRENKE BANK.

Our turnover in 2023 in accordance with the aforementioned definition amounted to EUR 671,917k at the Consolidated Group level.

Due to the characteristics of our business activities, in analysing our turnover as to whether it is Taxonomy-eligible or Taxonomy-aligned, we distinguish between the procedures for the Leasing segment and the activities of GRENKE BANK AG.

3.5.2.1.1 Approach to our leasing activities

In the Leasing segment, the relevant turnover items include our interest income from the leasing business and income from operating leases. In addition, there is income from Protect and Services, as well as income from down payments and processing fees.

With our leasing and rental solutions, we enable our SME customers to make the necessary investments in their own business operations. In line with the nature of our small-ticket financing and due to our broad distribution network of independent specialist resellers, our object portfolio includes a wide variety of items. To determine the numerator, the turnover was analysed for its Taxonomy eligibility and Taxonomy alignment on the basis of the associated object type.

Taxonomy-eligible leasing activities

Due to our small-scale business, we assess Taxonomy eligibility at the level of object type. First, the types of objects in our object portfolio are allocated to the economic activities listed in the EU Taxonomy (see table „Examples of our Taxonomy-eligible leasing activities“).

Examples of our Taxonomy-eligible leasing activities:

Environmental objective of the EU Taxonomy	Taxonomy-eligible economic activity	Example of type of lease object
Climate change mitigation	Operation of personal mobility devices, cycle logistics	eBikes, bicycles
Circular economy	Product-as-a-service and other circular use- and result-oriented service models	IT hardware
Circular economy	Product-as-a-service and other circular use- and result-oriented service models	Medical devices

Taxonomy alignment of our leasing activities

The assessment of Taxonomy alignment is carried out as a two-step process.

In the first step, the leasing activity identified as Taxonomy-aligned is analysed for its significant contribution to one of the environmental objectives. In the second step, this activity is analysed to ensure that it does not significantly impair the achievement of the other environmental objectives. The data sheets for the object types in GRENKE AG‘s lease portfolio, which are maintained and documented accordingly in the approval process for new object types, form the basis for reviewing the leasing activities.

Once both test steps have been performed successfully and GRENKE AG has complied with the minimum safeguards described above, the leasing activity is classified as Taxonomy-aligned.

We then analysed the turnover from the 2023 financial year in accordance with the classification of the object types as Taxonomy-eligible and Taxonomy-aligned economic activities. In accordance with our previously explained definition, our turnover from leasing activities as defined by the EU Taxonomy consists of several items. Due to different systems and data structures, some turnover components were only available at the lease contract level when the report was prepared. If a lease contract comprised more than one lease object, the turnover from the 2023 financial year was allocated on a pro rata basis to the lease object included in the contract. The partial values of the lease objects were set in relation to the net acquisition volume of the overall contract.

This approach allows for the best possible allocation of turnover to economic activities according to the EU Taxonomy. GRENKE always strives to optimise its data management and data collection processes in order to allocate all turnover components directly at the level of the lease object.

3.5.2.1.2 Procedure with regard to the activities of GRENKE BANK AG

Taking into account the business model, GRENKE BANK's relevant turnover items result from interest and commission income from the lending business and from other operating income.

As a financing partner primarily for SMEs in Germany, the Banking segment comprises the activities of GRENKE BANK AG, specifically with regard to facilitating microloans and development loans, as well as with respect to the deposit business (see Chapter 1.1.1 Business model and segments). Consequently, the Bank's income stems primarily from granting general loans without a specific purpose. The Non-Financial Reporting Directive (NFRD) obligation of the counterparties was therefore examined as part of the analysis of the Taxonomy eligibility and Taxonomy alignment of GRENKE Bank's economic activities.

After conducting a detailed analysis, only around EUR 17,968k of GRENKE BANK's turnover (interest income from lending and the money market business) was identified with counterparties subject to the NFRD.

The Taxonomy KPIs of the counterparties from the 2022 financial year were used to determine the Taxonomy-eligible turnover of around EUR 4k, as the KPIs from the 2023 financial year were not yet available. GRENKE Bank's Taxonomy-non-eligible and Taxonomy-eligible turnover is not taken into account in the templates for mandatory Taxonomy reporting, as the delegated regulatory acts do not contain a suitable economic activity, and an adjustment to the content and structure of the templates is not permitted.

Including this turnover in the Turnover KPI would mean a change in the reported KPI as follows:

	Turnover in EURk	Proportion of turnover in percent
A.1 Environmentally sustainable activities (Taxonomy-aligned)	19,989	3.0%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	509,061	75.8%
A.1+ A.2 Turnover of Taxonomy-eligible activities	529,050	78.7%
B. Turnover of Taxonomy-non-eligible activities	142,867	21.3%
A + B TOTAL	671,917	100.0%

CapEx

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		EURk	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)																			
Operation of personal mobility devices, cycle logistics	CCM 6.4.	117	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-		
CAPEX OF ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED) (A.1)		**117**	**0.2%**	**0.2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**-**		
OF WHICH ENABLING		**0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**-**	**E**	
OF WHICH TRANSITIONAL		**0**	**0.0%**	**0.0%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**-**		**T**
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of batteries	CCM 3.4.	419	0.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Electricity generation using concentrated solar power (CSP) technology	CCM 4.2.	1'807	3.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Operation of personal mobility devices, cycle logistics	CCM 6.4.	241	0.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	4'922	10.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Renovation of existing buildings	**CCM 7.2** / CE 3.2.	1'351	2.8%	**EL**	N/EL	N/EL	N/EL	EL	N/EL								-		

CapEx

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitiga-tion (5)	Climate Change Adap-tation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitiga-tion (11)	Climate Change Adap-tation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxon-omy-aligned (A.1.) or -eligible (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		EURk	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	66	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Acquisition and ownership of buildings	CCM 7.7.	4'332	8.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Manufacture of electrical and electronic equipment	CE 1.2.	20'520	42.2%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
CAPEX OF TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES) (A.2)		**33'656.00**	**69.1%**	**27.0%**	**0.0%**	**0.0%**	**0.0%**	**42.2%**	**0.0%**								**-**		
A. CAPEX OF TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		**33'774.00**	**69.4%**	**27.2%**	**0.0%**	**0.0%**	**0.0%**	**42.2%**	**0.0%**								**-**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CAPEX OF TAXONOMY-NON-ELIGIBLE ACTIVITIES		**14'907**	**30.6%**																
TOTAL		**48'680**	**100%**																

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per obejctive
CCM	0.2%	27.2%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	-	44.9%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

3.5.2.2 CAPEX-KPI

The CapEx KPI is calculated as the ratio of Taxonomy-aligned capital expenditure (numerator) to total capital expenditure (denominator). Capital expenditure, as defined by the EU Taxonomy, in the case of GRENKE[2] includes the additions recognised based on the following standards:

- IAS 16 Property, Plant and Equipment, paragraph 73, letter (e), subparagraph (i) and subparagraph (iii)
- IAS 38 Intangible Assets, paragraph 118, letter (e), point (i)
- IFRS 16 Leases, paragraph 53, letter (h)

Due to our business model, which is heavily focused on finance leases, the majority of our leasing business is recognised as a lease receivable on our balance sheet. Only in two of our markets with operating leases, Croatia and Turkey, are the lease objects capitalised and also reported under IAS 16 Property, Plant and Equipment (see Chapter 3.3.1.2 „Operating leases“).

The numerator for the CapEx KPI for GRENKE is determined as follows in accordance with the components specified in the DDA:

- Component a): The direct allocation of assets or processes to Taxonomy-aligned economic activities cannot be applied to GRENKE. Our business model and our ambition to be a partner in the investment projects of SMEs is based on diversified portfolios at both the location and country level. A clear allocation of CapEx to Taxonomy-aligned activities, such as the leasing of eBikes, is not possible as such.
- Component b): GRENKE also does not have a specific CapEx plan for the expansion or conversion of Taxonomy-eligible economic activities into Taxonomy-aligned economic activities due to the aforementioned explanation.
- Component c): The purchase of output from Taxonomy-aligned economic activities, such as renovation work on existing buildings, which corresponds to the economic activity „Renovation of existing buildings“, is however relevant.

2 GRENKE did not recognise any capital expenditure for the other items mentioned in the Draft Delegated Act (DDA), IAS 40 Investment Property, paragraph 76, subparagraphs (a) and (b) (for the fair value model), IAS 40 Investment Property, paragraph 79(d), (i) and (ii) (for the cost model) and IAS 41 Agriculture, paragraph 50, letters (b) and (e).

Examples of our Taxonomy-eligible capital expenditure:

Description of the Taxonomy-eligible purchase of output	Corresponding economic activity
Installation of solar panels on existing GRENKE office buildings	Power generation using concentrated solar power (CSP) technology
Equipment for our employees and operating leases for eBikes and bicycles	Operation of devices for personal mobility, bicycle transport logistics
Purchase of various operating and office equipment and operating leases	Manufacture of electrical and electronic equipment
Employee equipment and operating leases for cars	Transportation via motorbikes, passenger cars and light commercial vehicles
Renovation and conversion work as part of the modernisation of existing buildings and New Work concepts	Renovation of existing buildings

The purchase of output can be classified as Taxonomy-aligned CapEx if the manufacturing company can prove that the output meets the Technical Screening Criteria (TSC) and can therefore be classified as Taxonomy-aligned. Capitalised eBikes and bicycles were identified as Taxonomy-aligned CapEx. Our use is two-fold: we equip our employees with eBikes and bicycles, and additions also originate from our operating leases.

For the purchase of output, we are unable to provide any summarised confirmation of the Taxonomy alignment of the output companies for the 2023 financial year. In light of this challenge, we are specifically striving to continuously align our investment strategy with EU Taxonomy compliance and to increase the availability of data on our capital expenditures in the interests of sustainable development.

OpEx

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		TEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)																			
OPEX OF ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED) (A.1)		0	0														-		
OF WHICH ENABLING		0	0														-	E	
OF WHICH TRANSITIONAL		0	0														-		T
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
OPEX OF TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES) (A.2)		0	0.0%														-		
A. OPEX OF TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		0	0.0%														-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OPEX OF TAXONOMY-NON-ELIGIBLE ACTIVITIES		0	0.0%																
TOTAL		6'856	100%																

3.5.2.3 OPEX-KPI

The OpEx KPI is calculated as the ratio of Taxonomy-aligned operating expenses (numerator) to total operating expenses (denominator).

The denominator takes into account all OpEx of the Group companies included in the scope of consolidation. In accordance with the EU Taxonomy requirements, the relevant operating expense cost items at GRENKE include the following:

Direct, non-capitalised costs	Costs (in EUR)	Total costs (%)
Research and development	-	-
Building refurbishment measures	-	-
Short-term leasing	48,075	0.01%
Maintenance and repair	6,807,789	2.2%
All other direct expenses relating to the day-to-day maintenance of property, plant and equipment by the entity or third parties to whom activities necessary to ensure the continuous and effective functioning of these assets are outsourced	-	-
TOTAL	**6,855,864**	**2.21%**

In accordance with Annex I of the DDA, EU Taxonomy permits the simplified reporting of operating expenses when they are not material to the reporting entity's business model. GRENKE's business model is heavily dependent on sales and IT capabilities and expertise. The relevant operating expenses in accordance with the EU Taxonomy therefore represent only a small proportion of the total direct, non-capitalised costs.

Of the total operating expenses of EUR 309,582,223 in the year 2023, only EUR 6,855,864, or 2.2 percent, was attributable to the cost items relevant for EU Taxonomy reporting. The costs in question are not considered material to GRENKE's business model.

In line with this assessment, GRENKE considers the conditions for exemption from the detailed calculation of the numerator for the OpEx KPI to be met. The numerator is shown as 0 in the template. Only the denominator, which reflects the total amount of the relevant operating expenses of EUR 6,855,864, is disclosed in the template.

3.5.3 Nuclear energy and fossil gas

In our review of our economic activities, we did not identify any turnover from the nuclear and gas activities defined in the Complimentary Climate Delegated Act (CCDA) (see “Template 1 Nuclear and fossil gas related activities”).

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

4. Changes in the Company's governing bodies

After assuming the role of interim Chair of the Board of Directors for the period from November 2022 to February 2023, Dr Sebastian Hirsch was appointed Chairman of the Board of Directors on February 16, 2023 following the final departure of Michael Bücker.

The terms of office of Supervisory Board members Prof. Dr Ernst-Moritz Lipp and Nils Kröber ended with the conclusion of the Annual General Meeting of GRENKE AG on May 16, 2023. While Prof Dr Ernst-Moritz Lipp retired from the Board as scheduled, Nils Kröber was proposed for re-election by the Supervisory Board at the Annual General Meeting. He was re-elected to the Supervisory Board by the Annual General Meeting, and his term will run until the end of the Annual General Meeting that resolves on the discharge of the Supervisory Board members for the 2027 financial year. Moritz Grenke was also elected to the Supervisory Board, and his term will run until the end of the Annual General Meeting that resolves on the discharge of the Supervisory Board members for the 2025 financial year.

At the constituent meeting of the Supervisory Board on May 16, 2023, Jens Rönnberg WP/StB was elected Chairman of the Supervisory Board of GRENKE AG. Dr Konstantin Mettenheimer was elected Deputy Chairman of the Supervisory Board. The Supervisory Board elected Norbert Freisleben as Chairman of the Audit Committee.

5. Risk report

5.1 Risk management

The GRENKE Group has implemented a comprehensive risk management system based on relevant regulatory requirements. The risk management system is subject to further development on a continuous basis.

The overriding objective of this system is to consistently ensure that the GRENKE Group maintains adequate capitalisation (Internal Capital Adequacy Assessment Process) and sufficient liquidity (Internal Liquidity Adequacy Assessment Process).

GRENKE Group's risk management covers all of the relevant units of the Consolidated Group and is designed to fully identify, assess, appropriately monitor, communicate and manage potential, emerging and existing risks. Risk management encompasses not only individual risks but also possible risk concentrations and dependencies between different risk types.

The risk strategy defines the Consolidated Group's fundamental risk policy and establishes the strategic framework for risk management on this basis. The content and scope of the material business activities defined in the business strategy determine the nature and extent of the material risks for the Consolidated Group. The fundamental objective with regard to the risk strategy guidelines is to promote a responsible approach to risk and maintain an appropriate balance between realising profit opportunities and taking risks.

Based on this fundamental guideline, the risk strategy contains the derived risk management objectives for the material risks, the determination of risk appetite and the definition of measures for risk management.

The risk appetite is defined for operational implementation. These quantitative and/or qualitative targets in the form of limits and/or thresholds for individual risk indicators specify and operationalise the Board of Directors' strategic risk objectives. These guidelines also include targets for the capital and liquidity ratios relevant for regulatory and economic purposes.

A risk-oriented and process-independent audit of the appropriateness and effectiveness of risk management is carried out by the Internal Audit department once annually. In the 2023 reporting year, the internal audit of risk management resulted in three significant and no serious objections. The main findings related to the internal control system, stress testing and validation processes.

5.1.1 Risk management process

The following describes the aspects involved in the GRENKE Group's risk management process.

Based on the content and requirements of the business strategy, the risks relevant to the GRENKE Group are identified once annually as part of the risk inventory and assessed as to their materiality.

This results in the Consolidated Group's overall risk profile provides the Board of Directors with an overview of the risks that could have a material adverse effect on the net assets (including capitalisation), results of operations and liquidity position.

As part of the risk inventory carried out at the end of 2023, the following risks were classified as material for the Consolidated Group:

- Credit risk: credit default risk, migration risk
- Market risk: foreign currency risk, interest rate adjustment risk, yield curve risk
- Operational risk: operational risk according to the Capital Requirements Regulation (CRR), model risk, behavioural risk, compliance risk, information and communication technology (ICT) availability and continuity risk, ICT security risk, ICT development risk, ICT data integrity risk, ICT outsourcing risk, ICT maintainability risk and ICT compliance risk
- Liquidity risk: Liquidity risk in the strict sense, refinancing risk
- Business and strategic risk
- Reputational risk

Based on the results of the risk inventory, the process for ensuring adequate capitalisation at Group level ensures that the Consolidated Group's material risks, including possible risk concentrations, are always covered by existing risk capital, thereby ensuring risk-bearing capacity.

This risk measurement is combined for all material risks as part of the risk-bearing capacity calculation. In this context, the material risks are quantified using specific risk models. If quantification is not or not reasonably possible, expert estimates are used. This risk measurement is combined for all material risks as part of the risk-bearing capacity calculation. Limits are set for these risks in order to derive appropriate risk management measures.

At the beginning of 2023, the GRENKE Group adapted the internal capital adequacy assessment process (ICAAP) to the new management perspective in accordance with the Bundesbank's risk-bearing capacity guidelines dated May 24, 2018. The going-concern approach was thereby replaced by a risk-bearing capacity calculation in what is referred to as the "normative" and "economic" perspectives. Further details can be found in Chapter 5.3 "Risk-bearing capacity".

GRENKE Group's ICAAP also includes the quarterly calculation of stress test calculations for the material risks. The stress test calculations assume extraordinary but plausibly possible events. The central task of stress testing is to critically reflect on the results and identify any need for the Company to take action. In the 2023 reporting year, the GRENKE Group revised its stress test concept and, in this process, also assessed its ESG (Environmental, Social, Governance) risks in the form of specific scenario analyses.

The process for ensuring adequate liquidity at all times is intended to ensure that the GRENKE Group has adequate liquidity buffers and refinancing positions within a defined survival horizon to ensure its liquidity capacity. As part of this process, the extent to which the liquidity position is adequate in a plan scenario and stress situations is determined on a quarterly basis.

Appropriate risk reporting is a key component of the risk management process. Reporting includes a quarterly risk report prepared by the Corporate Risk Management department that fully presents and analyses the current risk situation at the Consolidated Group level.

Ad hoc risk reports are also prepared for specific risk situations. In the 2023 reporting year, 15 ad hoc risk reports were submitted (previous year: 13). Of these, 12 were classified as material and 3 as immaterial. We consider this increase as a positive sign that our internal awareness-raising measures regarding the perception and detection of risks in business operations are having an impact and creating transparency.

5.1.2 Structure and functions

The Board of Directors as a whole is responsible for the appropriateness and effectiveness of the Consolidated Group's risk management. In addition to the risk strategy, the content of which the Board of Directors discusses with the Supervisory Board, the full Board of Directors decides on any changes to the methodology or results related to the relevant risk management processes. The Chief Risk Officer (CRO) is responsible for the risk control function in accordance with MaRisk.

Corporate Risk Management includes traditional risk controlling, regulatory reporting, the unit for developing and maintaining quantitative risk models and the independent validation unit, which continually reviews the appropriateness of the internal risk models.

The Risk Task Force (AK Risk) is also part of the risk management system. Among others, AK Risk discusses the results of the risk inventory and any necessary ad hoc risk reports and addresses other regulatory and legal new developments in relation to risk management.

In accordance with MaRisk, we have a compliance function and have implemented the positions of Money Laundering Officer, Chief Information Security Officer, Outsourcing Officer and Data Protection Officer.

The fundamental task of the compliance function is to work towards the implementation of effective procedures to ensure compliance with the legal regulations and requirements that are material to the Consolidated Group. To this end, it identifies and analyses potential compliance risks, monitors legal standards and carries out appropriate controls.

To ensure compliance with the GRENKE Code of Conduct, which forms the ethical framework for the Consolidated Group's actions, the compliance function operates the Group-wide whistleblower system, designs and develops training and awareness-raising measures on compliance issues and contributes to the creation of regulations regarding the Group-wide management of compliance risks. The function is also responsible for the corresponding regulations on individual core compliance topics, such as dealing with potential conflicts of interest.

Our Money Laundering Officer is responsible for the compliance with money laundering regulations. This includes compliance with due diligence obligations in accordance with the Money Laundering Act. Based on guidelines in accordance with legal and regulatory requirements, a current risk analysis of the Consolidated Group and the use of monitoring and analysis tools, the Money Laundering Officer takes risk-based measures to prevent GRENKE from being exploited for money laundering, terrorist financing or other criminal offences, which also mitigates legal and reputational risks.

Our Chief Information Security Officer is responsible for all information security matters. By issuing guidelines and providing advice, the Chief Information Security Officer ensures that the defined measures and objectives relating to information security are transparent and their compliance is reviewed and monitored on a routine and ad hoc basis. The Chief Information Security Officer is also responsible for information risk management in coordination with Corporate Risk Management.

Our Outsourcing Officer manages and monitors compliance with legal and regulatory requirements concerning outsourcing. The GRENKE Group has implemented internal control procedures in accordance with regulatory requirements to manage and monitor the risks mentioned. These procedures are based on the structure and execution of corresponding processes.

Our Data Protection Officer, together with the Data Protection Organisation, works to ensure compliance with all relevant data protection regulations at GRENKE. The Data Protection Officer oversees whether the relevant processes are adhered to and if employees are adequately trained and sensitised to data protection issues. The Data Protection Officer also acts as an interface for cooperation with the data protection supervisory authorities.

All of the aforementioned risks are also assessed and evaluated by the Corporate Risk Management department and independently monitored, managed and communicated.

5.2 Implementation of regulatory requirements

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

The financial services institutions GRENKEFACTORING GmbH and Grenke Investitionen Verwaltungs KGaA are also subject to the KWG and supervision by BaFin and the Deutsche Bundesbank at the individual institution level. GRENKE AG utilises the waiver regulations for these Group companies in accordance with Section 2a (1) or (2) KWG in conjunction with Section 2a (5) KWG. The subordinate institutions have notified BaFin and the Bundesbank that certain regulatory provisions are applied at the group level instead of the individual institution level, as the necessary organisational precautions are fully met by the parent institution. GRENKE AG's application to BaFin to equate the regulatory scope of consolidation with the accounting scope of consolidation was already approved in 2009. As a result, all Group companies attributable to the GRENKE Group are included in the regulatory scope of consolidation.

Pursuant to Section 12 (1) of the Restructuring and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG), banks and securities institutions are obliged to prepare a restructuring plan. Under the conditions of Section 12 (2) SAG, this obligation applies to the superordinate company. The companies obligated to prepare a restructuring plan must submit the restructuring plan after being requested to do so by the supervisory authority. In the case of less significant institutions (LSIs) such as GRENKE AG, BaFin is this supervisory authority in accordance with Section 3 (2) SAG in conjunction with Section 1 (5) KWG. Restructuring planning is a preventive preparation of operational implementation plans for strategic planning for the purpose of preparing for a possible crisis.

The restructuring indicators must be selected in such a way that the business model and business strategy, risk profile, size and complexity of the Company are reflected. In accordance with Section 14 (1) sentence 2 of the Restructuring Plan Minimum Requirements Ordinance, the GRENKE Group must implement at least one indicator per observation dimension (capital, liquidity, profitability and asset quality) in the monitoring and provide it with an early warning and restructuring threshold. In particular, measures must be identified to ensure or restore the Company's own financial stability under its own responsibility.

5.3 Risk-bearing capacity

GRENKE's risk-bearing capacity concept includes two management perspectives. The normative perspective with the aim of ensuring the continuation of the institution and the economic perspective with the aim of protecting creditors.

From a normative perspective, risk-bearing capacity is given when continuous compliance with all regulatory key indicators is ensured in both the planning scenario based on the applicable business plan and in adverse scenarios. Ensuring risk-bearing capacity in the normative perspective includes the obligation to prepare a capital plan covering a period of at least three years, which must be updated or revised at least once a year. The risk coverage potential is made up of regulatory capital and other capital components. On the risk side, credit, market and operational risks are quantified using prescribed regulatory methods. Relevant control parameters are the Common Equity Tier 1 capital requirement, the SREP total capital requirement, the combined buffer requirement, the capital adequacy target ratio and other regulatory structural requirements such as the leverage ratio.

The normative perspective for the GRENKE Group is based on the applicable business plan in the base scenario and currently includes three adverse scenario calculations, one of which is a severe economic downturn. In the adverse scenarios, the GRENKE Group generally takes into account extraordinary but plausible developments that have an adequate degree of severity in terms of their impact on the regulatory capital ratios.

From an economic perspective, risk is quantified, and the risk coverage potential is determined from an economic perspective (present value) and based on internal models. This assessment follows a rolling basis over a period of one year with a confidence level of 99.9 percent[9]. The risk capital provided to cover potential risks in the economic perspective is determined by the Board of Directors as part of the limitation process in the form of risk limits for material risks. In addition, a quarterly calculation of stress tests for specific and cross-risk types for the material risks is conducted. The central task of the stress test programme is to critically reflect on the results and identify any need for the Company to take action. As part of the stress tests, extraordinary but plausible changes are quantified to enable an early assessment of the Consolidated Group's vulnerability to a potential risk situation.

9 This implies that the probability of over-indebtedness from a present value perspective is a maximum of 0.1 percent for the year.

As part of the risk-bearing capacity calculation, next to the classic stress tests, the Consolidated Group also carries out an inverse stress test once annually. Inverse stress tests are supplements to the traditional stress tests and analyse events that could jeopardise the institution's ability to survive.

5.4 Risk situation of the GRENKE Group in the 2023 reporting year

5.4.1 Normative perspective

In the normative perspective, risk-bearing capacity is given if all regulatory capital requirements are continuously met for at least three years as from the reporting date. The GRENKE Group's risk-bearing capacity in the normative perspective was ensured at all times in 2023.

The following table shows the composition of Tier 1 capital, total own funds and the relevant risk positions as of the reporting date.

EURk	Dec. 31, 2023	Dec. 31, 2022
Paid-in capital instruments	46'496	46'496
Premium on capital stock	298'019	298'019
Retained earnings	721'270	709'100
Other comprehensive income	10'877	17'312
Deductions from core capital	–94'297	–82'742
Transitional provisions pursuant to Section 478 CRR	-	-
Total Tier 1 capital pursuant to Section 26 CRR	982'365	988'185
Total additional core capital pursuant to Section 51 CRR	200'000	200'000
Total supplementary capital pursuant to Section 62 CRR		-
TOTAL EQUITY PURSUANT TO SECTION 25 FF CRR	**1'182'365**	**1'188'185**

Eurk	Dec. 31, 2023	Dec. 31, 2022
Equity requirements for credit risk with central governments and central banks	-	-
Equity requirements for credit risk with regional / local authorities	7'036	8'084
Equity requirements for credit risk with institutions / corporations with short-term rating	10'026	7'797
Equity requirements for credit risk with corporations	234'057	205'132
Equity requirements for credit risk from retail business	115'979	114'181
Equity requirements for credit risk from other positions	15'625	14'540
Equity requirements for credit risk from investments	232	-
Equity requirements for credit risk from positions associated with particularly high risks	-	-
Equity requirements for credit risk from non-performing positions	21'725	17'160
TOTAL EQUITY REQUIREMENTS FOR CREDIT RISK	**404'680**	**366'893**
TOTAL EQUITY REQUIREMENTS FOR MARKET RISK	**-**	**-**
TOTAL EQUITY REQUIREMENTS FOR OPERATIONAL RISK	**82'002**	**86'057**
TOTAL EQUITY REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENTS	**1'783**	**1'986**
TOTAL EQUITY REQUIREMENTS	**488'465**	**454'936**

5.4.2 Economic perspective

From an economic perspective, all components of the risk coverage potential and the material risks are analysed on a present value basis. In this context, we pursue an appropriately conservative approach in calculating economic risk in order to ensure that rare or extreme events are also adequately taken into account and hedged in the management (limitation).

The GRENKE Group's risk coverage potential from an economic perspective totalled EUR 1,969 million as of the reporting date. Of this amount, a total of EUR 1,204 million was allocated as risk capital as of December 31, 2023 in the form of limits to the material risk types.

As part of the risk-bearing capacity calculation, the GRENKE Group's total present value risk calculated using a model is approximately EUR 863 million as of December 31, 2023 at a confidence level of 99.9 percent[10]. The increase in overall risk was mainly due to an increase in credit risks and interest rate risks. The increase in credit risks was due to the increase in new business in the reporting year, as a result of which the Consolidated Group's receivables volume on December 31, 2023 increased year-on-year by 12 percent. The credit risk of approximately EUR 647

10 This implies that the probability of over-indebtedness from a present value perspective is a maximum of 0.1 percent for the year.

million resulted in a utilisation of the risk limit of 70 percent as of the reporting date (previous year: 66 percent). Credit risks represented 75 percent (previous year: 79 percent) of the overall risk, which means that credit risks continue to be the most important risk for the GRENKE Group.

The increase in market risks resulted from the interest rate risk. Particularly the sharp rise in interest rates over the past two years has had an impact on the level of interest rate risk. Market risks amounting to around EUR 102 million resulted in a limit utilisation of 68 percent as of the reporting date (previous year: 70 percent). The total share of market risks (interest rate and currency risks) equalled approx. 12 percent (previous year: 6 percent).

Operating risks amounting to approximately EUR 51.1 million resulted in a limit utilisation of 73 percent as of the reporting date (previous year: 72 percent). Operating risks accounted for around 6 percent of total risk (previous year: 7 percent).

There are also risk buffers for business and strategic risks, reputational risks, refinancing risks and model risks.

The buffer for model risks amounted to EUR 10 million as of the December 31, 2023 reporting date, the risk buffer for reputational risks amounted to EUR 30 million, and for business and strategic risks to EUR 22 million. The buffer for refinancing risks was EUR 11 million.

At the end of 2023, the overall limit utilisation in the risk-bearing capacity calculation was 72 percent (previous year[11]: 69 percent). The overall risk utilisation of permanently below 95 percent specified in the Consolidated Group's risk strategy valid as at the reporting date was therefore complied with. As in the previous year, there were no risks as of the December 31, 2023 reporting date whose occurrence would jeopardise the existence of the Consolidated Group or a significant Group company.

5.5 Credit risks

5.5.1 Risk definition and assessment

Credit risks consist primarily of potential losses that may result from the default or deterioration of the creditworthiness of borrowers or debtors. The main risk subtypes are the following:

- Credit default risk: As a risk subtype of traditional credit risk, default risk is the risk that a customer will be unable to repay receivables from loans utilised and payments due.
- Migration risk: Migration risk, as a risk subtype of traditional credit risk, reflects changes in value that arise due to a change in a borrower's credit rating (rating migration).

Based on the GRENKE Group's business strategy, credit risks result primarily from the leasing business. GRENKE's core business focuses on the financing of small and medium-sized enterprises (SMEs). However, the factoring business, the Bank's loan portfolio and demand deposits at third-party banks also contribute to the Group-wide credit risk.

11 The GRENKE Group used the going-concern approach for the last time as at December 31, 2022.

The on-balance sheet customer business (leasing and factoring) is particularly exposed to credit default and migration risks. Both risk subtypes are assessed as material as part of the risk inventory due to their potential impact on the financial position.

5.5.2 Risk measurement

The minimum capital requirements (Pillar I) for credit risks in accordance with CRR II are determined based on the Credit Risk Standardised Approach (CRSA). The unexpected loss as part of the risk-bearing capacity calculation is calculated using a hybrid credit portfolio model in the form of a value-at-risk. In addition to the mapping of deteriorations in creditworthiness via the IFRS 9 levels, the migration risk, which is also classified as material, is recognised as part of the risk provisioning, particularly as part of the stress scenarios in the sense of a historical increase in the risk parameters.

5.5.3 Risk management

Credit default risks are limited by setting limits within the scope of the risk-bearing capacity model. The Consolidated Group also uses scoring models to manage and assess credit default risks. This results in the probability of default and subsequently an expected value of the potential loss. Both customer-specific and contract-specific characteristics, as well as credit agency ratings, are taken into account.

At the time of the credit decision, a customer limit is set that corresponds either to a financing framework (factoring, direct business, dealer financing, counterparty business) or the requested financing amount (individual leasing contract). The customer limits granted represent upper limits.

The expected losses from credit default risks from the leasing, factoring and lending business are backed by a corresponding risk provision based on the IFRS 9 system. The expected loss from non-performing leasing and factoring receivables is also taken into account through specific lump-sum impairments.

5.5.4 Volume of receivables – GRENKE consolidated statement of financial position

As of December 31, 2023, the GRENKE Group's total volume of receivables amounted to EUR 6.6 billion (previous year: EUR 5.9 billion). At around EUR 5.7 billion (previous year: EUR 5.2 billion), the majority of the receivables volume was attributable to current and non-current lease receivables.

Volume of receivables – GRENKE statement of financial position

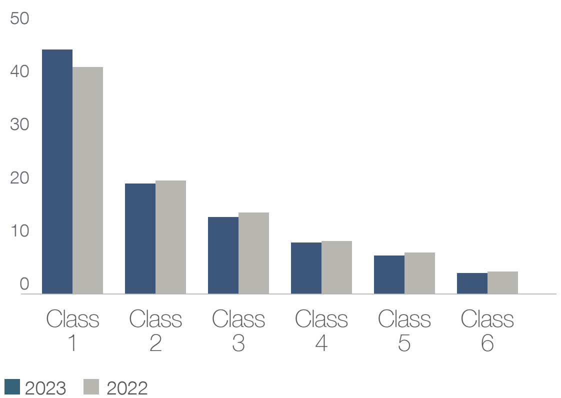
EURk	Dec. 31, 2023	Dec. 31, 2022
CURRENT RECEIVABLES		
Cash and cash equivalents	697'202	448'844
Lease receivables	2'076'719	1'985'059
Financial instruments with positive fair value	6'880	10'727
Other current financial assets	135'734	124'832
Trade receivables	7'214	6'531
TOTAL CURRENT RECEIVABLES	**2'923'749**	**2'575'993**
NON-CURRENT RECEIVABLES		
Lease receivables	3'623'135	3'258'885
Other non-current financial assets	79'501	84'865
Financial instruments with positive fair value	11'811	27'232
Investments accounted for using the equity method	2'906	0
TOTAL NON-CURRENT RECEIVABLES	**3'717'353**	**3'370'982**
TOTAL RECEIVABLES VOLUME	**6'641'102**	**5'946'975**

As of the December 31, 2023 reporting date, cash and cash equivalents included a Bundesbank deposit of EUR 484.7 million (previous year: EUR 326.6 million). With the exception of EUR 17k in cash on hand (previous year: EUR 37.6k), other cash and cash equivalents comprised credit balances at domestic and foreign banks. Financial instruments with a positive market value represented the Consolidated Group's derivatives recognised at fair value as of the reporting date.

The GRENKE Group assesses the creditworthiness of its customers by calculating expected values for payment defaults. Lessees are assigned score classes from 1 to 6 with regard to their creditworthiness. Score class 1 corresponds to the best possible rating and score class 6 to the worst possible rating. The score classes are determined on a country-specific basis. As of the December 31, 2023 reporting date, the average decision value for new business, calculated based on the number of leasing contracts concluded, was 2.24 (previous year: 2.34).

New leasing business according to risk class

as December 31, 2023



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

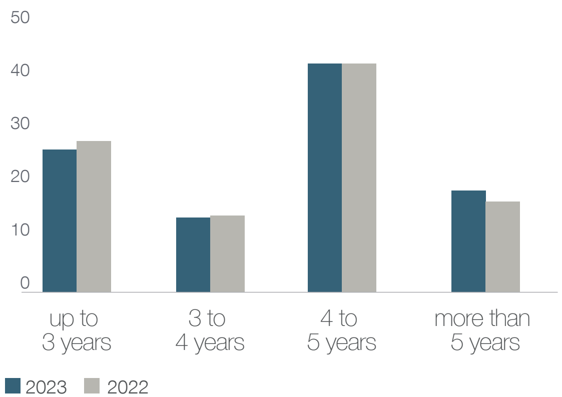
New business by volume class (based on net acquisition values)

Percent	Dec. 31, 2023	Dec. 31, 2022
EURk <2.5	4.95	5.24
EURk 2.5–5	13.48	13.39
EURk 5–12.5	21.03	22.08
EURk 12.5–25	18.75	19.50
EURk 25–50	16.16	16.16
EURk 50–100	12.96	11.88
EURk 100–250	9.24	8.90
EURk >250	3.43	2.85

As the receivables from the factoring business are of a short-term nature, the breakdown of the receivables from new business according to maturity is based exclusively on the Leasing and Banking segments. The average term of the new business contracted in the reporting year was 49 months (previous year: 48 months).

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

as December 31, 2023



5.5.5 Leasing business

As of December 31, 2023, lease receivables accounted for 86 percent of the GRENKE Group's total receivables volume (previous year: 88 percent). Consequently, the Consolidated Group considers the credit default risk of its lessees to be the most significant risk. With regard to country risks, there was a concentration on Germany, France, Italy, Spain, Switzerland and the United Kingdom at the end of the 2023 financial year, which together accounted for 72 percent of the total volume of receivables in the leasing business.

The credit default risk is assessed and managed on the basis of statistical models[12]. When initiating a contract, country-specific logistics regression models are usually applied. The models used by the Consolidated Group lead to an overall expected value for future credit losses, which is recognised as risk costs in the calculation of the contribution margin. Decision-making authority when it comes to the conclusion of contracts is built gradually from sales employees to the Board of Directors in the form of authorisations and serves as a further instrument to limit risk.

Throughout the Consolidated Group, the aim is to achieve the broadest possible portfolio diversification when concluding lease contracts based on the following:

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

The strategic focus of the business model on small-ticket leasing means that concentrations of risk are largely avoided. This is reflected by the mean acquisition value per lease in 2023 of EUR 8,849 (previous year: EUR 8,557). No individual lessees' total exposure exceeded 1 percent of the Consolidated Group's equity. At the end of the 2023 financial year, there were 60 borrowers in the Leasing segment whose exposure exceeded the limit of EUR 1.5 million. In total, they accounted for less than 3.2 percent of the total exposure from leasing contracts. The Consolidated Group also monitors its dependency on individual resellers and agents with regard to possible concentrations of risk. At the end of the 2023 financial year, the GRENKE Group's largest reseller(s) accounted for only 1.42 percent of the total volume of new business. The 20 largest resellers accounted for a total of 7.20 percent of new leasing business in 2023 (previous year: 5.45 percent).

The majority of finance leases concluded provide for full economic cost recovery. This means that payments made by the lessee during the basic lease period, including the guaranteed residual values, exceed the acquisition and contract costs. Accordingly, there are no material residual value risks in the GRENKE Group's leasing business model.

The expected losses for the GRENKE Group's new business portfolio in 2023 averaged 5.1 percent (previous year: 5.0 percent) of the acquisition costs of the leased objects over the entire contract term of 49 months on average (previous year: 48 months).

To determine the risk provision for lease receivables in accordance with IFRS 9, they are grouped into three levels depending on their respective credit risk. Impairment losses for leases in Level 1 correspond to the expected loss for a twelve-month period. For lease receivables in Level 2, a risk provision is recognised in the amount of the expected loss for the entire remain-

12 Country-specific models can be used if there is a contract portfolio with a sufficiently large number of contracts that also has a sufficiently high degree of maturity for the statistical assessment.

ing term of the contract. For lease receivables in Level 3, the expected loss is recognised as a risk provision. Additions to risk provisions at Consolidated Group level for the leasing business totalled EUR 86.9 million in the current year.

5.5.6 Lending business

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

In cooperation with Mikrokreditfonds Deutschland and selected microfinance institutions, GRENKE BANK AG has been granting microloans of up to EUR 25k to SMEs since 2015. Processing and refinancing are carried out on behalf of the Federal Republic of Germany. The credit default risk is borne entirely by the Mikrokreditfonds Deutschland. GRENKE BANK AG's receivables volume from the microloan business amounted to EUR 96.9 million at the end of 2023 (previous year: EUR 94.4 million). As a financing partner for SMEs, GRENKE BANK AG also offered loans on its own account to SMEs until 2020. At the end of 2020, GRENKE BANK AG made the strategic decision to largely discontinue the SME lending business and focus its lending activities primarily on the microloan business. GRENKE BANK AG's remaining receivables volume from the SME lending business amounted to EUR 8.1 million at the end of 2023 (previous year: EUR 19.0 million). GRENKE BANK AG's lending business also has a focus on the small-ticket segment, with the average receivables volume at customer level at EUR 7k as of December 31, 2023 (previous year: EUR 7k).

The expected credit loss model is applied to determine loan loss provisions for receivables from GRENKE BANK AG's lending business. In 2023, GRENKE BANK was able to reverse EUR 5.8 million in risk provisions for the lending business. The decrease compared to the previous year was mainly due to the reversal of additional risk provisions recognised in the previous year due to uncertainties related to company loans and a lower level of receivables as a result of a portfolio sale.

5.5.7 Factoring business

The GRENKE Group's factoring business also focuses on the small-ticket segment. In addition to its own subsidiaries in Germany, Switzerland, the United Kingdom, Ireland, Poland and Hungary, GRENKE Bank branches in Italy and Portugal provide factoring services. For the most part, the Consolidated Group's factoring companies process factoring contracts with domestic customers. They mainly offer "notification factoring", in which the invoice recipients (debtors) are notified of the assignment of existing receivables. Under certain conditions, contracts are also offered in the form of non-notification factoring, in which the debtor is not notified of the assignment of the existing receivable to the factoring company. The range of services also includes recourse factoring, where the del credere risk remains with the factoring customer. As of December 31, 2023, the portfolio of factoring receivables for all companies amounted to EUR 106.7 million (previous year: EUR 95.1 million).

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

As of December 31, 2023, there were 14 customers in the Consolidated Group's factoring business with receivables of more than EUR 1.0 million, accounting for 11.02 percent of total factoring receivables.

Impairment losses are recognised for expected losses from factoring receivables based on 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. As of the December 31, 2023 reporting date, impairments in the factoring business amounted to EUR 11.0 million (previous year: EUR 3.5 million). Additions to risk provisions at the Consolidated Group level for the factoring business totalled EUR 7.9 million in the 2023 financial year. This was largely attributable to the occurrence of fraud losses.

5.5.8 Investments

As of the reporting date, the Consolidated Group held a 13.7 percent stake in Munich-based Finanzchef24 GmbH via GRENKE BANK AG, which was included in the consolidated financial statements. In the reporting year, the Consolidated Group acquired a minority interest of 26.0 percent in Miete24 P4Y GmbH.

5.6 Market risks

5.6.1 Risk definition and assessment

Market risks are potential losses that may arise from uncertainty about the future development (level and volatility) of market risk factors. The following are the main subtypes of market risk:

- Foreign currency risk: Changes in the value of assets, liabilities or derivatives held in foreign currencies (non-euro currencies) due to fluctuations in exchange rates.
- Interest rate adjustment risk: Risks in connection with timing mismatches with regard to the maturity and revaluation of assets, liabilities and short and medium-term off-balance sheet items.
- Yield curve risk: Risk arising from changes in the slope and shape of the yield curve.

The interest rate risk for the GRENKE Group's business results primarily from the sensitivity of assets and financial liabilities to changes in market interest rates. The aim is to limit the sensitivity of profit in relation to the dependence on the volatility of market prices. Operational interest rate management and the hedging measures derived from this are carried out by the Treasury department with the involvement of Corporate Risk Management department.

In addition, the interest rate risk is quantified at least once a quarter by Corporate Risk Management as part of the risk-bearing capacity.

5.6.2 Risk measurement

The risks are quantified at the level of the interest rate and foreign currency risks (interest rate adjustment and yield curve risk as well as foreign currency risk) that are categorised as material in the risk inventory.

The risk measurement for interest rate risk is carried out using a historical simulation with a risk horizon of 12 months and a confidence level of 99.9 percent.

The value-at-risk (VaR) approach is used to calculate the risk of open currency positions.

5.6.3 Risk management

The risk strategy principle of not engaging in any significant maturity transformation minimises market risks overall. The risks are monitored and effectively managed operationally by Treasury under the supervision of the respective Board of Directors' member. Market risks (interest rate and currency risks) are managed as a whole based on the risk limits approved by the Board of Directors, among others, as part of the risk-bearing capacity. In addition, limits are set for foreign currency risk by identifying open positions with a fixed term and additionally hedging them in accordance with the internally defined hedging limits if they exceed EUR 500k per currency when translated at the daily exchange rate. OTC derivatives (currently interest rate, currency swaps and forward exchange transactions) are used as a risk management instrument as part of operational interest rate management. Derivatives are contracted in accordance with internally defined authorisation rules.

In general, open interest rate and currency positions should also only be entered into in connection with the operating business and within the limits required from an economic perspective.

5.6.4 Derivatives for hedging purposes

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

5.6.5 Interest rate risk

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

A sensitivity analysis is prepared to conduct risk assessments using a 100 basis point (1 percentage point) parallel shift in the interest rate curve. The analysis is based on ceteris paribus assumptions, in which the shift in the interest rate curve is considered independently of any compound effects on other interest rate-induced market developments. The analysis also assumes that all other influencing factors, especially exchange rates, remain constant. The actual effects on the consolidated income statement can deviate significantly from this due to the actual development. A 100 basis points (bp) change in interest rates in the 2023 reporting year would have increased or decreased the equity and net profit before income taxes for the year by EUR 1 million and EUR 3.3 million. As of the December 31, 2022 reporting date, this effect amounted to approximately EUR 2.7 million and EUR 3.6 million.

	Net profit before income taxes		Equity before income taxes	
EURK	+100 BP	–100 BP	+100 BP	–100 BP
DECEMBER 31, 2023				
Variable-rate instruments	–987	987		
Fair value measurement of interest rate swaps			3'262	–3'281
DECEMBER 31, 2022				
Variable-rate instruments	–2'747	2'747		
Fair value measurement of interest rate swaps			3'567	–3'593

The bond issues and interest rate swap contracts are components of the Consolidated Group's risk strategy implementation, in which liquidity procurement and interest rate hedging are carried out separately. This gives the GRENKE Group a high degree of flexibility when it comes to optimising refinancing. Any resulting risks (variable-interest payment flows) are hedged using suitable interest rate derivatives. As almost 100 percent effectiveness could be demonstrated for all designated hedging transactions, the changes in the market value of interest rate derivatives were recognised as hedging transactions in equity.

As part of the ABCP programmes with Helaba (Opusalpha Purchaser II), UniCredit Bank AG (Elektra) and one of the two ABCP programmes with DZ Bank (CORAL Purchasing (Ireland) 2 DAC), the GRENKE Group is responsible for interest rate hedging and thereby interest rate risk management. The ABCP transaction also serves as a variable-interest underlying transaction and the cash flows are hedged using interest rate swaps. Interest rate swaps are used to limit the interest rate risk in the three ABCP programmes with SEB AB (KEBNEKAISE FUNDING LIMITED) and one of the two ABCP programmes with DZ Bank (CORAL Purchasing (Ireland) 2 DAC) and the ABCP programme with Nord LB (Silver Birch Funding DAC). GRENKE AG is not a counterparty in the swap.

When contracting interest rate swaps, the parameters of the underlying transaction dictating the financing always take priority. For this reason, the interest rate terms of the swaps on the variable side are largely identical to those of the underlying transaction. In addition, the swap volume contracted is never greater than the volume of the hedged financing. Both existing and planned refinancing transactions are actively integrated into risk management, and the related hedging relationships are subject to periodic tests for effectiveness as part of an ongoing analysis using a method permitted under IFRS.

The open interest rate positions in accordance with our internal definition are assessed monthly, and any need for action is derived on this basis. Hedging transactions approved by the Board of Directors are then carried out by the Treasury team.

The interest rate risk is quantified quarterly as part of the risk-bearing capacity calculation based on the historical simulation model. With a risk horizon of one year, the value-at-risk at a confidence level of 99.9 percent was EUR 100.8 million at the end of 2023 (previous year: EUR 46.1 million). In addition, all standard interest rate shock scenarios of EBA Guideline 2018/02 and BaFin Circular 06/2019 are calculated. In addition to the parallel interest rate shift of 200 basis points, these also include various twists in the yield curve. The result of the regulatory standard interest rate shock of +200 basis points is –4.28 percent, while the result of the regulatory standard interest rate shock of –200 basis points is +3.81 percent.

5.6.6 Currency risks

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

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

GRENKE BANK AG grants loans in local currency to the Consolidated Group companies in Turkey and Hungary. Here, all cash flows are hedged at fixed exchange rates via forward exchange contracts. The cash flows in Norwegian kroner from concluded lease contracts are also hedged based on internally defined hedging limits.

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

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

The currency risk is quantified quarterly as part of the risk-bearing capacity calculation based on a value-at-risk approach. In addition, various stress scenarios such as an ad hoc exchange rate shift of 25 percent are simulated. The VaR calculation resulted in a currency risk of EUR 1.3 million as of the December 31, 2023 reporting date (previous year: EUR 1.1 million). Due to the aforementioned strict volume limits for foreign currency holdings and a historical focus on euro countries, the foreign currency risk remained low in the reporting year, even during strong exchange rate fluctuations.

5.6.7 Foreign currency sensitivity analysis

The management has concluded that the Consolidated Group's primary material exchange rate risk exposure is related to the British pound (GBP), Australian dollar (AUD), Swiss franc (CHF), Swedish krona (SEK), Norwegian krone (NOK) and Danish krone (DKK). The selection of currencies was based on the potential impact derived from the analysis and the size of the lease receivables volume in the respective country.

From a Consolidated Group perspective, the table shows the sensitivity of a 10 percent appreciation or depreciation of the euro against the respective other currencies as of December 31, 2023 and during the reporting period and its impact on the net profit before income tax.

	2023		2022	
EURk	Appreciation	Depreciation	Appreciation	Depreciation
GBP	–542	534	–994	995
AUD	–311	161	–118	122
CHF	552	–552	108	–108
SEK	9	10	103	–70
NOK	–774	385	–132	–205
DKK	573	–535	294	–247

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.

5.7 Liquidity risks

5.7.1 Risk definition and assessment

Liquidity risks are potential losses that may arise if liquid funds are not available or are more expensive than expected to procure in order to fulfil payment obligations when they fall due. The following are the main subtypes of liquidity risk:

- Liquidity risk in the narrower sense: The risk that current and future payment obligations cannot be met in full or on time.
- Refinancing risk: The risk that refinancing is only available at the time required at more expensive conditions than expected.

Generally, liquidity risks arise from all positions entered into with external parties. The refinancing sources of the GRENKE Group consist primarily of ABCP programmes and the issue of bonds and promissory notes, the deposit business of GRENKE BANK AG, syndicated credit lines via a banking syndicate and the issue of subordinated bonds (hybrid capital).

5.7.2 Risk measurement

The purpose of the Internal Liquidity Adequacy Assessment Process (ILAAP) is to ensure that the GRENKE Group has adequate liquidity buffers and refinancing positions within a defined survival horizon to ensure its liquidity coverage capacity (LCC) as a going concern. The survival horizon is the period during which a company is able to fulfil future payment obligations without implementing additional control measures. The GRENKE Group has determined that its minimum survival horizon should be six months. The self-defined minimum survival horizon should be adhered to in all scenarios. The target survival horizon is defined as a period of at least nine months from the reference reporting date.

The refinancing risk is calculated as part of the Internal Capital Adequacy Assessment Process (ICAAP) based on an increase in refinancing costs when closing liquidity gaps.

5.7.3 Risk management

The aim is to achieve a congruence between the balance sheet assets and liabilities, primarily measured by duration, and, to the extent possible in this area, a broad diversification of refinancing sources. Cluster and concentration risks in refinancing are to be reduced to a level that makes economic sense. Accumulated maturities of refinancing instruments are to be decided by the Board of Directors based on internally defined limits.

As with market risks, liquidity risks are minimised overall based on the principle of avoiding any significant maturity transformation. Liquidity risks are managed operationally by the Treasury department, strategically by the Board of Directors and monitored by the Corporate Risk Controlling team. Monitoring is carried out using the monthly liquidity coverage ratio (LCR), the net stable funding ratio (NSFR), liquidity development report and survival horizons as part of liquidity risk reporting.

5.7.4 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 liquidity developments expected in the following weeks. The weekly liquidity overview gives the Consolidated Group's current liquidity status and focuses on cash flows from the leasing business. Wages and tax payments are also taken into account.

Reporting distinguishes between three liquidity levels:

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

EURk	Dec. 31, 2023	Dec. 31, 2022
Liquidity 1 (cash liquidity)	389'513	294'416
Liquidity 2 (up to 4 weeks)	394'240	349'176
Liquidity 3 (more than 4 weeks)	895'265	894'041

In addition, short-term liquidity is managed as part of the liquidity coverage ratio (LCR). The LCR aims to ensure short-term solvency at all times in a stress scenario of 30 calendar days. The LCR is calculated by dividing the liquidity buffer by the net outgoing payments (liquidity gaps). The minimum LCR ratio is 100 percent, i.e. the liquidity buffers from unencumbered, first-class and highly liquid assets (Bundesbank funds) must fully cover the net outgoing payments (liquidity gaps). In this respect, the LCR serves as a limit for the cumulative liquidity shortfall. As of December 31, 2023, the GRENKE Group's liquidity buffer amounted to EUR 476.6 million (previous year: EUR 320.8 million) and consisted exclusively of Level 1 assets, i.e. Bundesbank balances and cash on hand. As of the reporting date of December 31, 2023, the LCR was 265.62 percent (previous year: 220.57 percent). The minimum LCR ratio of 100 percent was complied with at all times in 2023.

The main sources of refinancing to secure short-term solvency are cash holdings, the syndicated revolving credit facility in EUR, CHF and GBP, revolving credit facilities in BRL, HUF and PLN, and overdraft facilities in BRL, EUR, GBP, and HUF. Some of these short-term refinancing lines are firmly committed and are only subject to minor market fluctuations with regard to the benchmark interest rates €STR, SONIA, SARON, BUBOR, EURIBOR or CDI. In addition, the refinancing agreements used do not provide for ordinary early termination rights. The term for overdraft facilities is indefinite, while the term for the syndicated revolving credit facility is three years and includes options to extend for up to two additional years. Contractually committed revolving credit facility agreements with various banks amounting to BRL 140 million, EUR 416.6 million, HUF 540 million and PLN 150 million are available to bridge short-term liquidity shortages as of December 31, 2023.

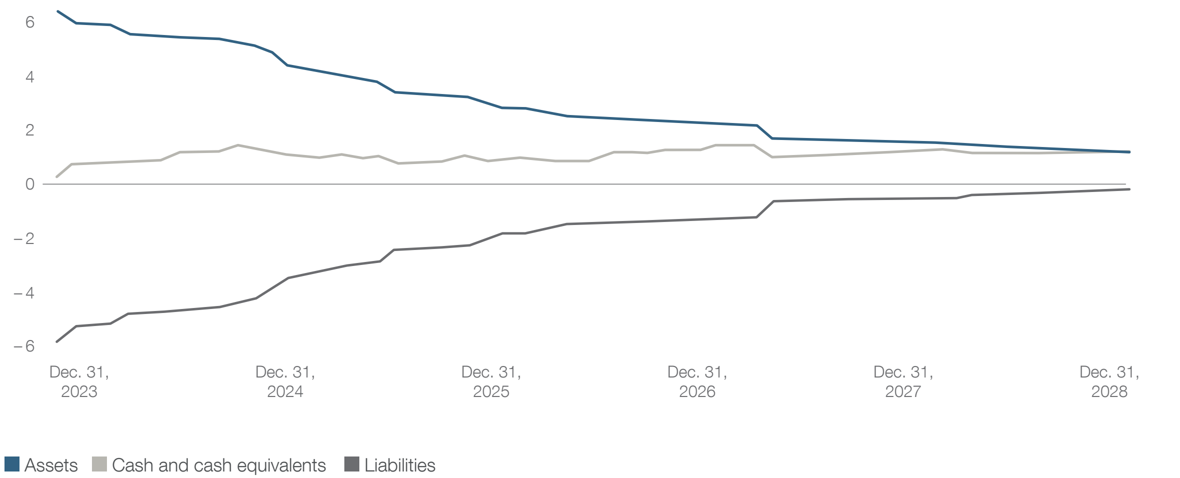
5.7.5 Medium and long-term liquidity

Monthly static liquidity planning is carried out in addition to short-term liquidity management and weekly reporting. The basic assumption of this planning is the liquidation of the existing leasing, lending and factoring portfolio in accordance with the contractual agreements so that the proceeds from the assets flow in due time. The liabilities are also repaid on time based on contractual agreements. As the duration of the liabilities side (liabilities) approximates that of the portfolio, financing largely matching maturities is ensured. For more information, please also refer to the overview of the expected outflows from contractual obligations in Chapter 2.7.3 "Liquidity".

See chart "Liquidity development"

Liquidity development

December 31, 2023 to December 31, 2028, in EUR billion



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

In the 2024 financial year, bonds and promissory notes in the amount of EUR 384.7 million and CHF 130.0 million are scheduled to mature. The refinancing of these promissory notes may be subject to refinancing risk at maturity. As a relevant measure for managing the maturities of new refinancing and the liquidity structure, the duration is calculated on a monthly basis for the assets and liabilities side. As of December 31, 2023, the duration for the assets side was 18 months (previous year: 18 months) and 21 months for the liabilities side (previous year: 18 months). Based on this data, the maturity transformation risk can be reduced through appropriate measures.

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

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

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

The net stable funding ratio (NSFR) became a regulatory requirement for the GRENKE Group in June 2021 and also applies to other subsidiaries within the Consolidated Group, subject to national regulatory requirements. With the introduction of this ratio as a mandatory minimum requirement, the GRENKE Group's NSFR ratio was 114.12 percent as of the December 31, 2023 reporting date and exceeded the regulatory minimum ratio of 100 percent.

In the 2023 financial year, three new bonds totalling a volume of EUR 610 million were issued via the subsidiary GRENKE FINANCE PLC as part of the debt issuance programme (DIP) and three existing bonds were increased by EUR 224.25 million. In addition, a promissory note in the amount of EUR 57.5 million was issued via GRENKE FINANCE PLC and two promissory notes totalling CHF 40 million were issued via GRENKELEASING AG, Switzerland. As of December 31, 2023, EUR 50 million of the existing CP platform had been utilised. The syndicated revolving credit facility of EUR 400 million was utilised in the amounts of EUR 150 million, GBP 36 million and CHF 10 million as of December 31, 2023. GRENKE BANK AG's deposit portfolio increased continually in 2023. In March 2023, S&P Global Ratings lowered GRENKE AG's long-term and short-term issuer rating from "BBB+/A-2" to "BBB/A-2". S&P changed the outlook for the long-term rating from "negative" to "stable". In November 2023, Fitch confirmed the rating of "BBB/F2". The outlook for the long-term rating is "stable".

5.8 Operational risks

5.8.1 Risk definition and assessment

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The definition of operational risks includes legal risks but not strategic or reputational risks. The main subtypes of operational risk are the following:

- Operational risk (here as a sub-risk type in accordance with CRR): The risk of losses caused by the inadequacy or failure of internal processes, people or systems or by external events.
- Model risk: Risk due to errors in the development, introduction or application of forecasting or valuation models used for decision-making (e.g. scoring models, IFRS 9 models, RTF models for quantifying risks).
- Behavioural risk: The existing or future risk of losses resulting from the inappropriate provision of financial services, including cases of intentional or negligent misconduct.
- Compliance risk: Compliance risks such as legal sanctions, financial losses or reputational damage arise when companies violate laws, industry-specific regulations, internal guidelines or prescribed best practices.

- ICT risks/cyber risks: Individual manifestations of information and communication technology (ICT) risk are also material: ICT availability and continuity risk, ICT security risk, ICT development risk, ICT data integrity risk, ICT outsourcing risk, ICT maintainability risk, ICT compliance risk.

Operational risks (in accordance with CRR) arise especially from external fraudulent acts and human error, physical hazards, inadequate internal regulations and internal fraudulent acts. The risk subtype is assessed as material in the risk inventory due to its potential impact on the results of operations.

Behavioural risks arise from the inappropriate provision of financial services in the areas of leasing, banking, factoring and issues relating to customers, products and business practices as well as internal fraud and human error. Model risks arise at GRENKE from errors in the development, introduction or application of scoring models, IFRS 9 models or RTF models for quantifying risks. Compliance risks arise, among other things, from inadequate internal regulations. These three risk subtypes are assessed as material as part of the risk inventory due to their potential impact on the net assets, results of operations and liquidity position.

ICT risks and cyber risks arise for GRENKE from cyberattacks and technical failures/errors as well as from human error and inadequate internal regulations. The risk subtypes of ICT risk are assessed as material as part of the risk inventory, particularly due to their potential impact on the results of operations.

For the ICT availability and continuity risk and the ICT security risk, customer accessibility is also a relevant factor for the classification as material.

5.8.2 Risk measurement

Routine risk quantification within the risk-bearing capacity calculation is currently carried out using the standardised approach in accordance with Basel IV. To determine the total capital ratio in accordance with CRR II at Group level, operational risk is calculated using the regulatory basic indicator approach. Individual characteristics of ICT risk are determined on a quarterly basis and recognised within the scope of risk reporting. While legal and compliance risks are already taken into account using the standardised approach under Basel IV, model risk is considered separately as part of the risk-bearing capacity calculation. Model risk is recognised in the form of a risk buffer derived from the risk inventory.

The GRENKE Group has implemented indicators (e.g. cost and organisational indicators) for the Group-wide monitoring of operational risks, which are reported to the governing bodies (the Board of Directors and Supervisory Board) on a quarterly basis as part of the early warning indicators.

All cases of fraud and other operational losses are collected in a loss database for both reporting and prevention purposes. The Board of Directors is informed on an ad hoc basis as well as through an annual general report about significant loss events within the Consolidated Group, their extent and causes, as well as the existing mitigation measures. Awareness-raising measures (e.g. mandatory training, newsletters) are carried out regularly. Where it is not possible to precisely determine individual loss amounts, the figures are based on estimates.

As of December 31, 2023, the risk totalled EUR 51.1 million (previous year: EUR 50.6 million). Operational risks are also analysed as part of the cross-risk-type stress test scenarios.

5.8.3 Risk management

In organisational terms, operational risks are managed centrally by the Board of Directors and discussed by the Risk Task Force (AK Risk). The risk inventory (carried out at least once annually) and ad hoc reports require risks, including operational risks, to be assessed by employees or designated risk officers or risk experts from all areas.

In addition to the annual risk inventory and the ongoing reporting of losses and risks, the annual OpRisk self-assessment also helps to identify operational risks.

The aim of the risk management process for operational risks is to mitigate the loss potential while maintaining business operations and, at the same time, optimise the use and protection of assets. If the discussions by AK Risk result in a need for action, the Board of Directors may take measures in accordance with the rules laid down in the GRENKE Group for binding resolutions. Additionally, the respective risk officers are responsible for defining and revising suitable mitigation measures for the risks assigned to them.

5.8.4 Business process and IT risk management

All of the GRENKE Group’s core business, management and support processes are aligned with the business strategy, standardised and digitalised. As part of the renewal of legacy systems, the systems are being updated in a customer-centred manner to simplify and accelerate them. This requires a technologically modern and highly flexible system architecture whose changes (change management) are systematically documented in terms of content and methodology and regularly reviewed. A high level of operational stability is achieved through the continuous modernisation of the infrastructure. This is based on a fully redundant data centre architecture. Additionally, GRENKE started to set up a suitable cloud infrastructure in 2023 and migrated components to it. IT risk management encompasses complete risk transparency across all functional areas of IT, i.e. organisation, processes, applications, and infrastructure operations, including IT security, projects and compliance.

Cyber risks and information and communication technology (ICT) risks are measured and managed based on information networks, drawing from GRENKE-specific business process clusters. These are supplemented with additional IT-specific information, including the applications and hardware components used. As a result, the measured ICT and cyber risks relate to the key business processes and provide a reliable statement on the quality of service support provided by the GRENKE Group’s ICT systems. The following risk subtypes were recorded in the risk inventory for ICT risks and cyber risks carried out in the reporting year: availability and continuity, security, further development, data integrity, outsourcing, maintainability, adaptability, compliance, performance, organisation and costs. Despite some existing latent risks, the overall performance of the GRENKE Group’s ICT systems is at an appropriate level. The key takeaways are being addressed in ongoing projects.

5.8.5 Operational continuity management

During the 2023 reporting period, the Business Continuity Management (BCM) department developed a guideline and a BCM manual. BCM also introduced standardised methodology so that the specialist departments can evaluate their processes and systems in more detail. This made it possible to include all countries, locations, buildings, processes and applications in the BCM tool.

From these findings of the business impact analysis, we were able to derive an evaluation of the critical processes and applications. Business continuity plans for the critical processes and countries were developed from these findings. The key elements of

BCM have been defined and the minimum regulatory requirements have been met.

In 2024, the objective is to further establish and embed business continuity management (continuous improvement).

5.9 Business and strategic risks

5.9.1 Risk definition and assessment

Business and strategic risks refer to the risk of unexpected earnings development not covered by other types of risk. This includes the risk that losses cannot be countered due to changes in key framework conditions (e.g. economic and product environment, legal changes in the context of sustainability, customer behaviour, competitive situation) and/or due to inappropriate strategic positioning. The GRENKE Group considers business and strategic risks to be material.

The GRENKE Group's business success depends to a large extent on the success of its sales activities within the intended sales channels. The risk of not achieving sales targets lies in the fact that sales performance may not materialise as expected due to external factors, meaning that the assumptions made in sales planning (new business assumptions) turned out to be contrary to expected developments.

The strategic orientation of GRENKE AG's business model is characterised in particular by its focus on the small-ticket leasing business and sales activities that are mainly limited to SME customers.

5.9.2 Risk measurement

This material risk is taken into account by means of a lump-sum buffer within the scope of the risk-bearing capacity that is derived from deviations from the plan.

5.9.3 Risk management

In a dynamic market environment, it is important to recognise changes at an early stage and to take timely measures to adapt to new market conditions and limit potential risks. GRENKE AG therefore monitors exogenous market influences and any resulting risks. Supporting this is an implemented control system for investments.

5.10 Reputational risks

5.10.1 Risk definition and assessment

Reputational risk is the existing or future risk to an institution's income, own funds, liquidity and share price as a result of damage to the institution's reputation. The Consolidated Group considers reputational risk to be material.

Reputational risk is of utmost importance. For GRENKE AG as a listed company, an impeccable reputation is particularly relevant with regard to its market position and refinancing opportunities, among others. For this reason, reputational risk is considered a material risk at GRENKE AG.

5.10.2 Risk measurement

Within the risk-bearing capacity calculation, reputational risks are taken into account by means of a lump-sum risk buffer derived from the risk inventory.

5.10.3 Risk management

Reputational risk is primarily managed using early warning indicators and the systematic monitoring of reputation indicators. Tools making it possible to monitor reputational risk have been increasingly used since 2019.

5.11 Other risks

5.11.1 Risk definition and assessment

In addition to the risks arising from changes in the legal, political and social environments, other risks include or consider the following risks: pension risk, insurance risk, property risk, investment risk, sovereign risk and tax risk.

The risk types and risk subtypes under the "Other risks" category are considered to be immaterial.

5.11.2 Risk measurement

The process for analysing the risks classified as immaterial in the risk inventory is supplemented by an overall analysis, taking into account all downstream companies, for risks that are individually immaterial. This includes a review of the materiality of the sum of all individually immaterial risks.

5.11.3 Risk management

In a dynamic market environment, it is important to recognise changes at an early stage and to take timely measures to adapt to new market conditions and limit potential risks. GRENKE AG therefore monitors exogenous market influences and any resulting risks. Through the establishment and continual further update of the risk inventory and set of early warning indicators, other risks within the Consolidated Group are identified, assessed and monitored according to a standardised model.

5.12 Sustainability risks

Financial institutions have a key role to play in achieving the climate goals and the necessary transformation of the economy through their transformation function, including in accordance with regulatory requirements. Financial institutions should include physical and transitory risks in their risk management and additionally consider the impact of ESG risks when granting loans.

In line with the ESG (Environmental, Social, Governance) criteria and the United Nations' Sustainability Development Goals (SDGs), GRENKE is aligning its ESG sustainability strategy along the dimensions of environmental, social and governance.

ESG is based on the UN's Sustainable Development Goals and encompasses the areas of Climate and Environment (Environmental), Social Contribution (Social), and Responsibility and Trust (Governance). As explained in BaFin's information sheet on handling sustainability risks, the GRENKE Group considers sustainability risks to be a sub-aspect of the known risk types. This means that sustainability risks are not defined as a separate risk type in the risk catalogue for the risk inventory. Sustainability risks have an impact on various risk types, and it is almost impossible make a clear distinction between them. GRENKE therefore sees sustainability risks as drivers that can materialise in the known risk types.

In addition to the current influence of the ESG areas, the future influence over different time frames is also taken into account.

We have considered sustainability risks qualitatively as part of the risk inventory by analysing the physical (e.g. extreme weather events) and transitory risks (e.g. change in customer preference in response to climate change or environmental pollution), as well as the areas of social contribution and responsibility and trust in terms of the extent to which they influence the existing risk types.

While transitory risks have a similar impact on the material risks, physical risks have a particular impact on operational risk. Based on this logic, the physical and transitory risks were analysed along the ESG dimensions for each risk type as part of the risk inventory.

The GRENKE Sustainability Index (GSI) was introduced in the third quarter of 2022. The GSI assesses each lease contract according to the three ESG areas at the time the contract is concluded. The focus is placed on all content in the contracts, thus reinforcing the concept of sustainability for both lessees and resellers. Specifically, object-, customer- and contract-specific aspects are taken into account. The index shows the GSI categories at contract level in grey (worst category), blue, blue-green, light green and green (best category).

Due to the long-term impact horizon of the GRENKE portfolio, consisting of leases with a tendency towards shorter contract terms, the impact of ESG risks on the GRENKE Group must always be assessed taking into account the business model in order to incorporate the impact appropriately into the assessment of risk materiality. Transitory risks only have a limited effect during the term of the contract. Physical risks are also minimised, as property insurance is always required for the lease objects. Furthermore, there is not yet sufficient data available to include ESG risks directly in risk modelling.

Therefore, ESG risks as of the December 31, 2023 reporting date are included as part of the stress tests and adverse scenarios in the economic as well as in the normative view of risk-bearing capacity.

5.13 Internal control system related to the Consolidated Group accounting process

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

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

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

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

The systems used for the group accounting process and the required IT infrastructure are regularly reviewed by the Internal Audit department with regard to the necessary security requirements. The same applies to the continuing development of the Consolidated Group’s accounting process, particularly with respect to new products, facts and revised legal regulations. External consultants are brought 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
- Preventive 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 predefined approval processes in relevant areas
- Measures that safeguard the orderly IT-based processing of accounting issues and data
- The establishment of an internal audit system to monitor accounting-related ICS

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

5.14 Consolidated Group-wide internal control system

In addition to the accounting-related control system, GRENKE has instruments, procedures and controls for all material processes to ensure their robustness, effectiveness and efficiency. The nature, scope and complexity of the material processes determine the nature and scope of the associated controls.

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

- Robustness, effectiveness and efficiency of business processes
- Compliance with the legal regulations applicable to GRENKE
- Identification of risk areas and points of weakness

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

The organisational control and monitoring elements to ensure an effective and efficient ICS are implemented at GRENKE as part of the "Three Lines of Defence" model:

- First line of defence: The process owners are responsible for designing and integrating the controls into the processes and for the controls' operational implementation.
- Second line of defence: Risk controlling, as a central function, ensures Group-wide transparency of the entire ICS and ensures its consistency.
- Third line of defence: The Internal Audit department.

The ICS implemented at GRENKE takes into account the regulatory and statutory requirements for financial services institutions for an appropriate and effective internal control system and, specifically, the Minimum Requirements for Risk Management (MaRisk) established by the German Federal Financial Supervisory Authority (BaFin), the Banking Supervision Requirements for IT (BAIT) and other relevant pronouncements by international supervisory authorities.

The effectiveness and appropriateness of risk management in general and the ICS in particular are reviewed and assessed by GRENKE's Internal Audit department in a risk-oriented and process-independent manner according to the requirements of MaRisk AT 4.4.3.

The specifications and requirements for the structure and scope of the ICS are developed at Consolidated Group level and transferred to individual companies where appropriate and possible. The principles for structural and procedural organisation, as well as the processes of GRENKE's Group-wide ICS, are developed on a continuous basis.

The responsibility for the ICS lies with the Board of Directors, in accordance with Section 91 AktG.

5.15 Own funds

As GRENKE AG is the parent company as defined by Section 10 a KWG, the GRENKE Group must regularly comply with the requirements of the Capital Requirements Regulation (CRR). In accordance with the requirements of Article 92 (1) of the CRR in conjunction with Section 10 a KWG, GRENKE AG calculates the Consolidated Group's total capital ratio on the basis of the IFRS financial statements.

In accordance with the CRR requirements, the GRENKE Group had eligible own funds of EUR 1,182.4 million as of the December 31, 2023 reporting date (previous year: EUR 1,188.2 million). The Consolidated Group's own funds (regulatory capital) consist of paid-in capital, the premium on capital stock, retained earnings from previous financial years, other accumulated income and eligible items of Additional Tier 1 capital. In addition, deductible items consisting primarily of intangible assets and goodwill are taken into account. As in the previous year, there was no Tier 2 capital.

The risk amount requiring underlying results from credit risk, operational risk and market risk. In the case of credit risk, which is determined on the basis of the Credit Risk Standard Approach (CRSA), the risk amount is calculated based on the risk weightings for the individual categories of receivables. The risk amount for operational risks is calculated according to the basic indicator approach on the basis of the gross income of the past three financial years. The market risk results from the open foreign currency positions.

As of the December 31, 2023 reporting date, the total capital ratio in accordance with Article 92 (2b) CRR was 19.36 percent (previous year: 20.89 percent). The requirements for the total capital ratio of 13.8 percent (previous year: 13.1 percent), which in addition to the 8 percent according to Article 92 CRR also includes the capital conservation buffer of 2.5 percent, the countercyclical capital buffer of 0.79 percent (previous year: 0.11 percent) and the SREP capital surcharge of 2.5 percent (previous year: 2.5 percent), were consistently met in the 2023 reporting year.

In addition to the risk-adjusted equity requirement, the CRR also requires the observation of a capital ratio that is largely based on balance sheet ratios and is therefore not risk-sensitive. As of the reporting date, the ratio pursuant to Article 429 CRR was 16.87 percent (previous year: 18.78 percent). The minimum ratio of 3.0 percent required by the supervisory authorities was thus met as of the reporting date.

5.16 Summary

For us, the controlled assumption of risks is part of our business model. A comprehensive risk management system for risk identification, quantification, control and management has been implemented and is being continuously refined.

For identified credit, market, liquidity, operational and other risks from the leasing, banking, factoring and investment business, write-offs, impairments and provisions were made using objective evidence. In the opinion of the Board of Directors, adequate precaution has been recognised for all identifiable risks. Based on the overall assessment of the risk situation, the Board of Directors concludes that the Consolidated Group's risk-bearing capacity consistently existed in the reporting year. Within the GRENKE Group, the total exposure of none of the lessees exceeds one percent of the Consolidated Group's equity. Based on the volume of business and the economic situation of the Consolidated Group, the Board of Directors considers the overall risk situation to be manageable.

The total capital ratio in accordance with Article 92 (2b) CRR was 19.36 percent as of December 31, 2023 (previous year: 20.89 percent). The minimum regulatory requirements for the total capital ratio of 13.8 percent (previous year: 13.1 percent), which includes the capital conservation buffer and the countercyclical capital buffer as well as the SREP capital surcharge in addition to the 8 percent in accordance with Article 92 CRR, were therefore met throughout the 2023 reporting year. The Consolidated Group's own funds (regulatory capital) totalled EUR 1,182.4 million at the end of the 2023 financial year and consisted exclusively of core capital.

With regard to the future development of the Consolidated Group and the Company, as well as its subsidiaries, no special risks associated with the business that go beyond the normal level can be identified.

6. Opportunities and outlook report

6.1 Opportunity report

TDespite macroeconomic uncertainties and recession worries in our core markets, GRENKE is looking forward to a successful 2023 financial year. New leasing business, Consolidated Group net profit, and the CM2 margin all met the forecasts. The loss rate of 1.0 percent (forecast: < 1.5 percent) and the equity ratio of 19.1 percent (forecast: >16 percent) were significantly better than forecast, while the cost-income ratio of 59.2 percent was above the expected target level of slightly over 55 percent.

This positive business development, as planned, was attributable, above all, to the resilience of our business model and our global presence, which allows us to adapt quickly and contract profitable new business even in challenging macroeconomic conditions. New leasing business in 2023 increased by 12.3 percent compared to the previous year. The 2023 reporting year was fraught with continued high inflation and numerous significant interest rate hikes by central banks. It was not until September 2023 that interest rates in the eurozone, the UK and the USA stabilised at comparatively high levels.

The solid growth in new business and the stable CM2 margin development were seen by the Board of Directors as a confirmation of the chosen growth strategy. The results pave the way for exceeding the record level of new business achieved in 2019, while maintaining a sustained growth trajectory. We plan to realise this potential using the following strategic approaches:

- Focus on small-ticket leasing: We are concentrating our attention on our core leasing business in order to support our customers with their investments.
- Gaining market share: We are aiming for market share of at least 10 percent in our markets. This is equivalent to a market potential of currently around 1.2 million potential customers in Europe alone.
- International growth: With the USA, Canada and Australia, we are operating in three future core markets that promise above-average growth potential in the long term due to their size and market structure.
- Direct customer business: With over 600,000 SMEs, we have a broad customer base that is already aware of the benefits of our financing offers. By approaching existing customers directly, we have great potential for follow-up business.
- Object diversification: We are flexibly expanding our portfolio of objects suitable for leasing in line with the needs of SMEs and thus opening up new potential customer groups.
- Megatrends: We benefit from megatrends such as the green economy, e-mobility, medical technology and robotics and enable SMEs to invest in future technologies with our financing offers.
- Expansion of the reseller network: With the introduction of new object categories, we are constantly expanding our reseller network.
- Digital excellence: We rely on the use of state-of-the-art digital technologies to make our business processes and service offerings fast, simple and cost-efficient.
- Sales channels: We use a variety of channels to acquire customers and are continually expanding our sales channels.
- Financing: We tap into our business potential through our broad financing approach. GRENKE BANK, the bond market and receivables-based financing instruments are available to us for this purpose.

We believe we are the leading provider of small-ticket leasing in Europe. We are growing in our core European markets primarily through market share gains. Opportunities arise in particular where competitors are withdrawing from markets in whole or in part, for example, due to the increased regulatory burden or a lack of cost efficiency in mass business. Location management is becoming increasingly efficient because we can cover a broad sales network even without direct branches thanks to digital presences and sales employees working from home.

At the end of 2023, the GRENKE Group was operating in a total of 33 countries. In addition to our core markets in Europe, we are also present in North and South America, Asia and Australia. In the 2023 reporting year, these countries accounted for approximately 5.9 percent of the GRENKE Group's new leasing business volume (previous year: 5.6 percent).

Particularly in our future core markets of the USA, Canada and Australia, we see above-average growth potential in the mass business niche of small-ticket leasing for SMEs.

As a financing partner for SMEs with over 45 years of experience, we have a deep understanding of our customers' changing needs. We use this experience to develop our range of services in a flexible manner and offer financing options for a growing portfolio of objects. We also focus specifically on megatrends, such as the green transformation of the economy or the increasing use of intelligent robotics. This gives us increasing growth potential, even in established markets.

We have long-term relationships with numerous SMEs and resellers that go beyond a single contract. Many SMEs are repeat contract partners, often servicing one branch or one country but increasingly in several countries at the same time.

In addition to the growth in new business and the entire contract portfolio, we have the potential to increase our efficiency using digital approaches and have set up our "Digital Excellence" programme for this purpose. The programme is designed as a three-year programme with the aim to increase efficiency. It was launched in the 2023 financial year with an investment volume of EUR 45 million to EUR 50 million for the programme's entire term.

The break-even point is to be reached for the first time in the 2025 financial year, meaning that the increase in efficiency in selling and administrative expenses will exceed the costs of IT investments planned for the 2025 financial year.

The strong growth in new leasing business in the 2022 and 2023 financial years and our continued growth ambitions give us a solid basis for future interest income that will exceed the trend in costs.

With these measures, we are pursuing the strategic goal of further expanding the GRENKE brand and our market position globally.

6.2 Report on forecasts and outlook

6.2.1 Expected development of the macroeconomic and sector environments

The macroeconomic environment at the beginning of 2024 remained challenging. The Russia-Ukraine war and the war in the Middle East represent uncertainties for world trade and the world economy. In the eurozone, economic growth has weakened as a result of last year's restrictive monetary policy by the ECB, which was driven by concerns over inflation. However, with inflation rates falling significantly, the ECB has signalled a possible easing of monetary policy.

The ECB is forecasting a fall in the overall inflation rate in the eurozone to an average of 2.7 percent in 2024, compared to an average of 5.4 percent in the previous year. With a forecast of 2.1 percent for inflation in 2025 and 1.9 percent in 2026, the ECB assumes that its target inflation rate of 2 percent will be achieved in the medium term. According to statements by the ECB, it can be assumed that the next interest rate move could be an easing of refinancing conditions, after an initial phase of steady key interest rates. At its meeting at the end of January 2024, the ECB left the main refinancing rate at 4.5 percent and the deposit rate, which has become a benchmark for the financial markets, at 4 percent.

The financial markets expect the ECB to keep key interest rates constant until May 2024 and then loosen its monetary policy. This expectation stems from an ECB survey of financial market participants in January 2024. In detail, survey participants expect the ECB to undertake an initial interest rate cut of -25 basis points in June, with rates expected to gradually decline by the end of the year.

In the United States, the US Federal Reserve (Fed) kept key interest rates constant at 5.25 to 5.5 percent at its meeting at the end of January 2024. The Fed communicated that it needed to be even more confident that the inflation rate would move towards the 2 percent target before it could consider lowering interest rates. The annual inflation rate in the US in January 2024 was 3.1 percent.

Despite persistent geopolitical tensions, the volatility on the stock markets had calmed by the start of 2024. The VIX volatility index stood at around 13 points at the start of 2024 (as of January 2, 2024: 13.2 points), down around 10 points year-on-year (as of January 3, 2023: 22.9 points).

In its global economic growth forecast published in January 2024, the International Monetary Fund (IMF) assumed global growth to remain unchanged year-on-year at 3.1 percent. The IMF stated that economic output would therefore be significantly below the average for the years 2000 to 2019. According to its analysis, restrictive monetary policies, cut-backs of government programmes, and weak productivity growth were the reasons for the historically lower growth.

Within the industrialised nations, the IMF estimates that the United States will see the highest growth in 2024 at 2.1 percent. For the eurozone, the IMF is forecasting significantly lower growth of 0.9 percent. It expects Spain to be above average at 1.5 percent, France at 1.0 percent, and Italy at 0.7 percent. Germany is expected to fall behind the other countries with a growth rate of 0.5 percent.

Looking ahead to 2025, the IMF is anticipating a shift in growth. While global growth is expected to remain largely unchanged at 3.2 percent, growth in the USA will be lower than in the previous year at 1.7 percent. The eurozone is expected to catch up with the USA again with growth of 1.7 percent. The German economy is also expected to recover with growth of 1.6 percent. In France, the IMF expects growth of a similar magnitude at 1.6 percent, while Italy is anticipated to fall slightly behind other countries, with growth of 1.1 percent. Spain is expected to see the strongest growth at 2.1 percent.

The forecasts presented by the IMF were based on declining prices for oil, gas and other raw materials. The IMF sees a risk to its growth forecasts from the Gaza conflict, which could escalate and expand into the neighbouring oil and gas exporting region. The conflict in the Red Sea could also have a negative impact on global trade. On the other side, the IMF expects positive effects if inflation falls faster than previously expected, giving central banks more room to cut interest rates. In addition, artificial intelligence technologies could increase productivity in the medium term.

The ifo business climate index for the leasing industry in Germany fell once again in January 2024 and at –2.8 points was negative again for the first time since October 2022. According to the German Federal Association of Leasing Companies (BDL), increased energy prices, comparatively high inflation rates, and the related higher interest rates pose obstacles for companies. According to the BDL, challenges such as shortages in skilled labour, strikes, high wage demands, increasing bureaucracy and an eroding infrastructure are exacerbating the situation for companies.

6.2.2 Business performance and future direction

In view of the large number of current and potential geopolitical conflicts, the outlook is subject to a high degree of uncertainty. The following statements on the GRENKE Group's future business development and on the assumptions regarding the development of the market and industry that are considered material for this purpose are therefore based on the estimates that the Board of Directors currently considers realistic according to the information available. However, these are subject to uncertainties and harbour the unavoidable risk that the forecast developments will not actually occur, either in terms of their trend or their extent.

In January 2024, the Board of Directors announced that it would focus on the leasing business with small and medium-sized enterprises in the future and decided to initiate the sale of all factoring companies. The Board of Directors does not expect the intended sale of the factoring companies to have any appreciable impact on the Company's KPIs.

In the future, GRENKE intends to fully focus its resources and investments on advancing digitalisation and growth in the leasing business. GRENKE BANK AG's banking business will continue to play a key role in this context, particularly in terms of securing refinancing via deposits.

6.2.2.1 Expected development of new leasing business

The Board of Directors expects new leasing business of between EUR 3.0 billion and EUR 3.2 billion for the 2024 financial year. This corresponds to expected growth of between 15 and 23 percent compared to the 2023 financial year.

In the medium term, the volume of new business is expected to grow at a double-digit rate of around 12 percent on average. This growth assumption is based on a return to the growth trajectory.

In the 2024 financial year, we are aiming for a slight increase in the CM2 margin compared to the previous year. The medium-term goal is to achieve a CM2 margin of around 17 percent. Next to the average ticket size, the decisive factors for the CM2 margin are primarily our refinancing costs and our conditions in newly concluded leases. In the 2024 financial year, the average value per lease contract is expected to remain below the EUR 10,000 mark. The focus on small tickets remains a key part of our strategy.

At the same time, we are continuing to expand our object portfolio, but we do not expect to see any significant shifts in the distribution across object categories in 2024. We want to remain flexible to respond to new customer needs in the future, including offering new object categories in lease financing, as we are currently doing in the context of the green transformation with products such as eBikes, wallboxes and solar systems. At the same time, our progressive digital transformation will also enable us to grow in our core areas of IT and office communication.

6.2.2.2 Development of the results of operations

Despite higher interest rates, the Board of Directors expects the operating income of the leasing portfolio – consisting of the sum of net interest income after settlement of claims and risk provision, profit from service business and profit from new business and gains and losses from disposals – to develop positively in the current 2024 financial year. This assessment is based on the continued strong momentum in the new leasing business as well as the consistent passing on of higher interest rates through contract conditions and continued risk-conscious pricing. We expect the good payment behaviour of our customers and the related stable level of expenses for risk provisions to continue, which will also have a positive effect. Higher staff costs will have an offsetting effect, as salaries have risen due to high inflation and we have plans to continue to add to our team in certain areas. In order to continue our successful international expansion strategy, we intend to invest EUR 15 million in each of the next two years in the digitalisation of our entire value chain in over 30 countries as planned. Particularly in the future core markets of Australia, Canada and the USA, the still young GRENKE subsidiaries will be equipped with state-of-the-art infrastructure from the outset in order to optimally utilise the disproportionately high growth potential. The basis of the digitalisation programme is the transformation to cloud technology, which at one-third of investments represents the programme's largest single measure. The remaining investment funds will be directed to the automation of all core processes in the leasing business.

The Board of Directors expects Consolidated Group net profit in the range of EUR 95 million to EUR 115 million for the 2024 financial year. The Board of Directors also expects an improved cost-income ratio for the 2024 financial year. Despite continuing to invest in the digitalisation programme as planned, we are aiming for a CIR of less than 58 percent in 2024. In the years that follow, the CIR is expected to reach a level below 55 percent thanks to efficiency gains and an increasing degree of digitalisation. In the long term, we are aiming for a cost-income ratio of 50 percent driven by the profitability of our new business, our sustainable growth and our digitalisation programme and strict cost discipline.

The expectation for the net profit range in the 2024 financial year is based on the assumption that the loss rate will remain below 1.5 percent. The solid payment behaviour of our customers in recent quarters, and the appropriate and conservative risk provisioning that has already been recognised are the key factors underlying our assumption.

The Board of Directors also intends to continue the long-term dividend policy and is targeting a payout ratio of 25 percent for the 2024 financial year.

6.2.2.3 Development of the financial position and net assets

As a result of the new business development, total lease receivables, which are the basis for interest income, are also expected to grow in the high single-digit percentage range in the current financial year. Total assets will increase accordingly.

As in previous years, for the 2024 financial year, GRENKE is anticipating an equity ratio of over 16 percent (2023: 19.8 percent) based on the expected development of Consolidated Group net profit.

The Board of Directors expects unchanged stable cash flow from operating activities, which can be used to fully finance the planned investments internally. The Board of Directors also assumes that the GRENKE Group's solid equity base and cash flow development will enable it to refinance the expected volume of new business in 2024 at risk-adequate conditions in parts through its access to various money and capital market instruments and in parts through the deposit business.

6.2.2.4 Non-financial performance indicators

At the beginning of the past financial year, our non-financial performance indicators along our sustainability strategy from the categories „Climate and Environment", „Social Contribution" and „Responsibility and Trust" continued to apply.

In the „Climate and environment" category, we look at the share of green economy objects in our new leasing business volume. In the 2023 financial year, this share was 7.7 percent, compared to 5.7 percent in the previous year. We expect this figure to increase slightly in the current financial year.

We have also set ourselves the goal of achieving CO_2 neutrality (Scope 1 and 2) by 2025. The following information on Scope 1 greenhouse gas emissions represents around 90 percent (2022: around 70 percent). In the past financial year, our greenhouse gas emissions, measured in tonnes of CO_2 equivalent (tCO_2e), were 3,840 tCO_2e for Scope 1 (2022: 4,492 tCO_2e) and 944 tCO_2e for Scope 2 (2022: 870 tCO_2e). The data for Scope 2 emissions was collected for 100 percent of our locations and areas used (2022: 70 percent). The emissions reported for Scope 3 currently cover around 60 percent (2022: 30 percent) of our locations and amount to 3,119 tCO_2e (2022: 6,186 tCO_2e).

Our aim is to increase the efficiency and resource-friendliness of our processes through a high degree of automation. We measure our progress based on the number of countries that have the eSignature and eInvoice solutions available and by the eContract ratio. The eContract ratio is calculated as the ratio of leasing contracts concluded with eSignature to the total number of new contracts in the respective financial year. In the 2023 financial year, the number of countries where the eSignature solution was available was 27 (2022: 27 countries), while eInvoice solutions were still available in 26 countries (2022: 26 countries). The eContract ratio was 40.1 percent in the 2023 financial year, compared to 40.5 percent in the previous year. In view of our Digital Excellence digitalisation programme, we expect the eContract ratio to increase further in the future and aim to conclude more than half of our contracts in the long term using this solution.

In the „Social Contribution" category, we look at the satisfaction of our employees, the staff turnover rate and the number of days per employee that were used for further training in the financial year.

To measure the satisfaction of our employees, we developed the GRENKE Engagement Score (GES) based on our annual employee survey. This is based on a scale from 1 (high satisfaction) to 7 (low satisfaction). In the past financial year, a score of 2.1 was achieved, compared to 2.0 in 2022. At 9.7 percent, the employee turnover rate in 2023 was below the previous year's figure (2022: 11.4 percent). At 3.7 days (2022: 2.9 days), the number of days spent on training per employee was above the previous year's level. We are aiming for largely stable development for all three key performance indicators.

In the „Responsibility and Trust" category, we use the „Overall Strategy Awareness Score" to measure awareness of our strategy among our employees along a scale of 1 (high awareness) to 7 (low awareness). In the reporting year, we achieved a score of 2.6, compared to 2.5 in 2022. Our goal is to achieve a score of 2.5 in the long term.

We also look at the proportion of top management whose variable remuneration contains sustainability components. The variable remuneration of all Board of Directors members is linked to sustainability targets. Sustainability components are also integrated into the variable remuneration of top management. The ratio is measured as the proportion of top management positions with a sustainability component in the variable remuneration compared to the total number of top management positions (i.e. the Board of Directors as well as the first and second management levels below the board). In the 2023 financial year, this resulted in a ratio of 100 percent for the Board of Directors and 1.8 percent for the Board of Directors and top management as a whole (2022: 1.6 percent). We will continue to pursue the integration of sustainability aspects into the variable remuneration of all top management.

In order to measure the success of our internal governance structures, we record the proportion of audits completed by the Internal Audit department in relation to the planned audits in accordance with the annual audit plan. In the past 2023 financial year, the figure was 81 percent, a significant increase on the previous year (2022: 58 percent). Our goal is to increase the completion rate of the total planned audits to 85 percent by 2024 and to 90 percent from 2025.

6.2.2.5 Overall statement on future development

The forecast for the 2024 financial year is based on the above expectations and assumptions regarding overall economic developments and the specific market and industry developments described above. Our forecast is also based on the assumption that geopolitical tensions will not increase further. The Board of Directors firmly believes that the GRENKE Group is well positioned to continue its profitable growth trajectory and further expand its position as one of the leading providers of financial services for SMEs with a focus on small-ticket financing.

The „Digital Excellence“ digitalisation programme, initiated in spring 2023, will make a significant contribution to achieving our goals. By implementing end-to-end digitalisation in our core leasing business, we are paving the way for further efficiency gains by automating all core processes in the leasing business in over 30 countries, processing leasing applications in seconds and making greater use of cloud technologies. Against this backdrop, the Board of Directors expects new leasing business of between EUR 3.0 billion and EUR 3.2 billion in 2024. With its stable equity base, the Consolidated Group has the necessary financial foundation to realise the targeted new business. At the same time, Consolidated Group net profit of EUR 95 million to EUR 115 million is expected to be achieved in the current 2024 financial year.

The digitalisation programme is anticipated to reach the break-even point as early as the 2025 financial year, meaning that the increase in efficiency in sales and administrative expenses will exceed the costs of IT investments for the first time. As a result, we are in an excellent position to realise our international growth ambitions beyond 2024 in both a profitable and scalable manner.

7. Acquisition-related disclosures

Explanatory report on the disclosures pursuant to Sections 289a and 315a HGB

Composition of subscribed capital

As of the December 31, 2023 reporting date, GRENKE AG had fully paid-in subscribed capital of EUR 46,495,573, divided into 46,495,573 no-par value registered shares ("shares") with a notional interest of EUR 1 each. All shares carry the same rights. Each share grants one vote. The rights and obligations of the shareholders arise from the provisions of the German Stock Corporation Act (AktG), particularly from Sections 12, 53a et seq., 118 et seq. and 186 AktG. GRENKE AG shares have been admitted for trading on the Frankfurt Stock Exchange in the segment of the regulated market with additional post-admission obligations defined by Deutsche Börse AG (Prime Standard segment).

Restrictions affecting voting rights and share transfers

Each share grants one vote at the Annual General Meeting and is decisive for the shareholders' participation in GRENKE AG's net profit.

In general, voting rights from the shares concerned are excluded by law in the cases of Section 136 AktG. No rights can be exercised from treasury shares either in accordance with Section 71 b AktG.

The Board of Directors is not aware of any restrictions agreed between shareholders that affect voting rights or share transfers, other than the vesting periods for shares acquired by members of the Board of Directors under the share-based payment scheme mentioned in the remuneration report. For more information, please refer to the remuneration report.

Furthermore, in connection with Article 19 (11) of Regulation (EU) No. 596/2014 (Market Abuse Regulation) and based on internal guidelines, certain trading prohibitions exist for members of the Board of Directors and the Supervisory Board of GRENKE AG when buying and selling GRENKE AG shares in (temporal) connection with the publication of an interim report or an annual financial report.

Direct or indirect shareholdings in the capital exceeding 10 percent of the voting rights

As of December 31, 2023, Grenke Beteiligung GmbH & Co. KG, which is domiciled in Baden-Baden (Germany), held 17,069,984 shares in the Company, corresponding to approx. 36.71 percent of the share capital. The general partner of Grenke Beteiligung GmbH & Co. KG is Grenke Vermögensverwaltung GmbH, which is domiciled in Baden-Baden (Germany), and its limited partners are the following members of the Grenke family: Anneliese Grenke, Moritz Grenke, Oliver Grenke, Roland Grenke and Wolfgang Grenke. Grenke Vermögensverwaltung GmbH has no interest in the assets or income of Grenke Beteiligung GmbH & Co. KG. Anneliese Grenke and Wolfgang Grenke are each managing directors of Grenke Vermögensverwaltung GmbH with sole power of representation.

Through a securities loan agreement dated December 29, 2023, Grenke Beteiligung GmbH & Co. KG transferred 1,920,000 no-par value shares to GRENKE-Stiftung Verwaltungs GmbH as the trustee for the dependent GRENKE Foundation, Baden-Baden, as part of a securities loan. According to the provisions of the securities loan agreement, Grenke Beteiligung GmbH & Co. KG has the right to retransfer 1,920,000 shares in GRENKE AG as of the expiry of the agreement on December 30, 2024. A total of 3,328,500 shares in GRENKE AG, corresponding to around 7.16 percent of the share capital, were therefore attributable to GRENKE-Stiftung Verwaltungs GmbH at the end of the 2023 financial year.

The Company is not aware of any other direct or indirect shareholdings in the capital that exceed 10 percent of the voting rights.

Shares with special rights conferring powers of control

Shares with special rights conferring powers of control have not been issued.

Type of voting rights control if employees have an interest in the capital and do not exercise their control rights directly

Employees who hold shares in GRENKE AG exercise their control rights like other shareholders in accordance with the statutory provisions and the Articles of Association.

Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Board of Directors and on amendments to the Articles of Association

GRENKE AG's Articles of Association do not contain any provisions for the appointment of members of the Board of Directors by the Supervisory Board that deviate from the statutory provisions. Accordingly, members of the Board of Directors are appointed for a maximum of five years. A repeat appointment is permissible.

The members of the Board of Directors are appointed and dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG), Sections 24 (1) and 25c of the German Banking Act (KWG), and Article 5 (2) of the Articles of Association. Pursuant to Article 5 (1) of the Articles of Association, the Board of Directors of GRENKE AG consists of at least two persons. The Supervisory Board determines the number of members of the Board of Directors. It decides on their appointment, the revocation of their appointment, and the conclusion, amendment, and termination of the employment contracts to be concluded with them. The Supervisory Board may appoint a chair of the Board of Directors and a deputy chair of the Board of Directors, as well as appoint deputy members of the Board of Directors. If a required member of the Board of Directors is missing without the Supervisory Board making a corresponding appointment, such member shall be appointed by court order in urgent cases in accordance with Section 85 AktG.

Pursuant to Section 179 (1) sentence 1 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. The resolutions of the Annual General Meeting shall be adopted by a simple majority of the votes cast unless otherwise required by law or the Articles of Association and, if the law prescribes a capital majority in addition to a voting majority, by a simple majority of the share capital represented (Section 133 AktG, Article 15 [1] of the Articles of Association). Pursuant to Article 11 (2) of the Articles of Association, the Supervisory Board is authorised to adopt amendments to the Articles of Association that only affect their wording.

Authorisation of the Board of Directors, particularly related to the possibility to issue or repurchase shares

By resolution of the Annual General Meeting on May 14, 2019, with the consent of the Supervisory Board, the Board of Directors is authorised to issue bearer and/or registered bonds with warrants and/or convertible bonds (collectively „bonds") with or without maturity restrictions for a total nominal amount of up to EUR 500,000,000 on one or more occasions until May 13, 2024 . The Company may grant or impose option rights or obligations on the holders or creditors (hereinafter also referred to as „holders") of bonds with warrants and conversion rights or obligations on the holders of convertible bonds for no-par value registered shares of GRENKE AG („GRENKE shares") with a notional interest in the share capital totalling up to EUR 4,500,000 in accordance with the terms and conditions of these bonds. The respective terms and conditions may also provide for mandatory conversions at the end of the term or at other times, including the obligation to exercise the option or conversion right. Bonds may also be issued against a contribution in kind.

The bonds may be issued in euros or in the legal currency of an OECD country, limited to the equivalent value in euros. The bonds may also be issued by a GRENKE AG group company, as defined by Section 18 AktG, in which GRENKE AG directly or indirectly holds 100 percent of the shares („subsidiary"). In this case, with the consent of the Supervisory Board, the Board of Directors is authorised to assume the guarantee for the bonds on behalf of GRENKE AG and to grant or impose option or conversion rights or obligations on the holders of the bonds for new no-par value registered shares of GRENKE AG.

With the consent of the Supervisory Board, the Board of Directors was also authorised to exclude shareholders' subscription rights to the bonds under certain conditions and within defined limits. Subscription rights may be excluded under these defined conditions, among others, when bonds are issued against contributions in kind, particularly in the context of business combinations and company acquisitions, as well as when bonds are issued against cash consideration at an issue price that is not significantly lower than the bond's theoretical market value.

To service the bonds issued under the above authorisation, the Annual General Meeting on May 14, 2019 also resolved to conditionally increase GRENKE AG's share capital by up to a nominal amount of EUR 4,500,000 by issuing up to 4,500,000 new no-par value registered shares (Conditional Capital 2019).

No use was made of the authorisation to issue bonds with warrants and/or convertible bonds in the reporting period.

By resolution of the Annual General Meeting of August 6, 2020, the Company was authorised until the end of August 5, 2025 to acquire treasury shares for any permissible purpose in the amount of up to 5 percent of the share capital existing at the time of the resolution of the Annual General Meeting or, if this amount is lower, of the share capital existing at the time of the exercise of the authorisation and to use them for all legally permissible purposes. Among other things, the shares may be used, with the consent of the Supervisory Board, in the context of business combinations and the acquisition of companies or sold to third parties for cash at a price that is not significantly lower than the stock exchange price at the time of the sale, excluding the shareholders' subscription rights. In this case, the total of the shares sold may not exceed 10 percent of the respective share capital of the Company.

The amount of the share capital at the time this authorisation becomes effective, or if the amount is lower, the amount of the share capital at the time this authorisation is exercised shall be decisive for the calculation of the 10 percent limit. If during the term of this authorisation until its utilisation, other authorisations to issue or sell shares of the Company or to issue rights that enable or oblige the subscription of shares of the Company are exercised, and the subscription right is excluded pursuant to or in accordance with Section 186 (3) sentence 4 AktG, this shall be included in the aforementioned 10 percent limit. The acquired shares may also be used to service issued convertible bonds and/or bonds with warrants or to implement a scrip dividend. The treasury shares may also be cancelled.

No use was made of the authorisation to acquire treasury shares in the reporting period. In a notification dated November 21, 2023, it was announced that the Board of Directors and Supervisory Board had decided to obtain permission from BaFin in accordance with Article 78 CRR to implement a share buyback programme pursuant to Article 78 CRR. The application was submitted in full during the reporting period. Following the reporting date, BaFin granted the approval, and the share buyback programme was launched on February 12, 2024. More information on the status of the share buyback programme after the reporting date can be found in Chapter 9.8, „Events after the reporting date“ in the notes to the consolidated financial statements.

Significant agreements of the Company subject to a change of control

Further disclosures in accordance with GAS 20 K211 (Conditions of a Change of Control in the Event of a Takeover Bid) are omitted, as the corresponding disclosures would be likely to cause a significant disadvantage to the Company.

Compensation agreements of the Company with the members of the Board of Directors or employees in the event of a takeover bid

In the event of a takeover bid, no compensation agreements exist with members of the Board of Directors or employees.

8. Corporate Governance Statement/ Report on Corporate Governance

The corporate governance statements to be submitted in accordance with Sections 289f and 315d of the German Commercial Code (HGB) are summarised for GRENKE AG and the GRENKE Group. The Board of Directors and Supervisory Board of GRENKE AG also report on the Company’s corporate governance in the Declaration of Conformity in accordance with Principle 23 of the German Corporate Governance Code (GCGC).

The Board of Directors and the Supervisory Board of GRENKE AG are committed to responsible, transparent management and control of the Company with a view to increasing the Company’s value on a sustainable and long-term basis. To this end, the Board of Directors and the Supervisory Board analyse and evaluate the Company’s role in society and the resulting social responsibility, as well as social and environmental factors, and include these and their potential effects as relevant parameters for the corporate strategy and the operating business and address them accordingly.

8.1 Declaration of Conformity in accordance with Section 161 AktG

DECLARATION OF CONFORMITY 2024 OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD WITH THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) IN ACCORDANCE WITH SECTION 161 AKTG

The Board of Directors and the Supervisory Board of GRENKE AG declare the following in accordance with Section 161 of the German Stock Corporation Act (AktG):

I. Declaration of Conformity with the German Corporate Governance Code as amended on April 28, 2022

Since issuing the last annual Declaration of Conformity in January 2023, GRENKE AG has complied with the applicable recommendations of the German Corporate Governance Code as amended on April 28, 2022 and published in the German Federal Gazette on June 27, 2022 (“GCGC 2022”), with the exception of the following justified deviations, which existed only until the end of February 28, 2023:

Recommendations G.10, G.11 sentence 2, G.12 and G.13 sentence 1 of the GCGC 2022 were not fully complied with up until the end of February 28, 2023 due to a Board of Directors contract (“old contract”) that was subject to grandfathering and terminated at the end of February 28, 2023.

Contrary to Recommendation G.10 sentence 1, although the granting of share-based remuneration was already a focal point of the variable remuneration in the old contract, it did not necessarily always predominate.

Under the old contract, and contrary to Recommendation G.10 sentence 2, the variable share-based remuneration components granted – although subject to multi-year payment blocking periods – were not subject to a four-year payment blocking period.

Recommendation G.11 sentence 2, stating that variable remuneration can be re-claimed in justified cases, was not complied with under the old contract.

Recommendation G.12 to adhere to the agreed holding periods when terminating a Board of Directors' contract was not fully complied with under the old contract with regard to share-based remuneration.

Contrary to Recommendation G.13 sentence 1, the old contract did not provide for a severance payment cap of two years' remuneration.

GRENKE AG has complied with all applicable recommendations of the GCGC 2022 since March 1, 2023 and will continue to do so in the future.

Baden-Baden, January 30, 2024

GRENKE AG

On behalf of the Board of Directors	On behalf of the Supervisory Board
Dr Sebastian Hirsch	WP/StB Jens Rönnberg

The declarations of conformity issued in the past five years are available on our website in the Investor Relations section at www.grenke.com/en/investor-relations/corporate-governance/.

8.2 Management and supervision

As a stock corporation under German law, GRENKE AG is subject to the German Stock Corporation Act. The Company has three corporate bodies: the Board of Directors, the Supervisory Board, and the Annual General Meeting. The Board of Directors manages the Company, while the Supervisory Board monitors and advises the Board of Directors. The respective duties and powers are essentially derived from the law and the Company's Articles of Association and the respective Rules of Procedure of the Board of Directors and Supervisory Board.

The Board of Directors and Supervisory Board of the Company work closely together for the benefit of the Company. The Board of Directors keeps the Supervisory Board regularly, promptly, and comprehensively informed of all issues relevant to GRENKE AG and the GRENKE Group regarding the implementation of corporate strategy, planning, business development, the financial and earnings situation, and particular business risks and opportunities. Significant decisions of the Board of Directors are subject to the approval of the Supervisory Board; the Rules of Procedure of the Board of Directors contain a corresponding catalogue of such transactions requiring approval.

8.2.1 The Board of Directors

Pursuant to Article 5 (1) of the Articles of Association, GRENKE AG's Board of Directors shall consist of at least two people. The precise number of persons is determined by the Supervisory Board. The Board of Directors is responsible for managing the Company in the Company's best interests and is committed to increasing the sustainable value of the Company. The Board of Directors is responsible for the operational management and implementation of the Company's strategic orientation as well as compliance with corporate policy. The Board of Directors also prepares the annual financial statements of GRENKE AG as well as the quarterly reports and the Consolidated Group's half-yearly financial report and annual financial statements and informs the Supervisory Board regularly and comprehensively about the Company as a whole through Board of Directors' reports and meeting documents.

The Board of Directors develops GRENKE AG's corporate strategy, which also includes the sustainability strategy. The strategy is implemented by the Board of Directors as part of an ongoing exchange with the Supervisory Board. The following are regular components of Supervisory Board meetings and individual discussions between the Board of Directors and the Chair of the Supervisory Board, who reports directly to the Supervisory Board on these exchanges: issues related to strategy, implementation, planning, business development, the risk situation, compliance, the results of operations and financial position, strategic and operational business risks and their management, data protection, information security and cyber security, as well as sustainability along the dimensions of environmental, social and governance (ESG).

The Supervisory Board issued Rules of Procedure for the Board of Directors that include a requirement for approval with regard to the separation of business into individual business areas and the cooperation guidelines within the Board of Directors and between the Supervisory Board and the Board of Directors. The individual business areas are assigned to members of the Board of Directors based on the member's competence profile. These assignments do not affect the principle of overall responsibility of the Board of Directors members.

In the reporting period, the Board of Directors consisted of the following members:

Dr Sebastian Hirsch (Interim CEO and CFO from December 1, 2022 to February 15, 2023; CEO and Interim CFO as of February 16, 2023), Gilles Christ (CSO) and Isabel Rösler (CRO).

On November 21, 2022, the GRENKE AG Supervisory Board temporarily revoked the appointment of the Chair of the Board of Directors, Michael Bücker, at his own request due to illness until the agreed reappointment on March 1, 2023. On February 16, 2023, GRENKE AG and Michael Bücker reached an agreement for Michael Bücker to leave the Company on February 28, 2023.

From November 21, 2022 to February 16, 2023, the Deputy Chair of the Board of Directors, Dr Sebastian Hirsch, assumed the role and responsibilities of the Chair of the Board of Directors (CEO) on an interim basis, in addition to his role as Chief Financial Officer (CFO). On February 16, 2023, Dr Sebastian Hirsch was appointed CEO by the Supervisory Board. He will additionally continue in the role of CFO on an interim basis until a new CFO is appointed. As a result of these changes, the schedule of responsibilities was amended as of March 1, 2023.

Schedule of responsibilities during the 2023 financial year

Dr Sebastian Hirsch Chief Financial Officer (Interim CEO and CFO)	**Gilles Christ** Chief Sales Officer (CSO)	**Isabel Rösler** Chief Risk Officer (CRO)
Strategy & Communication	Brand Management	Risk Management
Expansion & M + A	Sales GRENKE Solutions	Compliance
Controlling	Sales Management	Internal Audit
IT	Services	Corporate Credit
Treasury/Corporate Finance	Process Management	Administration
Accounting/Taxes	Legal	
Human Resources		
Property and Facility Management		

Further information on the curriculum vitae of the individual members of the Board of Directors of GRENKE AG is available on GRENKE AG's website at www.grenke.com/management/board-of-directors/.

Members of the Board of Directors are responsible for managing the business units assigned to them. The measures and transactions of business units that are of particular relevance and scope for the Company require the prior approval of the entire Board of Directors. The same applies to actions and transactions for which the Chair of the Board of Directors or another Board of Directors member requires the prior adoption of a resolution by the full Board of Directors.

The Chief Executive Officer (CEO) coordinates the work of the Board of Directors in addition to the areas of responsibility assigned to him.

An age limit for Board of Directors members has been set by the Supervisory Board, which stipulates that the members may not be more than 60 years old at the time of their appointment to the Board of Directors.

Members of the Board of Directors are liable for damages in the event of a culpable breach of their duties of care towards the Company.

Information on the remuneration system for Board of Directors' members, as well as the individual remuneration of Board of Directors members, is provided in the remuneration report, which can be downloaded from www.grenke.com/investor-relations/reports-and-presentations/.

The applicable remuneration system in accordance with Section 87a (1) and (2) sentence 1 of the AktG, the remuneration report for the 2023 financial year and the auditor's report in accordance with Section 162 of the AktG are also publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

8.2.2 The Supervisory Board

8.2.2.1 Composition and work practices of the Supervisory Board

Pursuant to Article 7 (1) of the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. All members of the Supervisory Board were elected by the Annual General Meeting.

In the reporting period, the Supervisory Board consisted of six members: Prof Dr Ernst-Moritz Lipp (Chair until May 16, 2023; retired on May 16, 2023), Jens Rönnberg WP/StB (Deputy Chair until May 16, 2023; Chair as of May 16, 2023), Dr Konstantin Mettenheimer (Deputy Chair as of May 16, 2023), Norbert Freisleben, Moritz Grenke (as of May 16, 2023), Nils Kröber and Dr Ljiljana Mitic.

All members of the Supervisory Board, with the exception of Moritz Grenke, are classified by the Supervisory Board as independent. In the case of Nils Kröber, the Chair of the Supervisory Board was notified by Mr Kröber of his ongoing consulting activities for Grenke Beteiligung GmbH & Co. KG and for members of the Grenke family. He informed the Supervisory Board of any resulting conflicts of interest from these activities. Moritz Grenke is not classified as independent due to his activities as a limited partner of the major shareholder Grenke Beteiligung GmbH & Co. KG. Despite being a member of the Supervisory Board of GRENKE AG since May 2003, the Chair of the Supervisory Board, Prof Dr Ernst-Moritz Lipp, who was active until his departure on May 16, 2023, was considered independent by the Supervisory Board because he fulfilled all other definition parameters regardless of his term of office. He was also considered to be independent due to his personality, his work experience and his financial independence. Prof Dr Ernst-Moritz Lipp gave no cause to doubt his ability to properly fulfil his duties on the Supervisory Board. There were also no indications that a significant and not merely temporary conflict of interest would arise from his long tenure on the Board. Until May 16, 2023, the Supervisory Board was of the opinion that the five independent shareholder representatives

– Prof Dr Ernst-Moritz Lipp, Dr Ljiljana Mitic, Jens Rönnberg WP/StB , Norbert Freisleben and Dr Konstantin Mettenheimer – constituted an appropriate number of independent shareholder representatives. Since May 16, 2023, the Supervisory Board also considers the four independent shareholder representatives – Dr Ljiljana Mitic, Jens Rönnberg WP/StB, Norbert Freisleben and Dr Konstantin Mettenheimer – to be an appropriate number of independent shareholder representatives.

Further information on the curriculum vitae, term of office, and other mandates of the respective members of GRENKE AG's Supervisory Board can be found on GRENKE AG's website at www.grenke.com/management/supervisory-board/.

Information on the remuneration of the members of the Supervisory Board and their individual remuneration is provided in the remuneration report (www.grenke.com/investor-relations/reports-and-presentations/). The remuneration report for the last financial year, the auditor's report in accordance with Section 162 AktG and the last remuneration resolution of the Annual General Meeting in accordance with Section 113 (3) AktG are publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

The central task of the Supervisory Board is to advise and monitor the Board of Directors in its management of the Company, in particular with regard to corporate strategy and fundamental corporate decisions. It monitors adherence to legal provisions, official regulations and internal Company guidelines (compliance). The Board of Directors involves the Supervisory Board in all decisions of fundamental importance to the Company. The Supervisory Board shall stipulate approval requirements for such transactions in the Rules of Procedure of the Board of Directors, unless these are already reflected in the Articles of Association. The Supervisory Board also votes on transactions with related parties regulated in Section 111a ff AktG, insofar as these require approval. The Supervisory Board is also responsible for appointing and dismissing the members of the Board of Directors and for reviewing the annual and consolidated financial statements, the combined management report of GRENKE AG and the GRENKE Group, and the proposal for the appropriation of unappropriated surplus. It also adopts the annual financial statements of GRENKE AG and approves the consolidated financial statements.

In the 2023 reporting year, the Board of Directors regularly provided the Supervisory Board with comprehensive information in ordinary and extraordinary meetings on the Consolidated Group's economic situation, strategic planning, and relevant current events. In addition, the respective Chair of the Supervisory Board maintained regular close contact with the CEO on day-to-day business and reported directly to the full Supervisory Board on these exchanges. Key elements of the briefings by the Board of Directors were the regular reports on new business, sales, digitalisation, including cybersecurity, cost development, information security, refinancing and the ongoing audit activities by the auditor BDO AG Wirtschaftsprüfungsgesellschaft (2023 annual financial statements).

Furthermore, the Supervisory Board was informed by the Board of Directors on sustainability issues along the dimensions of environmental, social, and governance (ESG). With regard to the prevailing macroeconomic environment, the development of the interest rate landscape and inflation, these topics and the associated challenges were also repeated points of discussion between the Board of Directors and the Supervisory Board. The Board of Directors liaised closely with the Supervisory Board regarding the Consolidated Group's strategic development and, together with the Supervisory Board, dealt with issues related to risk management, compliance, risk provisioning, the internal control system and internal auditing.

The Supervisory Board of GRENKE AG convenes at least once quarterly in ordinary meetings. Extraordinary meetings, as well as video and telephone conferences, and resolutions are passed outside of meetings are held as required. Independently of these meetings, the Supervisory Board receives routine reports from the Internal Audit, Compliance, and Risk Control departments.

Prof Dr Ernst-Moritz Lipp was Chair of the Supervisory Board until May 16, 2023. He was not the Chair of the Audit Committee at any time during the reporting period. Jens Rönnberg WP/StB has been the Chair of the Supervisory Board since May 16, 2023. Jens Rönnberg WP/StB resigned as Chair of the Audit Committee prior to being elected as Chair of the Supervisory Board.

The Chair of the Supervisory Board is in regular and impromptu contact with the individual members of the Board of Directors. In the role of Chair of the Supervisory Board, Prof Dr Ernst-Moritz Lipp until May 16, 2023 and Jens Rönnberg WP/StB since that date, coordinated the work of the Supervisory Board and represented its interests in public. This included holding discussions with investors on issues relevant to the Supervisory Board.

A detailed description of the activities of the Supervisory Board, including an overview of its members, as well as a list of their individual attendance at meetings, is provided in the Report of the Supervisory Board.

A competence profile was developed by the Supervisory Board for the entire Supervisory Board. In this profile, targets were set regarding the individual composition of the Supervisory Board.

In addition to a competence profile that matches the profile of the Supervisory Board as a whole, diversity is also an integral part of the concept. Proposals for new members of the Supervisory Board to the Annual General Meeting are always evaluated and selected in accordance with the objectives and competence requirements set out in Chapter 8.3 below.

Supported by the Nomination Committee, the Supervisory Board regularly, and at least once annually, conducts an assessment of the structure, size, and composition of the Supervisory Board and its committees and assesses the knowledge, skills and experience of the individual business managers, the members of the administrative and supervisory body, as well as the respective body as a whole. This self-assessment is based on a comprehensive, company-specific questionnaire, which was developed in cooperation with consulting firms and aligned annually to current circumstances in consultation with the Nomination Committee. The questionnaire covers various relevant topics related to the Supervisory Board's activities, including information sharing, committee work, quality of cooperation, work input and independence. The evaluations of the respective topics are submitted anonymously and in each case quantitatively, qualitatively, and according to time spent. After aggregating the entries, the results are then discussed in detail in the plenum, and suggestions for improvement are developed and recorded. The suggestions for improvement, together with the recommendations of the Nomination Committee, are then incorporated into the work of the Supervisory Board's committees.

During the reporting period, a competence and efficiency review of the Supervisory Board was carried out in the form of questionnaires to be completed digitally. The results of the survey were evaluated by the Nomination Committee in a meeting on May 8, 2023, and suggestions for improvement were developed. These results and suggestions for improvement were subsequently presented and discussed in detail with the full Supervisory Board in a meeting on May 15, 2023.

To assess the status of the competence profile's implementation, the Supervisory Board has drawn up a qualifications matrix based on a self-assessment carried out by the members.

		Jens Rönnberg	Norbert Freisleben	Nils Kröber	Dr Konstantin Mettenheimer	Dr Ljiljana Mitic	Moritz Grenke
Term of office	Member since	2019	2021	2021	2021	2015	2023
Personal suitability	Independence as defined by the Code	yes	yes	yes	yes	yes	
	No "overboarding" as defined by the Code	yes	yes	yes	yes	yes	yes
Diversity	Year of birth	1957	1970	1976	1955	1969	1985
	Gender	Male	Male	Male	Male	Female	Male
	Nationality	German-Chilean	German	German	German	German	German
International experience	Germany	●	●	●	●	●	●
	EMEA (Europe, Middle East)	●	●	○	●	●	○
	APAC (Asia, Australia)	○	●	○	○	●	○
	AMER (North and South America)	●	●	○	●	●	○
Professional aptitude	Leadership experience	●	●	●	●	●	◔
	Business segment/sector familiarity (leasing, factoring)	◕	◕	◕	◕	◕	◕
	Business segment/sector familiarity (banking)	●	◑	◕	◑	●	◕
	Risk management	◕	◕	◕	◕	◕	◕
	Compliance/corporate governance	◕	◕	◕	◕	◕	◕
	Capital market	◕	◕	◕	◕	◑	◑
	Strategy	◕	◕	◕	●	●	◕
	Sustainability/ESG/CSR	◑	◕	◕	◑	●	◑
	IT, technology and digitalisation	◔	◑	◕	◑	●	●
	Sales	◑	◑	◑	◑	●	◑
	Human resources	◕	◕	●	◕	●	◑
Financial expert	Domestic and international accounting	●	●	◕	◕	◑	◑
	Auditing of financial statements	●	●	◕	◕	◔	◑

The classification results from a self-assessment by the Supervisory Board and reflects the range between 'high' ● knowledge / expertise and 'none' ○ knowledge / expertise.

With its composition of proven experts in the fields of finance, accounting, corporate planning, corporate governance, controlling, accounting, risk management, auditing, compliance, environment, sustainability IT, law, and human resources, the Supervisory Board of GRENKE AG fully complies with the underlying competence profile and has the necessary knowledge, skills, and professional experience to properly perform its duties.

It has been agreed that the auditor will inform the Supervisory Board immediately of all relevant material findings and events that the auditor becomes aware of in the course of the audit. The auditor must also inform the Supervisory Board and record this in the audit report if facts are discovered during the audit that indicate that the Declaration of Conformity on the German Corporate Governance Code issued by the Board of Directors and Supervisory Board is incorrect.

The Supervisory Board has issued an age limit that states that Supervisory Board members may not be more than 70 years old at the time of their election.

Members of the Supervisory Board are liable for damages in the event of a culpable breach of their duties of care towards the Company.

The current Rules of Procedure of the Supervisory Board, which contain important information on the Supervisory Board and the Supervisory Board committees, are available on GRENKE AG's website at www.grenke.com/en/investor-relations/corporate-governance/.

8.2.2.2 Supervisory Board committees

In order to perform its duties efficiently, the Supervisory Board resolved, in accordance with the requirements of Section 25d (7) sentence 2 KWG, to establish a Nomination Committee, a Risk Committee and a Remuneration Control Committee in addition to the Audit Committee. Furthermore, on March 14, 2023, the Supervisory Board resolved to set up the Digitalisation Committee for the period starting April 1, 2023 and ending with the 2026 Annual General Meeting.

The tasks and powers assigned to these committees are listed in the Supervisory Board's Rules of Procedure. The committee chairpersons report on the work of the respective committees to the full Supervisory Board.

An overview of the committees, their members and chairpersons, a list of the attendance at each committee meeting, and details of the work of the committees formed in the 2023 financial year can be found in the Report of the Supervisory Board.

8.2.2.2.1 Audit Committee

The Audit Committee consists of three members. In accordance with Section 7 (4) of the Supervisory Board's Rules of Procedure, the tasks of the Audit Committee consist primarily of monitoring the accounting and the accounting process, the risk management system (especially the internal control system), the compliance management system, combatting corruption, and internal auditing. The Audit Committee is also tasked with monitoring the performance of the audit of the annual financial statements and specifically the independence of the auditor. The committee is also responsible for monitoring any additional services provided by the auditor and the quality of the auditor.

It is also the Audit Committee's responsibility to recommend the focal points of the auditor's audit to the Supervisory Board. In addition, the Audit Committee is tasked with receiving and evaluating the auditor's findings on the effectiveness of the internal control system, the risk management system and the efficiency of the internal audit.

Furthermore, the Audit Committee deals with any other findings of the auditor; the preparation of the audits and reports incumbent on the Supervisory Board pursuant to Sections 170, 171 AktG; the monitoring of the processing of the deficiencies identified and the discussion of the interim reports (quarterly and half-yearly reports) and statements.

In the 2023 financial year, the Audit Committee consisted of Jens Rönnberg WP/StB, Dr Konstantin Mettenheimer and Norbert Freisleben. Jens Rönnberg WP/StB was the committee's Chair until May 16, 2023, at which time Norbert Freisleben assumed the role as Chair. The committee thus fulfils all the requirements for the Audit Committee pursuant to Sections 107 (4) sentence 3 and 100 (5) AktG and Section 25d (9) KWG.

Jens Rönnberg WP/StB, who held the office of Chair of the Audit Committee until May 16, 2023, has demonstrable expertise in the fields of accounting and auditing from his longstanding work as an auditor and tax consultant for leading law firms and renowned international organisations. Norbert Freisleben, who has chaired the Audit Committee since May 16, has demonstrable expertise in the fields of accounting and auditing from his longstanding career in accounting and auditing at a renowned auditing company. The two aforementioned members also have expertise in sustainability reporting and auditing issues. Dr Konstantin Mettenheimer has the necessary experience, knowledge and skills from his work as a tax consultant, business economist, lawyer and member of other audit committees.

All members of the Audit Committee are independent of the GRENKE Group and have knowledge and experience in the application of internal control and risk management systems. The Audit Committee as a whole is familiar with the sector in which the GRENKE Group operates.

8.2.2.2.2 Nomination Committee

The Nomination Committee consists of three members.

Pursuant to Section 8 (4) of the Rules of Procedure of the Supervisory Board, the main tasks of the Nomination Committee include the strategic aspects of personnel planning, such as reviewing fundamental personnel planning, and the conclusion, amendment and termination of the employment contracts with the members of the Board of Directors and the general representatives. The Nomination Committee also identifies candidates for Board of Directors positions and assists in the preparation of election proposals for the election of members of the Supervisory Board, taking into account the required knowledge, skills, professional experience, and diversity principles.

The development of a target to promote the representation of the underrepresented gender on the Supervisory Board and a strategy to achieve it is also the responsibility of the committee. The committee also monitors the topic of occupational health and safety (OHS).

At least once a year, the Nomination Committee shall conduct an assessment of the structure, size, composition and performance of the Board of Directors and the Supervisory Board as well as the committees of the Supervisory Board and regularly, at least once annually, assess the knowledge, skills and experience of both the individual Board of Directors and Supervisory Board members and the respective body or committee as a whole. Reviewing the Board of Directors' policies for the selection and appointment of senior management is one of the core tasks of the Nomination Committee, as is the preparation of a diversity concept, management and talent management and succession planning.

From January 1 to May 16, 2023, the Nomination Committee consisted of Dr Ljiljana Mitic as Chair, Prof Dr Ernst-Moritz Lipp, and Jens Rönnberg WP/StB. Following the departure of Prof Dr Ernst-Moritz Lipp, Dr Konstantin Mettenheimer was elected to the committee. All members of the committee have sufficient knowledge, skills and experience, individually and collectively, regarding the business activities of the Company and the Group to be able to assess the composition of the Board of Directors and Supervisory Board and recommend candidates.

8.2.2.2.3 Risk Committee

The Risk Committee consists of three members. According to Section 9 (3) of the Rules of Procedure of the Supervisory Board, the tasks of the Risk Committee include mainly advising the Supervisory Board on the current and future overall risk appetite and overall risk strategy of the Company and supporting the Board of Directors in monitoring the implementation of this strategy by upper management level.

Likewise, monitoring to ensure the conditions in the customer business are in line with the business model and risk structure of the Company is also part of the Risk Committee's tasks. If it is found that this is not the case, the Risk Committee requests proposals from the Board of Directors on how the conditions in the customer business can be structured in accordance with the business model and the risk structure and monitors their implementation. The Risk Committee is also responsible for reviewing whether the incentives set by the remuneration system adequately take into account the risk, capital and liquidity structure of the Company. The topic of cybersecurity is also monitored by the Risk Committee as part of the broader corporate risk.

Until May 16, 2023, the Risk Committee consisted of Norbert Freisleben as Chair and Prof Dr Ernst-Moritz Lipp and Dr Konstantin Mettenheimer as members. Dr Konstantin Mettenheimer has chaired the committee since May 16, with Norbert Freisleben and Moritz Grenke as the other members. The committee as a whole has sufficient knowledge, skills and experience in risk management and control procedures. The Chair does not serve as the Chair of the full Supervisory Board nor of any other committee.

8.2.2.2.4 Remuneration Control Committee

The Remuneration Control Committee consists of three members. The committee's main tasks pursuant to Section 10 (3) of the Supervisory Board Rules of Procedure are to monitor the appropriate design of the remuneration systems for the members of the Board of Directors and employees, including employees who have a significant influence on the Company's overall risk profile and, above all, for the heads of the risk control and compliance functions. Other key tasks include supporting the Supervisory Board in monitoring the appropriate design of the employee remuneration systems.

The Remuneration Control Committee is to assess the impact of the remuneration systems on risk, capital and liquidity management, prepare Supervisory Board resolutions on the remuneration of members of the Board of Directors and, in doing so, pay particular attention to the impact of the resolutions on the Company's risks and risk management.

The committee takes into account the long-term interests of shareholders, investors, other stakeholders and the public. It also assists the Supervisory Board in monitoring the proper involvement of internal control and all other relevant areas in the design of the remuneration systems, target setting and achievement concerning the variable remuneration of the Board of Directors members. It advises on the composition of the remuneration policy and determines appropriate remuneration for the Board of Directors members that is geared towards sustainable corporate development.

In the 2023 financial year, the committee, comprised of Nils Kröber as Chair and Dr Ljiljana Mitic and Norbert Freisleben as members, and, in its entirety, has sufficient expertise in the areas of risk management and risk control (particularly with regard to remuneration systems). The Chair has expertise and professional experience and Dr Ljiljana Mitic has expertise in the areas of risk management and risk control, especially concerning the mechanisms for aligning remuneration systems with the overall risk appetite and risk strategy, as well as with the Company's equity base.

8.2.2.2.5 Digitalisation Committee

The Digitalisation Committee consists of three members. The committee was formed by a resolution of the Supervisory Board on March 14, for the period starting on April 1, 2023 until the end of the 2026 Annual General Meeting. In accordance with Section 11 (4) of the Supervisory Board's Rules of Procedure, the main tasks of the Digitalisation Committee are to support the Supervisory Board in monitoring the implementation of the IT and digitalisation strategy, the accompanying monitoring of IT projects and process initiatives, the planned IT architecture and structure in terms of technical performance, stability and scalability, and the investment budgets. The committee also supports the Supervisory Board in monitoring the project and performance control in the area of digitalisation at the IT, administrative, and staff cost level.

From April 1 to May 16, 2023, the Digitalisation Committee consisted of Dr Ljiljana Mitic as Chair, and Norbert Freisleben and Nils Kröber as members. As of May 16, 2023, the Digitalisation Committee has consisted of the Chair Dr Ljiljana Mitic, and Nils Kröber and Moritz Grenke as members.

8.2.3 Annual General Meeting

The Annual General Meeting passes resolutions for cases specified by law and in the Articles of Association. These include the election of shareholder representatives to the Supervisory Board, the election of the auditor, the discharge of the members of the Board of Directors and Supervisory Board, amendments to the Articles of Association, decisions on the appropriation of profits, and capital measures. At the request of the Board of Directors, the Annual General Meeting may also decide on management issues.

8.3 Targets for the representation of women, diversity concept and competence profile

Equal opportunity and diversity are integral components of the selection process for executives and employees of GRENKE AG.

The target percentage of women executives for the two management levels below the Board of Directors was set by the Board of Directors at a minimum of 30 percent for the 2023 financial year. This target was achieved at GRENKE AG in the reporting period.

The Board of Directors has also decided to maintain its target of a gender-specific ratio of 30 percent for each of the first two management levels below the Board of Directors for the 2024 financial year. The gender ratio for GRENKE AG's workforce as a whole was largely balanced in the 2023 financial year, with women accounting for around 50 percent.

For the 2023 financial year, the Supervisory Board set a target for the proportion of women of at least 25 percent for the Board of Directors and at least 33 percent for the Supervisory Board. These are minimum targets. The target for the Board of Directors was achieved in 2023.

Once each financial year, the Board of Directors reports to the Supervisory Board on the development of family-friendly measures (such as financial support, childcare support, flexible work models, part-time models, and remote workplace models) and the consideration of gender diversity when filling executive positions.

When composing the Board of Directors, GRENKE AG considers the following diversity aspects:

The decisive factor for the Supervisory Board when filling a Board of Directors position is always the Company's interest, taking into account all circumstances of the individual case. In the view of the Supervisory Board, personal suitability and professional qualifications, in particular, are key criteria when selecting members for the Board of Directors. This includes not only an appropriate consideration of women but also diversity with regard to cultural origin and various educational and professional backgrounds.

The Supervisory Board pays particular attention to the following principles when considering which personalities would best complement the Board of Directors:

The composition of the Board of Directors shall be balanced in terms of age structure so that the body's ability to act is guaranteed at all times.

The composition of the Board of Directors shall meet the requirements of the Second Management Position Act (FüPoG II).

With regard to their educational and professional backgrounds, the members of the Board of Directors must be able to fulfil the duties of proper management in accordance with the law, the Articles of Association, and the Rules of Procedure of GRENKE AG. In addition, they should have primarily the following backgrounds:

- Longstanding management experience in an international context
- Extensive experience in IT management (digitalisation)
- Comprehensive knowledge of the requirements and interrelationships of the capital market
- Sound knowledge of financial management and risk management
- Thorough knowledge of accounting according to IFRS and HGB
- In-depth knowledge of climate protection and sustainability

Based on these principles, the Supervisory Board fulfils the legal requirements by taking gender diversity into account in the selection of Board of Directors' members and implements the related aspiration to increase the proportion of women in management positions.

The Supervisory Board also fulfils all obligations under the law, the Articles of Association and the Rules of Procedure with regard to the consideration of different professional and educational backgrounds in order to ensure that the tasks and duties incumbent on this body can be properly fulfilled. In doing so, this also ensures that all changes in the business environment, which are fundamentally in an international context, as well as all effects of cultural, demographic and social change affecting the Company in its day-to-day business, are analysed and evaluated from a wide variety of perspectives. This corresponds to our understanding of stability and sustainability as well as innovation and dynamics for the further successful development of the Company.

A close, ongoing exchange between the Supervisory Board and Board of Directors regarding all important issues affecting the Company's fate and development ensures that the targets for the Board of Directors' composition are met.

As part of this exchange, the Supervisory Board regularly reviews whether or not the competencies of the respective Board of Directors members meet the requirements of their areas of responsibility. It also regularly checks whether the number of Board of Directors members and their responsibilities correspond to the requirements associated with the growth and complexity of the Company. The Supervisory Board is responsible for deciding on the composition of the Board of Directors and the schedule of responsibilities, as well as for ensuring succession planning.

The Supervisory Board, together with the Board of Directors and with the support of the Nomination Committee, ensures long-term succession planning for the Board of Directors. Long-term succession planning takes into account the requirements of the German Stock Corporation Act, the German Banking Act, the Corporate Governance Code and the Rules of Procedure of the Supervisory Board, as well as the criteria of the diversity concept developed by the Supervisory Board for the composition of the Board of Directors. Taking into account the specific qualification requirements and the aforementioned criteria, the Nomination Committee develops a target profile and, on the basis of this, draws up a shortlist of available candidates in the event of a specific succession decision. Structured interviews are conducted with these candidates. Subsequently, a recommendation is submitted to the Supervisory Board for resolution. If necessary, the Supervisory Board and the Nomination Committee are supported by external consultants in the development of requirement profiles. The position of Chief Representative serves as an opportunity for the Company to introduce internal candidates to the role of the Board of Directors.

The Supervisory Board of GRENKE AG shall be composed in such a way as to ensure qualified advice to and supervision of the Board of Directors at all times.

The following diversity aspects are taken into account in the composition of the Supervisory Board:

The composition of the Supervisory Board shall meet the requirements of the Second Management Position Act (FüPoG II).

In terms of their educational and professional backgrounds, the members of the Supervisory Board should be in a position to fulfil the legal obligations associated with this task and, at the same time, be able to devote the time necessary to carry out this activity. In addition to the requirement for a high quality of character in the sense of personal competence, the decisive factors, above all, are professional competence and business experience, as well as the Supervisory Board member's corresponding ability to exercise objective judgment. In addition to this, the competence profile of the members of the Supervisory Board of GRENKE AG is also based on the following backgrounds:

- Longstanding management experience in an international context
- Comprehensive knowledge of the requirements and interrelationships of the capital market
- Sound knowledge of financial management (financing and controlling)
- Thorough knowledge of accounting according to IRFS and HGB
- Extensive experience in IT management (digitalisation and transformation)
- Experience in strategy and sales management
- In-depth knowledge of climate protection and sustainability

The members of the Supervisory Board as a whole must be familiar with the sector in which the Company operates.

The objectives pursued with the diversity concept for the composition of the Supervisory Board are as follows:

In order to fulfil its role as a supervisory and control body, the Supervisory Board should be able to provide an accurate assessment of the current development and future direction of the Company. Accordingly, the aim is to compose the Supervisory Board in such a way as to ensure qualified control and advice at all times in accordance with the German Stock Corporation Act and the German Corporate Governance Code. In the 2023 financial year, the Supervisory Board's composition as a whole fully represented the knowledge and experience necessary. This made it possible for the Supervisory Board to deal with and evaluate the issues relevant to decision-making in a qualified manner. The Supervisory Board's composition also placed it in a position to make its decisions for effective supervision and control from an objective point of view.

The competence profile and diversity concept for the Supervisory Board are generally implemented as part of the election proposals to the Annual General Meeting, while the diversity concept for the Board of Directors is implemented through the appointment of Board of Directors' members by the Supervisory Board. The target for the proportion of women on the Supervisory Board was not met in 2023 but is expected to be met again in the future. The reason for it not being met was the decision to take candidates possessing a very specific skill profile.

Curricula vitae of all Supervisory Board and Board of Directors members have been published by the Company on its website and provide information on the relevant individual knowledge, skills and experience of the members. The curricula vitae are updated annually.

8.4 Remuneration of the Board of Directors and Supervisory Board

The respective remuneration and the underlying remuneration system for the Board of Directors and the Supervisory Board are described in the remuneration report, which can be downloaded at www.grenke.com/investor-relations/reports-and-presentations/.

The remuneration report for the last financial year and the auditor's report in accordance with Section 162 AktG, the applicable remuneration system in accordance with Section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution in accordance with Section 113 (3) AktG are publicly available on GRENKE AG's website at www.grenke.com/investor-relations/reports-and-presentations/.

8.5 Securities transactions subject to reporting requirements (Directors' dealings)

By law, persons who perform management duties at GRENKE AG and persons closely related to them are required to disclose any trading in GRENKE AG shares or related financial instruments if the value of the transaction reaches or exceeds the threshold of EUR 20,000 within one calendar year. In accordance with Article 19 (2) and (3) of the Market Abuse Regulation (MAR), GRENKE AG ensures the required notifications and disclosures are made and publishes them on the Company's website at www.grenke.com/investor-relations/corporate-governance/directors-dealings/.

8.6 Shareholdings of the Board of Directors and Supervisory Board

As of December 31, 2023, the shareholdings attributable to the members of the Board of Directors and the Supervisory Board of GRENKE AG amounted to 31,090 shares. This corresponds to around 0.1 percent of the shares outstanding. The shareholdings were distributed among the members of the Board of Directors and the Supervisory Board as follows:

Number of attributable shares as of December 31, 2023:

	Shareholdings as of Dec. 31, 2023
BOARD OF DIRECTORS	
Dr. Sebastian Hirsch	8'000
Gilles Christ	8'030
Isabel Rösler	1'300
SUPERVISORY BOARD	
Jens Rönnberg	0
Dr. Konstantin Mettenheimer	0
Moritz Grenke*	11'612
Norbert Freisleben	450
Nils Kröber	294
Dr Ljiljana Mitic	1'404

* In accordance with Art. 19 MAR, the shares held by his wife Xenia Grenke are attributed to the Supervisory Board member Moritz Grenke.

8.7 Transparency and shareholder information

Capital market-relevant announcements made by GRENKE AG are published in the German Federal Gazette (Bundesanzeiger). In addition, the Company uses a variety of other channels to fully inform the financial market and the public about its business developments and relevant events. In accordance with Article 18 (MAR), GRENKE AG maintains insider lists. The persons on these lists have been informed of their legal obligations and sanctions in the event of possible violations. The methods used by GRENKE AG to inform the capital market are described in detail in the "Share and Investor Relations" section of this annual report.

8.8 Responsible corporate governance

Responsible corporate governance covers the areas of compliance, money laundering prevention, corporate governance, data protection, information security, environment and climate, and social contribution. Due to the high importance of these topics, both for the confidence of customers and the capital market, which at the same time have far-reaching relevance for the success of the Company, a separate chapter in the Non-Financial Statement of the Annual Report is dedicated to this area and can be found in Chapter 4.

8.9 Controlling and risk management

The purpose of risk management at GRENKE AG is to enable the Board of Directors and all employees involved to consciously manage risks and take advantage of opportunities. As a financial services provider, GRENKE AG is subject to the Minimum Requirements for Risk Management (MaRisk) defined by the Deutsche Bundesbank and the German Federal Financial Supervisory Authority (BaFin), as well as the regulatory requirements for IT (BAIT). The topic of risk management and the respective responsibilities are dealt with in detail in the management report.

8.10 Accounting, auditing and financial reporting

In accordance with Sections 315 (5) and 298 (2) HGB, the management report of the GRENKE Group and the management report of GRENKE AG are combined in a single report. Any deviations are explained in detail in the management report of GRENKE AG.

The GRENKE Group's consolidated financial statements for the financial year of January 1 – December 31, 2023 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) as adopted by the European Union and, for the Company, in accordance with the German Commercial Code (HGB). GRENKE AG also observed and applied the provisions of Section 315a HGB.

After the review by the Supervisory Board, the adopted annual financial statements and the approved consolidated financial statements are generally published within four months of the end of the financial year. For the 2023 financial year, the Annual General Meeting on May 16, 2023 elected BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditor and Group auditor. BDO AG Wirtschaftsprüfungsgesllschaft will also perform the audit review of interim financial reports to the extent this needs to be carried out.

Further information on the subject matter and scope of the audit of the annual financial statements in accordance with Section 317 HGB and on the duties of the Audit Committee can be found in the Annual Report in the Report of the Supervisory Board.

9. Management Report of GRENKE AG

In the following management report, the development of GRENKE AG (the „Company") in the 2023 financial year is discussed in addition to the information reported on the GRENKE Group. The Company's financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). The Company's annual financial statements for the 2023 financial year, as well as the consolidated financial statements, will be published in the German Federal Gazette. The annual financial statements for the 2023 financial year will also be made available to download at www.grenke.com/investor-relations/reports-and-presentations. With regard to the general economic conditions and sector development, there were no deviating material developments that would have only affected the Company.

9.1 Corporate legal framework, group affiliation

GRENKE AG was created in 1997 under the former name GRENKELEASING AG. GRENKE Investitionen Verwaltungs Kommanditgesellschaft auf Aktien ("KGaA") was also formed in the same year. Both companies represent a structural business separation, with GRENKE AG serving as the operating company and the KGaA as the holding company. Using a two-level model, the operating company rents leased assets from the holding company and then leases these assets to sub-lessees. GRENKE AG holds an indirect interest of 100 percent in the KGaA, and a control and profit transfer agreement is in effect. As the parent company of the GRENKE Group, GRENKE AG held direct investments in 43 subsidiaries and structured entities as of the end of 2023.

9.1.1 Branches

Apart from its function as the parent company of the Consolidated Group, GRENKE AG operates the leasing business in Germany. In addition to its head office in Baden-Baden, GRENKE AG maintains locations in the following cities in Germany:

Locations in Germany

Entity	Location
Berlin*/**	Kieselbronn*/**
Bielefeld**	Köln*/**
Bremen*/**	Leipzig**
Dortmund**	Magdeburg**
Dresden**	Mannheim*/**
Düsseldorf*/**	Mönchengladbach*/**
Erfurt**	München**
Frankfurt am Main*/**	Neu-Ulm**
Freiburg*/**	Nürnberg*/**
Hamburg**	Potsdam*/**
Hannover*/**	Regensburg**
Heilbronn**	Rostock*/**
Karlsruhe*	Saarbrücken**
Kassel**	Stuttgart*/**
Kiel**	

* Registered branches of GRENKE AG
** Registered branches of GRENKE BUSINESS SOLUTIONS GmbH & Co KG

9.1.2 Investments

9.1.2.1 Associated companies

In the reporting year, GRENKE AG acquired a 25.96 percent stake in Miete24 P4Y GmbH, based in Velten, Germany.

9.1.2.2 Subsidiaries

In addition to the shares in the KGaA, GRENKE AG held 100 percent of the shares in GRENKE Service GmbH, Baden-Baden, GRENKEFACTORING GmbH, Baden-Baden, GRENKE BANK AG, Baden-Baden, and GRENKE digital GmbH, Karlsruhe, as of December 31, 2023. GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, founded in 2019, is the sales company of GRENKE AG. The general partner of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG is now GRENKE Service GmbH, Baden-Baden, due to a conversion and merger.

GRENKE Service AG was converted into GRENKE Service GmbH by entry in the commercial register on December 20, 2023. The previous share capital became the share capital of the new legal entity. GRENKE MANAGEMENT SERVICES GmbH was merged into GRENKE Service GmbH (= absorbing company) retroactively as of October 1, 2023 (merger date) by merger agreement dated December 1, 2023 and addendum dated December 13, 2023. The merger was entered in the commercial register of the absorbing GRENKE Service GmbH on January 2, 2024.

As of the end of the reporting year, GRENKE AG held the following investments outside of Germany:

Investments outside of Germany

Entity	Registered office	Quote in %
GRENKELEASING GmbH	Vienna/Austria	100
GRENKELEASING AG	Zurich/Switzerland	100
GRENKEFACTORING AG	Basel/Switzerland	100
GRENKELEASING s.r.o.	Prague/Czechia	100
GRENKE ALQUILER S.L.	Barcelona/Spain	100
GRENKELEASING ApS	Herlev/Denmark	100
Grenkefinance N.V.	Vianen/Netherlands	100
GRENKE LIMITED	Dublin/Ireland	100
GRENKE FINANCE PLC	Dublin/Ireland	100
GRENKE LOCATION SAS	Schiltigheim/France	100
GRENKE LOCAZIONE S.R.L.	Milan/Italy	100
GRENKELEASING AB	Stockholm/Sweden	100
GRENKE LEASING LIMITED	Guildford/ United Kingdom	100
GRENKELEASING Sp. z o.o.	Poznan/Poland	100
GRENKELEASING Magyarország Kft.	Budapest/Hungary	100
GRENKE LEASE SRL	Brussels/Belgium	100
GRENKE RENTING S.R.L.	Bucharest/Romania	100
GRENKE RENTING S.A.	Lisbon/Portugal	100
Grenkeleasing Oy	Vantaa/Finland	100
GRENKELEASING s.r.o.	Bratislava/Slovakia	100
GRENKELOCATION SARL	Munsbach/Luxembourg	100
GRENKELEASING d.o.o.	Ljubljana/Slovenia	100
GRENKE RENT S.L.	Madrid/Spain	100
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey	100
GRENKE Renting Ltd.	Sliema/Malta	100
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100
GC Leasing Middle East	Dubai/United Arab Emirates	100
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100
GC Lease Singapore Pte. Ltd.	Singapore/Singapore	100
GC Factoring Ireland Limited	Dublin/Ireland	100
GC Faktoring Polska Sp. z o.o.	Posen/Poland	100
GC Factoring Ltd.	Guildford/ United Kingdom	100
GF Faktor Zártkörűen Működő Részvénytársaság	Budapest/Hungary	100
GC LEASING Melbourne PTY LTD	Melbourne/Australia	100
GC LEASING SYDNEY PTY LTD	Sydney/Australia	100
GRENKE LEASING IL LLC	Chicago/ United States of America	100
GC Leasing AZ, LLC	Phoenix/ United States of America	58

9.2 Net assets, financial position and results of operations

The annual financial statements of GRENKE AG as of December 31, 2023, were prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Providers.

Selected key figures from the income statement and statement of financial position

EURk	2023	2022
Income from leases	697'422	665'254
Expenses from leases	485'073	431'774
PROFIT FROM LEASES	**212'349**	**233'480**
Net interest income	–11'445	–9'045
Other operating income	86'613	59'288
General and administrative expenses	132'536	121'302
Staff cost	41'202	33'204
Depreciation and impairment	135'844	164'399
NET PROFIT	**41'695**	**1'147**

EURk	2023	2022
Cash reserve	0	80'000
Investments in associated companies	447'892	444'055
Leased assets	301'167	369'092
Property, plant and equipment	15'542	16'747
Receivables from banks	84'120	114'715
Receivables	56'971	52'335
Equity	523'941	503'168
Subordinated liabilities	200'000	200'000
Bank liabilities	135	76
Payables	52'381	48'191
Accruals and deferrals	256'528	311'969
Total assets	1'077'947	1'196'025

9.2.1 Results of operations

GRENKE AG's income is dominated by two functional areas: the leasing business in Germany and the holding function of the Consolidated Group.

In the reporting year, the profit from leases before depreciation and impairment was slightly lower compared to the prior year at EUR 212.3 million (previous year: EUR 233.5 million). Net interest income amounted to EUR –11.4 million, compared to EUR –9.0 million in the prior year. In addition to the interest portions included in the lease-purchase contracts, which are forwarded to the KGaA under the two-level model, interest expenses also included both expenses and income for interest from back tax payments and refunds, as well as accrued interest from outstanding AT1 bonds. Total interest expenses were primarily related to the financing of leased assets from which the leasing income is generated.

Current income from investments in associated companies increased in the reporting year to EUR 110.7 million after EUR 90.6 million in the previous year. Income from profit and loss transfer agreements increased to EUR 22.2 million following EUR 0.2 million in the previous year.

This was offset by the transfer of losses from subsidiaries of EUR 1.6 million (previous year: EUR 7.2 million). Other operating income rose by EUR 27.3 million to EUR 86.6 million (previous year: EUR 59.3 million) as of the reporting date due to the reversal of provisions and higher intra-Group allocations.

While commission income decreased slightly to EUR 4.8 million (previous year: EUR 6.2 million), commission expenses rose in the reporting year to EUR 24.2 million (previous year: EUR 22.1 million).

General and administrative expenses rose by EUR 11.2 million to EUR 132.5 million. This was mainly due to increased intra-Group allocations for services and research and development costs. It also included higher expenses for licences, which were passed on to subsidiaries as well as higher year-on-year staff costs totalling EUR 41.2 million (previous year: EUR 33.2 million). Depreciation, amortisation and impairment of intangible assets and property, plant and equipment fell from EUR 164.4 million in the previous year to EUR 135.8 million, mainly due to the decrease in leased assets.

Write-downs and impairments on receivables and certain securities, as well as additions to loan loss provisions in the lending business, increased from EUR 4.9 million in the previous year to EUR 37.6 million, particularly due to expenses from the waiver of receivables from subsidiaries, additions to impairments and provisions for impending losses.

In the reporting year, unscheduled write-downs and impairments totalling EUR 53.8 million (previous year: EUR 52.4 million) were recognised to the carrying amounts of investments in associated companies. These charges were offset by write-ups totalling EUR 3.3 million in the financial year; in the previous year, there were no write-ups.

The result from ordinary business activities overall in the 2023 financial year amounted to EUR 42.1 million, compared to EUR 2.7 million in the previous year. After a tax expense of EUR 0.4 million (previous year: EUR 1.5 million), the net profit for the year was EUR 41,695k (previous year: EUR 1,147k).

9.2.2 Report on financial position and net assets

The Company's total assets fell by 9.9 percent to EUR 1,077.9 million as of December 31, 2023 (previous year: EUR 1,196.0 million). The decline resulted from several items:

Leased assets decreased by 18.4 percent to EUR 301.2 million, after EUR 369.1 million in the previous year. The decline was due to the higher number of terminated leases that were reclassified as current assets for disposal. The increase in new business was mainly achieved within the framework of the two-level model. Leased assets largely serve as collateral for sold lease receivables.

Whereas property, plant and equipment as of the end of the 2023 financial year fell to EUR 15.5 million compared to EUR 16.7 million in the previous year, receivables from customers rose to EUR 57.0 million (previous year: EUR 52.3 million). This was due to the decrease in lease-purchase receivables sold to GRENKE BANK AG from EUR 18.7 million to EUR 8.9 million, which are shown net in receivables from customers.

Investments in associated companies increased slightly from EUR 444.1 million to EUR 447.9 million. The increase resulted mainly from the acquisition of former franchise companies, which was partially reduced by write-downs and impairment of shares in affiliated companies.

Receivables from banks fell from EUR 114.7 million in the previous year to EUR 84.1 million as of December 31, 2023. The cash reserve held as balances at central banks decreased from EUR 80.0 million in the previous year to EUR 100. The liquidity and deposits of GRENKE BANK AG are managed by GRENKE to ensure the regulatory requirements for liquidity are met at the Consolidated Group level.

Accruals and deferrals decreased by 17.8 percent to EUR 256.5 million (previous year: EUR 312.0 million). The majority of this item is related to deferrals from forfaiting instalments of lease contracts, which fell from EUR 276.4 million to EUR 217.0 million in the reporting year. Liabilities to banks were unchanged compared to the prior year and amounted to EUR 0.1 million. Liabilities to customers rose by 8.7 percent to EUR 52.4 million after EUR 48.2 million at the end of the previous financial year. This resulted mainly from an increase in lease-purchase liabilities reported under the two-level model with the KGaA from EUR 41.8 million in the prior year to EUR 45.9 million in the reporting year.

The Company‘s other liabilities declined sharply in the reporting year from EUR 105.7 million in the previous year to EUR 32.3 million as of the reporting date. The decline resulted mainly from the lower utilisation of the credit balances available from GRENKE FINANCE PLC for liquidity. In contrast, liabilities to affiliated companies increased. At EUR 200.0 million, subordinated liabilities were unchanged from the previous year and solely include the AT1 bonds issued by GRENKE AG, which for regulatory purposes are accounted for as Additional Tier 1 capital and as equity for under IFRS. GRENKE AG did not make use of the option to repay the first issued AT1 bond in the amount of EUR 50 million as of March 31, 2021. Therefore, the AT1 bond has been extended for a further five years and matures on March 31, 2026; the new interest coupon is 7.33 percent.

The Company‘s equity increased to EUR 523.9 million (previous year: EUR 503.2 million). As a result, the equity ratio as of the December 31, 2023 reporting date equalled 48.6 percent (previous year: 42.1 percent).

9.2.3 Liquidity and refinancing

GRENKE AG’s high level of cash and cash equivalents and broadly diversified refinancing structure enabled it to meet its payment obligations at all times during the past financial year. GRENKE AG’s total liquidity as of the reporting date amounted to EUR 24.4 million and included central bank deposits (EUR 100.0 million) and receivables from banks due on demand (EUR 24.4 million) resulting in 2.3 percent (previous year: 7.2 percent) of the total assets being available as liquidity.

GRENKE BANK AG is the Company’s direct refinancing partner. GRENKE AG regularly sells lease receivables to GRENKE BANK AG to finance its business. Additional financing was provided from cash pooling through the Consolidated Group’s internal clearing account. The net balance as of the reporting date was a receivable totalling EUR 82.2 million (previous year: EUR 44.3 million).

Private placements can also be made either directly or indirectly via the wholly-owned subsidiary GRENKE FINANCE PLC, based in Dublin/Ireland. In the reporting year, three new euro-denominated bonds with a total volume of EUR 610 million were issued and three existing bonds were increased by EUR 224.25 million. In turn, bonds with a volume of EUR 567.0 million were redeemed. In addition, a voluntary early partial redemption of two bonds totalling EUR 180.3 million was made as well as scheduled repayments of promissory notes of GRENKE FINANCE PLC with a total volume of EUR 37 million.

The Irish subsidiary also has access to a syndicated revolving credit facility with a volume of EUR 400 million. This facility can also be utilised by other subsidiaries.

There are also nine ABCP programmes Group-wide with a potential total volume of EUR 1,089.5 million and GBP 286.36 million. Under these programmes, GRENKE FINANCE PLC, the KGaA and GRENKE-LEASING LIMITED, United Kingdom, have the right to sell receivables to the programmes for a specified period or use the programmes to obtain refinancing.

GRENKE AG and GRENKE FINANCE PLC also have the ability to issue commercial paper up to a total of EUR 750.0 million with maturities between 1 and 364 days. As per the reporting date of December 31, 2023, the commercial paper programme had been utilised up to an amount of EUR 50.0 million (previous year: EUR 25.0 million).

9.3 General statement on the Company's business performance and financial position (Management Report AG)

The 2023 financial year was another challenging year for us. From a global perspective, the wars in Ukraine and the Middle East weighed on the global economy. While the economy in the eurozone weakened compared to the previous year, inflation remained well above the ECB's 2 percent target throughout the financial year. Accordingly, the ECB raised its key interest rate on six occasions from 2.5 percent at the beginning of the year to 4.5 percent by September 2023. Since September 2023, interest rate momentum has eased, albeit at a comparatively high level. As a result, refinancing costs continued to rise in 2023 as a whole. At the same time, higher interest rates dampened consumption and investment and economic output weakened accordingly.

In line with economic developments, we adjusted our outlook for the 2024 financial year on August 9, 2023. In light of these circumstances, in the opinion of the GRENKE AG Board of Directors, we achieved solid results in 2023.

Based on the further increase in our equity ratio to 48.6 percent at the end of 2023 and our strong refinancing mix, the Board of Directors is convinced that we will be able to finance the planned growth in the Consolidated Group's new leasing business at attractive conditions in the 2024 financial year.

As part of the Group-wide refinancing programmes, the Company issued guarantees to associated companies in the amount of EUR 10,127.4 million (previous year: EUR 11,125.8 million).

9.4 Two-level model

The Company is refinanced primarily through the Consolidated Group companies GRENKE BANK AG, GRENKE FINANCE PLC and the KGaA. The leased assets of the new business are partially leased from the KGaA as part of a two-level model. The KGaA's lease receivables are sold to financial institutions via structured entities under three ABCP programmes or locally to two savings banks (forfaited). The underlying contractual agreements secure the financing for new business, even as volumes increase.

9.5 Dividends

The Board of Directors and the Supervisory Board propose a dividend of EUR 0.47 per share for the 2023 financial year at the Annual General Meeting to be held on April 30, 2024. In the previous year, the Company distributed a dividend of EUR 0.45 per share.

9.6 Employees

The average number of full-time employees (excluding the Board of Directors and including trainees) increased in the reporting year to 410 (previous year: 349). The staff turnover rate dropped to 7.8 percent (previous year: 10.7 percent).

9.7 Report on risks, opportunities and forecasts

9.7.1 Report on risks and opportunities

The risks and opportunities described for the Consolidated Group also largely apply to the Company. However, the German domestic market continues to play a special and more important role for the Company than for the Consolidated Group as a whole. The Company is not exposed to material currency risk in its operating business because it does not enter into cross-border transactions with countries outside the eurozone.

9.7.2 Report on forecasts and outlook

The macroeconomic environment at the start of 2024 remained challenging. In the eurozone, the ECB's restrictive monetary policy in the previous year, driven by inflation concerns, also tended to dampen growth. In the meantime, inflation rates have come down significantly, and the ECB has already hinted at a possible easing of monetary policy. After the phase of initially constant key interest rates, the expectation is that the next interest rate move could ease refinancing conditions.

The Russia-Ukraine war and the war in the Middle East represent factors of uncertainty for global trade and the global economy.

In view of the large number of current and potential geopolitical conflicts, the outlook is subject to a high degree of uncertainty.

For the 2024 financial year, the Board of Directors of GRENKE AG expects volume growth in the new leasing business and a slight increase in the CM2 margin compared to the previous year.

The Board of Directors expects GRENKE AG to be able to report net profit for the 2024 financial year, depending on the income from investments and profit transfers from subsidiaries.

For more details, please refer to the statements made by the Board of Directors for the Consolidated Group regarding the 2024 and 2025 forecast. These can be found in Chapter 6.2 "Report on forecasts and outlook" in the combined management report.

Baden-Baden, March 1, 2024

The Board of Directors

Consolidated Financial Statements

for the 2023 financial year

Consolidated income statement

EURk	Note	2023	2022
Interest and similar income from financing business*	4.1	467'412	413'513
Expenses from interest on refinancing and deposit business	4.1	128'879	69'000
NET INTEREST INCOME		**338'533**	**344'513**
Settlement of claims and risk provision	4.2	90'829	120'437
of which impairment losses		–13'872	–39'614
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION		**247'704**	**224'076**
Profit from service business	4.3	135'109	124'031
Profit from new business	4.4	46'560	40'673
Gains (+) / losses (–) from disposals	4.5	2'597	–3'121
INCOME FROM OPERATING BUSINESS		**431'970**	**385'659**
Staff costs	4.6	176'007	149'067
Depreciation and impairment	4.7	27'068	32'465
Selling and administrative expenses (not including staff costs)	4.8	106'465	97'663
Other operating expenses	4.9	18'361	13'989
Other operating income	4.10	8'845	5'503
OPERATING RESULT		**112'914**	**97'978**
Result from investments accounted for using the equity method		–216	–4
Expenses / income from fair value measurement		–4'114	12'206
Other interest income		25'706	9'558
Other interest expenses		23'887	8'705
GROUP EARNINGS BEFORE TAXES		**110'403**	**111'033**
Income taxes	4.13	23'689	26'849
GROUP EARNINGS		**86'714**	**84'184**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG		92'316	90'375
of which total comprehensive income attributable to non-controlling interests		–5'602	–6'191
Earnings per share (basic / diluted in EUR)	4.14	1.79	1.75
Average number of shares outstanding	4.14	46'495'573	46'495'573

* Interest and similar income calculated according to the effective interest method EUR 9,112k (previous year: EUR 7,855k).

Consolidated statement of comprehensive income

EURk	Note	2023	2022
GROUP EARNINGS		**86'714**	**84'184**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN FUTURE PERIODS			
Appropriation to / reduction of hedging reserve	7.3	–10'137	13'240
thereof income tax effects		2'234	–1'891
Change in currency translation differences / effects of high inflation		5'373	–1'204
thereof income tax effects		0	0
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN FUTURE PERIODS			
Appropriation to / reduction of reserve for actuarial gains and losses	5.15	–1'034	1'748
thereof income tax effects		204	–402
OTHER COMPREHENSIVE INCOME		**–5'798**	**13'784**
TOTAL COMPREHENSIVE INCOME		**80'916**	**97'968**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG		85'881	104'454
of which total comprehensive income attributable to non-controlling interests		–4'965	–6'486

Consolidated statement of financial position

EURk	Note	Dec. 31, 2023	Dec. 31, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5.1	697'202	448'844
Derivative financial instruments that are assets	7.3	6'880	10'727
Lease receivables	5.2	2'076'719	1'985'059
Other current financial assets	5.3	135'734	124'832
Trade receivables	5.4	7'214	6'531
Lease assets for sale		19'702	12'459
Tax assets		20'956	25'471
Other current assets	5.5	215'940	233'370
TOTAL CURRENT ASSETS		**3'180'347**	**2'847'293**
NON-CURRENT ASSETS			
Lease receivables	5.2	3'623'135	3'258'885
Derivative financial instruments that are assets	7.3	11'811	27'232
Other non-current financial assets	5.3	79'501	84'865
Investments accounted for using the equity method		2'906	0
Property, plant and equipment	5.6	88'829	88'034
Right-of-use assets	5.10	35'521	32'973
Goodwill	5.7	34'373	34'940
Other intangible assets	5.8	12'172	16'514
Deferred tax assets	5.9	29'366	18'761
Other non-current assets		1'580	3'246
TOTAL NON-CURRENT ASSETS		**3'919'194**	**3'565'450**
TOTAL ASSETS		**7'099'541**	**6'412'743**

Consolidated statement of financial position

EURk	Note	Dec. 31, 2023	Dec. 31, 2022
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities	5.11	1'831'589	2'247'666
Lease liabilities	5.10	11'576	10'043
Derivative liability financial instruments	7.3	5'235	3'477
Trade payables		41'680	36'112
Tax liabilities		7'480	5'331
Deferred liabilities	5.14	38'144	39'658
Other current liabilities	5.12	60'821	67'240
Deferred lease payments	5.13	46'124	33'864
TOTAL CURRENT LIABILITIES		**2'042'649**	**2'443'391**
NON-CURRENT LIABILITIES			
Financial liabilities	5.11	3'587'328	2'547'052
Lease liabilities	5.10	24'500	23'170
Derivative liability financial instruments	7.3	17'081	3'442
Deferred tax liabilities	5.9	68'463	60'445
Pensions	5.15	4'650	3'076
TOTAL NON-CURRENT LIABILITIES		**3'702'022**	**2'637'185**
EQUITY	5.16		
Share capital		46'496	46'496
Capital reserves		298'019	298'019
Retained earnings		813'586	799'475
Other components of equity		10'877	17'312
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRENKE AG		**1'168'978**	**1'161'302**
Additional equity components*		200'000	200'000
Non-controlling interests		–14'108	–29'135
TOTAL EQUITY		**1'354'870**	**1'332'167**
TOTAL EQUITY AND LIABILITIES		**7'099'541**	**6'412'743**

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

Consolidated statement of cash flows

EURk		Note	2023	2022
	GROUP EARNINGS		**86'714**	**84'184**
	NON-CASH ITEMS INCLUDED IN NET PROFIT AND RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES			
+	Depreciation, amortisation and impairment		27'068	32'465
– / +	Profit / loss from the disposal of property, plant and equipment and intangible assets		–359	389
– / +	Other non-cash income / expenses		14'305	42'634
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions		60	9'133
=	**SUBTOTAL**		**127'788**	**168'805**
	CHANGE IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES AFTER ADJUSTMENT FOR NON-CASH ITEMS			
+ / –	Lease receivables	5.2	–455'910	–124'972
+ / –	Loan receivables[1]		2'071	15'018
+ / –	Factoring receivables[1]		–2'478	–14'394
+ / –	Other assets[1]		22'640	–45'231
+ / –	Financial liabilities	5.11.5	624'166	–282'573
+ / –	Other liabilities		26'550	–34'201
+	Interest received		25'706	9'558
–	Interest paid		–23'887	–8'705
–	Income taxes paid		–17'395	–30'144
=	**CASH FLOW FROM OPERATING ACTIVITIES**		**329'251**	**–346'839**

EURk		Note	2023	2022
–	Payments for the acquisition of property, plant and equipment and intangible assets		–7'033	–8'213
–	Payments for the acquisition of subsidiaries		–24'088	–274
–	Payments for the acquisition of associated entities		–3'121	0
+	Proceeds from the sale of property, plant and equipment and intangible assets		904	240
=	**CASH FLOW FROM INVESTING ACTIVITIES**		**–33'338**	**–8'247**
–	Repayment of lease liabilities		–13'429	–13'258
–	Interest coupon payments on hybrid capital		–12'946	–12'946
–	Dividend payments to GRENKE shareholders		–20'923	–23'713
=	**CASH FLOW FROM FINANCING ACTIVITIES**		**–47'298**	**–49'917**
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD[2]	**5.1**	**448'605**	**852'960**
+	Cash flow from operating activities		329'251	–346'839
+	Cash flow from investing activities		–33'338	–8'247
+	Cash flow from financing activities		–47'298	–49'917
+ / –	Change due to currency translation		–290	648
=	**CASH AND CASH EQUIVALENTS AT END OF PERIOD[2]**	**5.1**	**696'930**	**448'605**

[1] Adjusted.

[2] Less current account liabilities.

Consolidated statement of changes in equity

EURk	Share capital	Capital reserves	Retained earnings / Consolidated net profit	Hedging reserve	Reserve for actuarial gains / losses	Currency translation	Revaluation for equity instruments	Total equity attributable to shareholders of GRENKE AG	Additional equity com-ponents	Non-con-trolling interests	Total equity
EQUITY AS OF JAN. 1, 2023	**46'496**	**298'019**	**799'475**	**13'201**	**1'171**	**6'165**	**–3'225**	**1'161'302**	**200'000**	**–29'135**	**1'332'167**
Group earnings			83'248					83'248	9'068	–5'602	86'714
Other comprehensive income				–10'137	–1'034	4'736		–6'435		637	–5'798
TOTAL COMPREHENSIVE INCOME			**83'248**	**–10'137**	**–1'034**	**4'736**		**76'813**	**9'068**	**–4'965**	**80'916**
Dividend payment 2023 for 2022			–20'923					–20'923			–20'923
Interest coupon payment for hybrid capital									–12'946		–12'946
Interest coupon for hybrid capital			–3'878					–3'878	3'878		
Transactions with NCI			–44'336					–44'336		19'992	–24'344
EQUITY AS OF DEC. 31, 2023	**46'496**	**298'019**	**813'586**	**3'064**	**137**	**10'901**	**–3'225**	**1'168'978**	**200'000**	**–14'108**	**1'354'870**
EQUITY AS OF JAN. 1, 2022	**46'496**	**298'019**	**753'245**	**–39**	**–577**	**5'576**	**–3'225**	**1'099'495**	**200'000**	**–30'499**	**1'268'996**
First-time application of IAS 29 Hyperinflation						1'498		1'498			1'498
EQUITY AS OF JAN. 1, 2022 (ADJUSTED)	**46'496**	**298'019**	**753'245**	**–39**	**–577**	**7'074**	**–3'225**	**1'100'993**	**200'000**	**–30'499**	**1'270'494**
Group earnings			81'307					81'307	9'068	–6'191	84'184
Other comprehensive income				13'240	1'748	–909		14'079		–295	13'784
TOTAL COMPREHENSIVE INCOME			**81'307**	**13'240**	**1'748**	**–909**		**95'386**	**9'068**	**–6'486**	**97'968**
Dividend payment 2022 for 2021			–23'713					–23'713			–23'713
Interest coupon payment for hybrid capital									–12'946		–12'946
Interest coupon for hybrid capital			–3'878					–3'878	3'878		
Transactions with NCI			–7'486					–7'486		7'850	364
EQUITY AS OF DEC. 31, 2022	**46'496**	**298'019**	**799'475**	**13'201**	**1'171**	**6'165**	**–3'225**	**1'161'302**	**200'000**	**–29'135**	**1'332'167**

Notes to the consolidated financial statements

for the 2023 financial year

1. General information

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the District Court of Mannheim, Section B, under HRB 201836. GRENKE AG is the parent company of the GRENKE AG Group ("the GRENKE Group"). GRENKE AG is also a listed parent company trading on an organised market as defined by Section 2 (11) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The GRENKE Group conducts financing business and is a partner for mainly small- and medium-sized enterprises. Its products and services range from leasing to factoring and include various payment transaction services as well as deposit business for private customers.

The consolidated financial statements of GRENKE AG as of December 31, 2023 (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) of the German Commercial Code (Handelsgesetzbuch – HGB. The consolidated financial statements of GRENKE AG take into account all of the standards and interpretations applicable in the EU for the 2023 financial year.

The consolidated financial statements were prepared in euros (EUR). Unless stated otherwise, all figures are rounded and stated in thousands of euros (EURk). The accounting policies applied correspond with those of the previous year. Exceptions are listed in Note 2.1–2 and relate to changes resulting from the mandatory adoption of new or amended accounting standards.

Disclosures in accordance with IFRS 7 "Financial Instruments: Disclosures" on the nature and extent of risks arising from financial instruments are contained in the chapter "Report on Risks, Opportunities and Forecasts" in the management report and are an integral part of the consolidated financial statements.

The consolidated financial statements were prepared by the Board of Directors on March 4, 2024, submitted to the Supervisory Board for review and approval, and released for publication.

2. Accounting changes

2.1 First-time adoption of revised and new accounting standards

The following amendments to standards whose adoption was mandatory as of the 2023 financial year had no or only an immaterial effect on GRENKE AG's consolidated financial statements:

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements"
- Amendments to IAS 12 "Income Taxes" on the recognition of deferred taxes arising from a single transaction
- Amendments to IAS 12 "Income Taxes" – International Tax Reform – Pillar 2 Model Rules

Introduction and amendments to IFRS 17 "Insurance Contracts"

The new accounting standard IFRS 17 "Insurance Contracts" replaces the existing IFRS 4 "Insurance Contracts" and specifies the recognition, measurement, presentation and disclosures in the notes to insurance contracts.

The amendments from June 2020 include a two-year postponement of the first-time application of IFRS 17 from January 1, 2021 to January 1, 2023.

With the amendments to IFRS 17 for the "Initial Application of IFRS 17 and IFRS 9 – Comparative Information", a transitional provision was established that provides the option to apply a different classification in accordance with IFRS 9 for the comparative periods in the year of first-time application of both standards. For each financial asset for which the comparative period has not been adjusted to IFRS 9, the classification used should be based on the information available at the time of transition.

The first-time application of IFRS 17 and the subsequent amendments to IFRS 17 had no impact on the GRENKE Group's financial statements as the Consolidated Group does not possess any insurance contracts as defined by IFRS 17.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to IAS 8 clarify the distinction between changes in accounting policies and changes in accounting estimates. For this purpose, it is defined that an accounting estimate always relates to a measurement uncertainty of a financial figure on the financial statements. This distinction is important because changes in estimates are applied prospectively to transactions and other events from the date of the change in estimate, while changes in accounting policies are generally applied retrospectively to past transactions and other past events.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements"

The amendments to IAS 1 require entities to present only their "material" accounting policies in the notes (previously, it was "significant" accounting policies). To be material, the accounting policy must be related to significant transactions or other events and be event-driven (for example, a change in policy). The amendments are thus intended to help improve the disclosures on accounting policies. Accompanying this, the guidance of IFRS Practice Statement 2 was adjusted accordingly.

Amendments to IAS 12 "Income Taxes" on the recognition of deferred taxes arising from a single transaction

The amendments address previously existing uncertainties in the accounting for deferred taxes in connection with leases and disposal or restoration obligations.

Until now, when assets and liabilities are recognised for the first time, what is referred to as the "initial recognition exemption" has been applied under certain conditions. In these cases, deferred taxes are exceptionally not to be recognised. In practice, there was uncertainty as to whether this exemption also applied to leases and disposal or restoration obligations. A narrowly defined amendment to IAS 12 has now been made to ensure uniform application of the standard.

Due to this amendment, the initial recognition exemption no longer applies to transactions in which both deductible and taxable temporary differences arise in the same amount upon initial recognition, even if the other previously applicable conditions are met. This is therefore a retroactive exception from the initial recognition exemption for narrowly defined cases. The amendments mean that deferred taxes must be recognised, for example, on leases accounted for by the lessee and on disposal or restoration obligations.

The amendment to IAS 12 had no effect on the GRENKE Group's consolidated financial statements as the previous accounting practice already complied with the amended regulations.

Amendments to IAS 12 "Income Taxes" – International Tax Reform – Pillar 2 Model Rules

Through the amendments to IAS 12 published on May 23, 2023, the IASB is responding to stakeholder concerns regarding the potential impact of the Pillar 2 model requirements published by the OECD on the accounting of deferred taxes. The amendments to IAS 12 introduce a temporary exemption for the recognition of deferred taxes resulting from the introduction of global minimum taxation and specific disclosures in the notes for affected entities. The exemption is to be applied immediately after the publication of the amendments to IAS 12.

2.2 Accounting standards and interpretations already published but not yet implemented

The IASB has published additional amended standards or interpretations, the adoption of which will only become mandatory at a later date. Several of these standards have already been endorsed by the EU. Voluntary early application is expressly permitted by these standards. GRENKE AG does not make use of this option. These standards will be implemented in the consolidated financial statements at the time of mandatory adoption. The effects on GRENKE AG's consolidated financial statements are being examined. These amendments are not expected to have a material impact on the reporting in GRENKE AG's consolidated financial statements.

Accounting standard or interpretation		Publication IASB	First-time adoption IASB	Adopted by EU
IFRS 16	Amendments to IFRS 16 "Leases" (Lease Liability in a Sale and Leaseback)	Sep. 22, 2022	Jan. 1, 2024	Yes (Nov. 20, 2023)
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements": - Classification of liabilities as current or non-current - Deferral of effective date - Classification of non-current liabilities with covenants	 Jan. 23, 2020 July 15, 2020 Oct. 31, 2022	Jan. 1, 2024	Yes (Dec. 19, 2023)
IAS 7, IFRS 7	Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" (Supplier Finance Arrangements)	May 25, 2023	Jan. 1, 2024	No
IAS 21	Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" (Lack of Exchangeability)	Aug. 15, 2023	Jan. 1, 2025	No

Amendments to IFRS 16 "Leases" on the recognition of lease liabilities in a sale and leaseback transaction

The amendments to IFRS 16 serve to clarify the subsequent measurement of a lease liability for sale and leaseback transactions. According to the amendments to IFRS 16, the lease liability must be measured in such a way that no gain or loss is realised on the subsequent measurement of a retained right-of-use.

The amendments are to be applied to annual reporting periods beginning on or after January 1, 2024. EU adoption of the amendments occurred on November 20, 2023.

The GRENKE Group currently assumes that there will be no material impact on the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities as current or non-current and the classification of non-current liabilities with covenants

IAS 1 "Classification of Liabilities as Current or Non-current" was published in January 2020. The subject of the amendments to IAS 1 is the clarification that the classification of liabilities as current or non-current should be based on the entity's rights at the reporting date to defer settlement of the liability for at least twelve months after the end of the reporting period. If such rights exist, the liability is classified as non-current, otherwise it is classified as current. The classification is independent of management's expectations and possible events after the reporting date. The classification therefore does not depend on the expectations of whether an entity will exercise its right to defer settlement of an obligation. On July 15, 2020, the IASB deferred first-time adoption of the amendment initially by one year for financial years beginning on or after January 1, 2023.

In October 2022, the IASB published amendments to IAS 1 on the classification of non-current liabilities with covenants. The purpose of the amendment to IAS 1 is to clarify that covenants that must be met before or on the reporting date can have an impact on the classification as current or non-current. Covenants that are only to be met after the reporting date have no influence on the classification as current or non-current; instead, such covenants are to be disclosed in the notes to the consolidated financial statements. The amendments are applicable to reporting periods beginning on or after January 1, 2024.

The amendment to IAS 1 from October 2022 changes the two amendments to IAS 1 on the same topic from January 2020 and July 2020, which are not yet mandatory. In addition to the amendment of content, the date of first-time application of the amendments from January 2020 was also postponed by one additional year to January 1, 2024. The adoption by the EU took place on December 19, 2023.

The GRENKE Group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" on supplier finance arrangements

The amendments to IAS 7 and IFRS 7 concern additional disclosures in the notes related to supplier financing agreements, particularly reverse factoring agreements. The amendments are intended to increase the transparency of the effects of supplier financing agreements on liabilities, cash flows and liquidity risks. The amendments supplement the requirements already contained in IFRS and require entities to disclose terms and conditions, balance sheet items and carrying amounts at the beginning and end of the reporting period. They also require entities to disclose the ranges of payment terms and concentrations of risk with regard to supplier financing agreements. The amendments are subject to adoption into EU law and are to be applied for financial years beginning on or after January 1, 2024. Early application of the amendments is permitted but generally requires EU endorsement.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" on recognition in the case of lack of exchangeability

The amendments to IAS 21 supplement the standard with regulations on currency translation when currencies cannot be exchanged. The amendments to IAS 21 include detailed rules for determining whether one currency is exchangeable for another and how exchange rates are to be determined when there is a lack of exchangeability. Additional corresponding disclosure requirements have also been introduced. Subject to adoption into EU law, the amendments are to be applied for financial years beginning on or after January 1, 2025. Early application of the amendments is permitted but generally requires EU endorsement.

3. General accounting policies

3.1 Composition of the Consolidated Group

The Consolidated Group consists of GRENKE AG and 56 consolidated entities (previous year: 55), of which 8 (previous year: 7) are consolidated structured entities, and 5 are consolidated franchise companies without equity investments (previous year: 11). The Consolidated Group holds either directly or indirectly a 100 percent equity interest in 45 (previous year: 38) of the entities controlled by the Consolidated Group. Furthermore, for the GRENKE Group, 1 non-material associated company (previous year: 0) has been accounted for 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 Group") after eliminating all material intra-Group transactions. Uniform accounting principles are applied Group-wide to the consolidated financial statements. All intra-Group receivables and liabilities, as well as expenses and income resulting from transactions between companies included in the consolidated financial statements, are eliminated as part of the consolidation of liabilities, expenses and income. Gains or losses incurred in the Consolidated Group from intercompany transactions are also eliminated.

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

For more information, please refer to the schedule of shareholdings in Note 10.

3.1.1 Subsidiaries

Subsidiaries are entities in which the Consolidated Group holds either a direct or indirect interest and over which GRENKE AG exerts control. Control exists when GRENKE AG's existing rights give it the ability to direct the relevant activities of the subsidiary (power of disposition) and, in doing so, is exposed to variable returns, and there is a link between this power of disposition and the amount of return. To determine whether an entity should be consolidated, a number of control factors need to be considered. These include an examination of

- the purpose and design of the entity,
- the relevant activities and how they are determined,
- whether the Consolidated Group has rights giving it the ability to direct the relevant activities,
- whether the Consolidated Group has risk exposure or rights to variable returns and
- whether the Consolidated Group has the ability to use its power in a manner that affects the amount of returns.

Structured entities are entities in which voting or similar rights are not the dominant factors in determining control, for example, when voting rights only relate to administrative tasks and the relevant activities are governed by contractual agreements.

For the consolidated franchise companies, voting rights and comparable rights are not the dominant factors in determining control. These companies are controlled specifically due to the ability to determine the relevant activities.

3.1.2 Associated entities

Associated entities are entities whose financial and business decisions can be significantly influenced by the Consolidated Group, but the Consolidated Group cannot control or jointly control the entities' decision-making processes. Significant influence typically exists when there is an interest in the associated entities' voting rights of 20 percent to 50 percent.

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

The share of profit and loss of the associated entity following its acquisition or establishment is recognised in the consolidated income statement, and the share in any earnings-neutral changes in equity is directly recognised in the Consolidated Group's equity. Goodwill arising from the acquisition of an associated or jointly controlled entity is included in the carrying amount of the investment (less accumulated impairment losses). As a result, no separate goodwill impairment test is conducted.

3.2 Foreign currency translation

3.2.1 Conversion methods and exchange rates

The functional currency of all international business enterprises is the respective national currency. If this is not the euro, the separate financial statements of the international Consolidated Group companies are converted to euros using the functional currency concept. The assets and liabilities of international subsidiaries whose functional currency is not the euro are translated into euros at the closing rate on the reporting date. The income and expenses of these subsidiaries are translated at the average rate for the financial year. The translation differences that result are recognised as a separate component of equity. When an international operation is sold, the cumulative amount recognised in equity for this international 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 vs. the euro:

	Closing rate Dec. 31, 2023	Average rate 2023	Closing rate Dec. 31, 2022	Average rate 2022
GBP	0.8691	0.8698	0.8869	0.8528
AUD	1.6263	1.6288	1.5693	1.5167
CHF	0.9260	0.9718	0.9847	1.0047
SEK	11.0960	11.4788	11.1218	10.6296
NOK	11.2405	11.4248	10.5138	10.1026
DKK	7.4529	7.4509	7.4365	7.4396

3.2.2 Application of IAS 29 “Financial Reporting in Hyperinflationary Economies”

In the 2023 financial year, Turkey continued to be classified as a hyperinflationary economy as defined under IAS 29 “Financial Reporting in Hyperinflationary Economies”. The financial results of the Turkish subsidiary, which are based on the concept of historical acquisition and production costs, were therefore adjusted for inflation effects and stated in the unit of measurement applicable as of the year-end reporting date. The consumer price index, published by the Turkish Statistical Institute (TURKSTAT), was used as the basis for the adjustment for inflation effects in the current financial year. This index was at a level of 1,805.0 points as of December 31, 2023 (December 31, 2022: 1,109.2 points; January 1, 2022: 625.4 points).

The gain from the net position of monetary items recognised within the scope of applying IAS 29 amounted to EUR 2,840k (previous year: EUR 5,825k). This gain however was offset by higher depreciation on operating leases resulting from the indexation of leased assets.

3.3 Leases

3.3.1 Consolidated Group as lessor

Leases are defined as agreements in which the lessor transfers the right to the lessee to use an identifiable asset for an agreed time period in exchange for the payment of consideration.

Whether an agreement can be considered as a lease or containing a lease depends on the economic substance of the agreement at the beginning of the agreement. For the lessor, leases are to be classified as either finance leases or operating leases.

3.3.1.1 Finance leases

In the case of finance leases, all of the significant risks and rewards of legal ownership are transferred from the lessor to the lessee.

Finance leases are initially recognised in the statement of financial position as of the date they are available for use (upon the issue of the lease’s letter of acceptance) as lease receivables at an amount equal to the net investment, which represents the sum of outstanding lease payments and non-guaranteed residual values of the existing lease agreements, discounted at the interest rate underlying the lease. Lease payments as of the date of the lease’s availability for use are divided into interest payments and principal payments in such a manner that they reflect a periodic rate of return for the receivable. Initial direct costs incurred in connection with the conclusion of the contract, e.g. reseller commissions, are taken into consideration when calculating the net investment value. The capitalisation of initial direct costs is recorded in profit from new business. This item also includes portions of revenue from lease down payments, which is the fee paid by the lessee for the use of the lease object during the period from the transfer of the object until the issuance of the lease acceptance letter. Service fees for making the lease object available for use are also a component of the profit from new business.

3.3.1.2 Operating leases

Operating leases are leases in which the GRENKE Group does not transfer all the significant risks and rewards of ownership of the asset to the lessee. Initial direct costs incurred in the negotiation and conclusion of an operating lease are added to the carrying amount of the lease object. These amounts are depreciated together over the term of the lease agreement until the residual value is reached. At the GRENKE Group, the term of an operating lease corresponds to the non-cancellable basic term as the exercise of the extension options is considered sufficiently certain.

Contingent rents are recognised as income in the period in which they are generated. Operating lease assets are typically recorded in the statement of financial position as property, plant and equipment based on the type of asset (see Note 5.6). Revenue from lease instalments and significant portions of depreciation on lease assets are recognised on a straight-line basis in the profit from service business.

3.3.2 GRENKE Group as lessee

In the case of a lease contract in accordance with IFRS 16, the lessee is generally obliged to capitalise rights of use and to recognise a corresponding lease liability.

An agreement constitutes a lease within the meaning of IFRS 16 if it entitles the holder to use an underlying asset for a specified period of time in return for the payment of a fee. The existence of a lease therefore requires not only an identified asset but also the right of the customer to derive economic benefit from its use and to decide on its use.

The only exceptions to the recognition are “short-term” and “low-value” leases, which the GRENKE Group does not recognise as rights of use and lease liability despite the existence of a leasing relationship. Instead, the lease payments for these agreements are recognised as an expense over the term of the lease. “Short-term” leases are leases with a maximum term of twelve months and that do not include purchase options. “Low-value” leases are leases where the underlying asset is of minor value. In the GRENKE Group, an initial value of no more than EUR 4,500 is taken as a basis for determining leases for low-value assets.

Where contracts contain both leasing and non-leasing components, only the leasing components are recognised as rights of use and lease liabilities in accordance with IFRS 16. The first-time measurement of lease liabilities recognised in accordance with IFRS 16 is at the present value of the lease payments not yet made.

When determining the lease payments, in addition to the non-terminable basic term, extension periods are taken into account provided that the exercise of the underlying extension option is deemed sufficiently certain. The GRENKE Group uses the lessee’s respective incremental borrowing rate to discount cash flows. In subsequent measurement, the lease liabilities are carried at amortised cost using the effective interest method. The interest incurred in the financial year is recognised as an expense in the item “other interest expenses”. Lease liabilities are gradually reduced by the repayment portions included in the lease payments. A revaluation of the lease liability (and a corresponding adjustment of the related rights of use) is to be carried out if the future lease payments resulting from the underlying agreement change. This may be due to contract adjustments or renegotiations of contracts as well as changes in estimates with regard to the expected exercise of termination or renewal options.

The initial recognition of the associated rights of use is based on the valuation of the lease liabilities. Based on the amount of the lease liability, the amount of the rights of use is determined by additionally capitalising all lease payments made at or before the asset's availability for use, as well as initial direct costs and estimated costs for deconstruction obligations. Lease incentives received are to be subtracted. In subsequent measurement, the rights of use recognised are amortised over their useful life and, if necessary, impaired in accordance with IAS 36 "Impairment of Assets". The amortisation of the rights of use is included in the item depreciation and impairment.

3.4 Measurement of fair values

The GRENKE Group measures only derivative financial instruments at their fair value. Additionally, the fair values of financial instruments measured at cost are presented in Note 7.4.

The fair value is the amount that would be obtained from the sale of an asset in an arm's length transaction between market participants at the valuation date as part of an orderly business transaction under current market conditions or the amount to be paid for the transfer of a liability. Fair value measurement assumes that the transaction leading to the sale of the asset or the transfer of the liability takes place on the asset's principal market or the principal market for the transfer of the liability or, if such a principal market is not available, on the most favourable market for the asset or the transfer of the liability.

Fair value is determined for a certain point in time and by applying those assumptions that representative market participants would take into consideration in pricing. With respect to pricing, it is assumed that market participants act in their own best economic interest.

When measuring the fair value of non-financial assets, the respective market participant's ability to generate an economic benefit is taken into account through the greatest and best use of the asset or through the sale of the asset to another market participant who finds the greatest and best use of the asset.

The GRENKE Group uses observable market data, as far as possible, for determining the fair value of an asset or a liability. The fair values are assigned to different levels of the following fair value hierarchy based on the input parameters used in the valuation methods.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Measurement procedures in which all input factors that have a significant effect on the recognition of fair value are directly or indirectly observable

Level 3: Measurement procedures that use input factors that have a significant effect on the fair value recognised and are not based on observable market data

If the input factors used to determine the fair value of an asset or a liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is assigned entirely to the level in the fair value hierarchy that corresponds to the lowest input factor material for the overall measurement.

The GRENKE Group recognises reclassifications between the different levels of the fair value hierarchy at the end of the reporting period in which the change has occurred. In the reporting year, there were no reclassifications among the three levels of the measurement hierarchy.

3.5 Financial instruments

3.5.1 Categories of financial instruments

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

Financial assets

- Amortised cost (AC)
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial liabilities

- Amortised cost (AC)
- Fair value through profit or loss (FVTPL)

The GRENKE Group divides the IFRS 9 categories into the following classes:

Financial assets

- Cash and cash equivalents
- Lease receivables
- Other financial assets (factoring receivables, receivables from lending business, other financial assets)
- Trade receivables
- Other investments
- Derivative financial instruments without hedging relationship
- Derivative financial instruments with hedging relationship

Financial liabilities

- Financial liabilities (liabilities from deposit business, liabilities from the refinancing of lease receivables and bank liabilities)
- Trade payables
- Derivative financial instruments without hedging relationship
- Derivative financial instruments with hedging relationship
- Financial guarantees and irrevocable credit commitments

3.5.2 Financial assets

IFRS 9 categories

IFRS 9 divides financial assets into debt instruments, derivatives and equity instruments. The classification of financial assets into measurement categories is determined based on the business model and the contractual cash flow characteristics of the financial asset ("SPPI"; solely payments of principal and interest).

The business model employed for the administration and management of the financial assets determines how the future cash flows from the financial assets should be realised and represents the strategic decisions of persons holding key positions in the Company. The assessment of the business model does not depend on the management's intended use of an individual asset; instead, the decision on the classification is made at a portfolio level. The method in which the cash flows within the respective business model are realised is crucial for the assessment of the business model in accordance with IFRS 9. Next to the strategic objectives of the management, the Consolidated Group observes several other factors when defining the business model, such as how the performance within the respective portfolio is measured and to which persons holding key positions in the Company this should be reported. 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, instead, is based on observable facts and actual circumstances.

IFRS 9 provides for three business models:

- Achievement of cash flows by collecting contractual cash flows (the "Hold" business model)
- Generation of cash flows through the receipt of contractual cash flows and the sale of financial assets (the "Hold and Sell" business model)
- For 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 debt instrument result in payments consisting exclusively of interest and principal at predetermined dates in the context of a traditional credit relationship. In contrast to the business model assessment, the individual contract specification of each financial instrument should be considered individually. The business model is assigned on a portfolio basis, while the SPPI criterion must always be reviewed for each individual financial instrument assigned to the "Hold" or "Hold and Sell" business models.

IFRS 9 provides for the following types of subsequent measurement of financial assets:

- Measurement at amortised cost (AC)
- Measurement at fair value through OCI (fair value through other comprehensive income/FVTOCI) with or without recycling
- Measurement at fair value through P&L (fair value through profit or loss/FVTPL)

Finance lease receivables are recognised in accordance with IFRS 16 (see Note 3.3.) Finance lease receivables, however, are subject to the provisions of IFRS 9 for derecognition and impairment.

Financial assets are allocated to the measurement categories upon initial recognition. Reclassifications are only permissible in the event of a change in the business model that results in a significant impact on business processes. Where appropriate, reclassifications are made prospectively as of the first day of the first reporting period following the change in the business model. No reclassifications took place during the reporting year or the previous year.

Financial assets at amortised cost (AC)

Debt instruments are accounted for at amortised cost when the contractually agreed payment characteristics consist solely of principal and interest payments ("SPPI criterion") on the outstanding principal and are recognised within the scope of a business model whose objective is to hold financial assets in order to collect the contractual cash flows of the financial asset.

The initial measurement in the measurement category is at fair value plus any additional and individually allocable transaction costs which, in the case of financial assets, increase the fair value. This, however, excludes trade receivables with no significant financing components. Trade receivables with no significant financing components are measured at their transaction price. The transaction price generally corresponds to the fair value. After their initial recognition, financial assets in the category "financial assets at amortised cost" are measured at amortised cost using the effective interest method less any impairment. Amortised cost includes all discounts and premiums paid upon acquisition and includes all fees that are an integral part of the effective interest rate, including transaction costs. Impairment is tested based on the expected credit loss model under IFRS 9. The model stipulates the recognition of impairment through profit and loss based on expected future credit losses. Please refer to Note 3.5.5. Financial assets measured at amortised cost are recognised as of the settlement date.

At the GRENKE Group, financial assets in the category "at amortised cost" include the line items "cash and cash equivalents", "other financial assets" and "trade receivables". The item cash and cash equivalents in the consolidated statement of financial position comprises cash on hand and balances at banks and central banks with a maturity of less than three months. Current account liabilities are deducted from cash and cash equivalents in the statement of cash flows.

Financial assets at fair value through other comprehensive income (FVTOCI)

The fair value measurement through other comprehensive income with recycling is applied to financial assets whose cash flows also meet the SPPI criterion and are allocated to the "Hold and Sell" business model. GRENKE does not hold any instruments that are allocated to the Hold and Sell business model and, consequently, does not use this classification.

Equity instruments held 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 measured at fair value through profit or loss. There is the option (OCI option) of designating equity instruments that are not intended to be traded as "at fair value through other comprehensive income". GRENKE applies this option and classifies its 13.71 percent investment in Finanzchef24 GmbH as FVTOCI without recycling because it constitutes an equity instrument. As a result, all changes in fair value are presented in other comprehensive income, no impairment losses are recognised in profit or loss, and no gains or losses are reclassified to profit or loss upon disposal. This alternative presentation is chosen to ensure that volatility in a start-up company's fair value measurement is not recognised in the income statement. Financial assets at fair value through other comprehensive income are measured at fair value upon acquisition.

Financial assets at fair value through profit or loss (FVTPL)

The measurement at fair value with changes recognised in profit or loss is compulsory if either the financial instrument has not been allocated to a portfolio of the other aforementioned business models (AC, FVTOCI) or if its cash flows do not meet the SPPI criterion.

The subsequent measurement at amortised cost is not possible for derivatives since they do not regularly meet the SPPI criterion. Derivatives are always to be measured at fair value through profit or loss provided they are not in a hedging relationship (hedge accounting). The GRENKE Group does not hold any financial assets at fair value through profit or loss as of the reporting date except for derivatives. Derivative financial instruments held by the GRENKE Group that are not in a hedging relationship are solely used to hedge interest rate and currency risk. Changes in the fair value of these derivatives are recorded under "expenses/income from fair value measurement" or, in the case of derivatives used to hedge currency risk, under "other operating expenses" and "other operating income".

In order to avoid accounting mismatches resulting from the classification of a financial asset at amortised cost or at fair value through other comprehensive income, the financial asset may be irrevocably classified as measured at fair value through profit or loss. The utilisation of this option is limited under IFRS 9. GRENKE is not currently applying the fair value option.

Modification of financial assets

In the case of modifications that affect the contractual cash flows of financial assets, the Consolidated Group must examine whether this poses a substantial or non-substantial modification of the contractual cash flows. This assessment is done by taking an overall view of the qualitative and quantitative circumstances. An example of a qualitative indicator is a change of debtor. A quantitative criterion that leads to a substantial modification of the contract is if the discounted present value of the cash flows of the new contractual terms differs by at least 10 percent from the discounted present value of the remaining cash flows of the original debt instrument. A substantial modification results in the derecognition of the original agreement and the recognition of a new financial asset. The date of the initial recognition of the new financial asset is the date of the modification. In the case of a non-substantial modification, the asset is not derecognised, and the difference between the respective carrying amounts is recognised in profit or loss.

3.5.3 Financial liabilities

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value, net of transaction costs. In subsequent periods, they are recognised at amortised cost. The deducted transaction costs and any debt discounts are amortised over the lease term in profit and loss using the effective interest method.

Refinancing liabilities, which result from the sale of the lease receivables to the respective refinancing party, are recognised at the present value of the payments yet to be made to the refinancing party. The originally agreed interest rate is used as the discount rate for fixed interest loans. Upon repayment, regular payments are split into an interest portion and a principal component. The interest portion is recognised as an expense from interest on refinancing.

A financial guarantee is a contract that contains an obligation for the guarantor to make payments that compensate the guarantee holder for a loss that arises because a given debtor fails to meet the payment obligations on time and according to the terms of the debt instrument. Liabilities from financial guarantees are initially recognised at fair value. The fair value typically corresponds to the net present value of the consideration received in return for the provision of the financial guarantee. In the case of marketable contracts, the fair value of a financial guarantee at the time of conclusion of the contract is usually the value of the obligation and, therefore, zero (net method).

Subsequently, the measurement is made at the higher of amortised cost or the amount of the provision that must be recognised in the event of an imminent claim. Financial liabilities are measured at amortised cost using the effective interest method under IFRS 9, except when they are financial liabilities measured at fair value.

Financial liabilities at fair value

The GRENKE Group did not hold any financial assets at fair value through profit or loss as of the reporting date except for derivatives. Derivative financial instruments held by the GRENKE Group are solely used to hedge interest rate and currency risk. Changes in the fair value of derivatives are recorded under “expenses / income from fair value measurement” or, in the case of derivatives used to hedge currency risk, under “other operating expenses” and “other operating income”.

In order to avoid accounting mismatches resulting from the classification of a financial asset or a financial liability that would otherwise result from the measurement of assets or liabilities or the recognition of gains or losses on a different basis, the financial asset or financial liability may be irrevocably classified upon initial recognition as measured at fair value through profit or loss. GRENKE is not currently applying the fair value option.

Embedded derivatives

Embedded derivatives are derivatives that are embedded in primary financial instruments. In accordance with IFRS 9, only derivatives that are embedded in financial liabilities and non-financial basic contracts are separated. According to IFRS 9, financial assets are assessed as a whole, with the result that there is no longer any separate accounting between the basic instrument and the embedded derivative. Instead, financial assets are classified in accordance with the business model and contract terms.

Presentation as a separate line item is only required when the following three conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the basic contract.
- A standalone derivative with the same conditions as the embedded derivative meets the definition of a derivative.
- The original financial liability is not measured at fair value through profit or loss.

In this case, the embedded derivative to be separated is recognised at fair value. Measurement changes are recognised in profit or loss under financial assets and liabilities measured at fair value through profit or loss. By contrast, the accounting and measurement of the basic contract follow the rules of the assigned category of the financial instrument.

3.5.4 Derivative financial instruments with hedging relationship

The GRENKE Group uses derivative financial instruments to hedge and manage interest rate and foreign currency risks. These are interest rate swaps, cross-currency swaps and foreign currency forward contracts. IFRS 9 differentiates between three types of hedging relationships: fair value hedges, cash flow hedges and hedging the net investment in an international business operation. The GRENKE Group employs cash flow hedges only. These serve to avoid one-sided earnings effects for derivatives used to hedge the risk of changes in future cash flows. The GRENKE Group accounts for interest rate derivatives to hedge variable cash flows in addition to derivative financial instruments to hedge currency risk under hedge relationships (hedge accounting). The interest rate swap contracts are offset against the variable cash flows of the underlying bond and private placement transactions, as well as against the variable cash flows of the underlying ABCP and ABS refinancing transactions. The currency swaps (cross-currency swaps) are offset against variable cash flows of the underlying bond and private placement transactions in foreign currencies. The forward currency contracts are offset against the variable cash flows from the granting of foreign currency loans and the purchase of receivables in foreign currencies. The Consolidated Group recognises changes in the fair value of interest rate and currency swaps and forward currency transactions relating to the effective portion of the hedging relationship in other comprehensive income (hedging reserve) while taking deferred taxes into consideration. The ineffectiveness is recognised in profit and loss. For more information, please refer to Note 7.3.

Derivative financial instruments are recognised at fair value at the time of acquisition. Subsequent measurement is also at fair value. The fair value is derived from the discounted future cash flows, which are adjusted for counterparty risk. Future variable-rate cash flows are estimated on the basis of future interest rates (based on observable yield curves at the end of the reporting date). Fixed and variable-rate cash flows are discounted at future interest rates and translated using the exchange rates at the end of the reporting period. Forward currency contracts are used to hedge spot rate risk. The forward price elements of these contracts are recognised in the income statement.

Hedge accounting requires documentation at the beginning of the hedging relationship that should identify the hedge and the hedged underlying transaction, the nature of the risk being hedged and the way in which the Company assesses whether the hedging relationship meets the requirements for hedge effectiveness. In addition, the risk management objectives and strategies must be explained. The GRENKE Group assesses hedge effectiveness both at the inception of the hedging relationship and on an ongoing basis. As soon as the conditions for hedge accounting are no longer met, the derivative is measured at fair value with changes in value recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative net gain or loss previously recognised in the consolidated statement of comprehensive income is reported in the consolidated income statement.

3.5.5 Impairment of financial assets and provisions for off-balance-sheet liabilities

At each reporting date, the GRENKE Group determines the impairment on financial assets or a group of financial assets based on a model of expected credit losses in accordance with the requirements of IFRS 9.

The impairment provisions under IFRS 9 are applied to debt securities measured at amortised cost (AC) or fair value through other comprehensive income (FVTOCI), lease receivables under IFRS 16 “Leases” and off-balance-sheet obligations such as loan commitments and financial guarantees. Equity instruments are not subject to the impairment requirements of IFRS 9.

Level assignment

The standard provides for a determination of expected credit losses based on a three-step approach. Under the general approach, the loss from expected loss events during the next year (12M ECL) is already recognised as a risk provision upon acquisition (Level 1). If there has been a significant deterioration in the credit risk since the first-time recognition but no credit impairment, the risk provision is recognised at the level of the expected credit losses over the entire remaining contractual life (lifetime expected loss – LT ECL) (Level 2). If there is credit impairment, the risk provisioning must also be set in the amount of the losses expected over the remainder of the entire contract period on the basis of the estimated, expected future cash flows of the asset (LT ECL) (Level 3). The financial assets remain at Level 2 or 3 as long as the conditions for these levels are met; otherwise they will be reassigned to an appropriate lower level.

Financial assets are generally recognised in Level 1 upon initial recognition. An exception to this is financial instruments whose credit is already considered impaired at the time of the acquisition of the transaction (“Purchased or Originated Credit-Impaired Financial Assets – POCI”). These are not assigned to any of the three levels but instead treated and reported separately. The GRENKE Group does not hold any financial instruments classified as POCI as of the reporting date. In addition, Level 1 includes all transactions that have a low credit default risk. Low credit default risk exists in cases where the external credit rating is in the range of investment grade. The GRENKE Group does not apply the low credit risk exemption.

For financial instruments classified as POCI, no impairment or provision is recognised at the time of acquisition; 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.

In addition to the general approach (three-stage model), IFRS 9 provides for a simplified method for trade receivables and contract assets as well as for lease receivables falling within the scope of IFRS 16. Under the simplified method, 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 method to those trade receivables and contract assets that contain a material financing component, as well as for lease receivables. The GRENKE Group uses the simplified method for factoring receivables and trade receivables. The exercise of the option was waived for determining risk provisions for lease receivables. Therefore, the general approach and classification of lease receivables in three stages applies. The financial assets remain at Level 3 as long as the conditions for this level are met, otherwise they will be reassigned to an appropriate lower level.

For Level 1 and Level 2 financial assets, the GRENKE Group calculates interest income using the effective interest method on the gross carrying amount (i.e. without deduction of expected credit losses). The interest income on Level 3 financial assets is determined using the effective interest method at amortised cost (i.e. the gross carrying amount less risk provisioning).

Significant increase in credit risk and credit impairment

Determining a significant increase in credit risk is necessary to establish the timing of the transition between Level 1 and Level 2 as defined above. Defining credit impairment is relevant to the timing of the transition to Level 3. The GRENKE Group assesses a significant increase in credit risk since initial recognition and defines credit impairment on the basis of appropriate and comprehensible information. The information used is adapted to the circumstances of the respective portfolio and is explained below:

- Lease receivables: The GRENKE Group expects a significant deterioration in the credit quality of lease receivables when contractually agreed payments are more than 30 days past due or when the estimated probability of loss for the remaining term has at least doubled compared to the estimated probability of loss for the same period based on the information available at the conclusion of the contract. Creditworthiness is impaired if contractually agreed payments are more than 90 days overdue, the contract has been terminated by the GRENKE Group, or at least one of the two conditions was not met as of the measurement date but was met within the three preceding months. The GRENKE Group usually terminates a lease contract as soon as the second lease instalment lapses. For terminated receivables, the expected value of the claim for damages is recognised.

- Factoring receivables: The GRENKE Group applies the simplified procedure for factoring receivables. Therefore, outstanding receivables are included in Level 2 as long as they are not classified as credit-impaired. Credit is impaired when the impaired receivables are overdue for more than 90 days and are not in an internal loss class. An internal loss class is assigned to factoring receivables of Processing Classes 2 to 7 (see Note 3.18.3). Otherwise, they will be considered credit-impaired and will be considered in Level 3.

- Loan receivables: The GRENKE Group expects a significant deterioration in the credit quality of loan receivables when payments are delayed for more than 30 days, the receivable is transferred internally to a special watch list, or a current deferral agreement is in place. The criteria for the special watch list are, for example, performance disruptions, negative notifications of the credit agency, significant deterioration in economic conditions and abnormalities in bookkeeping. Receivables that, among others, are delayed for more than 90 days, are in reorganisation or settlement, or have a VR rating signalling default are considered to be credit-impaired.

- Trade receivables: The GRENKE Group applies this simplified impairment model to these receivables. As a result, outstanding receivables are included in Level 2 as long as they are classified as credit-impaired. Credit is impaired when receivables are more than 90 days past due, or there is an objective indication of credit impairment. An objective indication, for example, could be the default or delinquency of a debtor, indications of bankruptcy or other features that indicate a reduction in the expected payments of the debtor.

- Cash and cash equivalents: The assessment of whether credit risk has significantly deteriorated and the determination of credit impairment for these receivables is based on credit ratings, which are determined by observing published external credit ratings.

3.5.6 Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised along with the related impairment when the requirements have been met. The GRENKE Group derecognises financial assets when its contractual rights to cash flows have expired or the risks and rewards associated with the contractual rights are transferred to a buyer. When the GRENKE Group transfers its contractual rights to receive the cash flows of an asset to the buyer, but the opportunities and risks are not transferred, then the receivable is not derecognised, but instead a financial liability is recognised in the same amount.

An impairment also represents a derecognition. This is usually the case at the GRENKE Group when, after reasonable assessment, it can no longer be assumed that the contractual cash flows of a financial asset can be realised in whole or in part. This is the case, for example, if legal proceedings are terminated or, in the case of lease transactions, the asset is disposed.

Derecognition of financial liabilities

Financial liabilities are derecognised if the contractual obligation underlying the liability is discharged or definitively expires. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different terms, or if the terms of an existing liability are changed substantially, then such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability. A criterion that leads to a material change in the contract is when the discounted present value of the cash flows of the new contract conditions deviates by at least 10 percent from the discounted present value of the remaining cash flows of the original debt instrument. The difference between the corresponding carrying amounts is recognised in profit and loss.

3.6 Lease assets for sale

Lease assets for sale are recognised at their recoverable amount on the basis of historical figures. Appropriate measurement is ensured through the use of maturity bands reflecting the age of the lease assets. The sale proceeds calculated using this approach are netted against the expenses that are still incurred until the sale in order to correspond to the net realisable value.

3.7 Property, plant and equipment

Property, plant and equipment are recognised at acquisition costs net of accumulated depreciation and impairment. Financing costs are capitalised when the necessary requirements are met. Property, plant and equipment are depreciated on a straight-line basis over their expected economic life. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are derecognised, and any gains or losses resulting from their disposal are recognised in the income statement as other operating income or expenses.

Rates of depreciation are based on the following estimated economic lives of assets:

Office buildings	25–33 years
OPERATING AND OFFICE EQUIPMENT	
IT hardware	3 years
Leasehold improvements	10 years
Other (office equipment)	3–20 years

The useful life and depreciation method for the respective property, plant and equipment are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant, and equipment.

3.8 Goodwill

Goodwill resulting from acquisitions is initially determined as the excess of the purchase price over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity as of the date of acquisition.

Goodwill is not subject to scheduled amortisation. Following initial recognition, goodwill undergoes an impairment test at least once a year 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 segment, these units are equivalent to the business activities in the respective regions (countries). This cash-generating unit represents the lowest level at which goodwill is monitored internally.

The recoverable amount is the higher of the fair value less selling costs and the value in use of the cash-generating unit. If one of these amounts exceeds the carrying amount, then it is not always necessary to determine both amounts. The recoverable amount of each of the cash-generating units is determined based on a value-in-use calculation using cash flow projections. The cash flows of the five-year detailed planning phase are based in principle on financial plans approved by management for a period of three years and supplemented by two additional years. In the case of valuations in the Leasing segment, the five-year detailed planning phase is supplemented by a four-year ramp-up phase using the sustainable growth rate in order to achieve a steady state. For further explanations on the impairment testing of goodwill in the reporting year, please refer to Note 5.7.

3.9 Other intangible assets

3.9.1 Licences, software

Purchased licences and software are recognised at amortised cost. The acquisition costs include the purchase price plus directly attributable costs necessary to prepare the asset for its intended use. The acquisition costs are reduced by scheduled amortisation on a straight-line basis over their expected economic life that, according to a standalone assessment, is usually either 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 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 five to six years, depending on the development project.

3.9.3 Customer relations / reseller networks

Customer relations / reseller networks acquired in a business combination are measured at fair value upon initial recognition. The fair value of customer relations / reseller networks is based on a net present value method by applying the residual value method. Customer relations and reseller networks are amortised on a straight-line basis over their economic life of seven 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 previous period ceases to apply, an impairment loss must be reversed. Exceptions to this rule exist only for impairment of goodwill, the reversal of which is expressly prohibited.

3.11 Equity

The hybrid bonds issued by GRENKE AG and reported under additional equity components meet the definition of equity under IAS 32 and are recognised accordingly. The bonds are recognised at their nominal amount and are to be allocated to core capital according to CRR (Capital Requirements Regulation) / CRD (Capital Requirements Directive) IV. The share in net profit attributable to hybrid bondholders is only attributed to them once there is a legally enforceable right to distribution. Discounts and the cost of issuance of hybrid bonds reduce equity, whereas premiums increase equity, each net of deferred taxes and recorded under retained earnings.

3.12 Provisions

Provisions are carried at their probable settlement amount if a present obligation (legal or constructive) exists for the GRENKE Group due to an event occurring before the end of the reporting period, and it is probable that the settlement of the obligation will lead to an outflow of resources embodying economic benefits, and if a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In addition, any provisions for off-balance-sheet obligations, such as loan commitments and financial guarantees, must be recognised in accordance with the impairment requirements of IFRS 9 (see Note 3.5).

3.13 Pensions and other post-employment benefits

Defined benefit plans relate to benefits following the end of employment and are based on direct benefit commitments for which the amount of the benefit is determined and dependent on factors such as age, remuneration and time employed. The provision recognised for defined benefit plans in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets. Current and past service costs for benefits following the end of employment are recorded under staff costs. Interest expenses resulting from defined benefit obligations and interest income on plan assets are recorded as net interest expenses under other interest income. Past service costs resulting from plan adjustments are directly recognised in profit and loss.

The present value of the defined benefit obligation is calculated annually by an independent actuarial expert using the projected unit credit method of discounting the forecast future cash outflows using the interest rate of industrial bonds of excellent credit standing. The industrial bonds are denominated in the currency of the payment amounts, and their terms match those of the pension obligations. The calculation takes the current market interest rate into particular account as well as forecasts of future salary and pension increases in addition to biometric assumptions.

In accordance with Swiss law, the Consolidated Group has set up a defined benefit pension plan in Switzerland, which requires that contributions be made to separately administered funds. The obligation under the defined benefit plans is calculated using the projected unit credit method. In addition, there is a defined benefit pension plan for employees of GRENKE BANK AG, 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 out of which the obligations are to be settled directly.

Contributions to defined contribution plans are recognised as an expense when the employees have rendered services. These expenses include contributions to statutory pension schemes and, specifically, direct insurance premiums. The GRENKE Group primarily uses defined contribution plans.

3.14 Taxes

3.14.1 Actual tax assets and tax liabilities

Actual tax assets and liabilities for current and previous periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as of the end of the reporting period.

3.14.2 Deferred tax liabilities and deferred tax assets

Deferred tax liabilities are calculated using the liability method. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability for financial reporting purposes and its tax base.

Deferred tax assets for previously non-utilised tax-loss carryforwards are recognised to the extent that it is probable that taxable profit will be available in the future to utilise these carryforwards. Deferred tax assets and liabilities are recognised on the basis of tax rates anticipated for the period in which the temporary differences will reverse. For this purpose, tax rates are used which are applicable as of the end of the reporting period or will be applicable in the near future.

Deferred taxes relating to items that are recognised directly in equity are recognised in shareholders' equity and not in the income statement. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity at the end of the reporting period expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and 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:

- 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
- VAT included in the stated receivables and liabilities

The net VAT recoverable from or payable to the tax authorities is stated under other receivables or liabilities in the consolidated statement of financial position.

3.14.4 Trade tax

In calculating the trade income for the German Consolidated Group companies GRENKE AG, GRENKE Investitionen Verwaltungs KGaA, and GRENKEFACTORING GmbH, Section 19 of the German Trade Tax Implementation Ordinance (Gewerbesteuer-Durchführungsverordnung – GewStDV) was applied since the 2008 assessment period and charges and similar amounts relating directly to financial services as defined by Section 1 (1a) Sentence 2 of the German Banking Act (Kreditwesengesetz –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 Consolidated Group net profit attributable to the ordinary shareholders of GRENKE AG by the weighted-average number of shares outstanding during the financial year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based compensation plans have been converted or exercised.

3.16 Revenue from contracts with customers

The GRENKE Group acts as a principal and recognises income when it fulfils a performance obligation by transferring a promised good or service to a customer. The transfer is deemed to have occurred when the customer has obtained control over this asset.

The prerequisite for this is that the following criteria are met in identifying the contract with the customers: the contracting parties agreed to the contract; the corresponding rights to the goods or services to be transferred can be determined; the payment terms can be identified; the contract has an economic substance and the receipt of the consideration is probable.

The GRENKE Group is required to identify the performance obligations for each contract. When identifying the contractual performance obligations, any commitment to supply a good or to provide a service under a contract with a customer must first be identified. If goods and services from a contract have been identified, there is then an assessment as to whether these goods and services should be considered separate service obligations or whether certain services should be deferred from the overall package of services.

In determining the transaction price, the GRENKE Group estimates the fee based on the identified customer contract that can be claimed in exchange for the goods or services supplied. The variable purchase price components, fees to customers non-cash 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 Group allocates the transaction price generally on the basis of the individual selling prices. Individual selling prices are the prices at which a good or service would be sold separately at the time the contract begins or at the time the contract is concluded. Contracts that contain multiple performance obligations are referred to as multi-component contracts. When the actual individual selling prices are not immediately apparent, they are then estimated by the GRENKE Group. The individual selling price estimate takes into account all available information and uses as many observable parameters as possible. Estimates are calculated based on the market price as part of the adjusted market assessment approach.

The GRENKE Group takes into account all separately recognised benefit obligations of the relevant customer contract that were previously identified within the framework of the allocated transaction prices. Revenue is recognised either at a single point in time or over the period of time that the performance obligation is fulfilled.

A contract liability is recognised when the customer renders a payment or the payment becomes due (whichever event occurs first) before the Consolidated Group has transferred the respective goods or services to the customer and the Consolidated Group has an unconditional right to a certain consideration before transferring a good or a service to the customer. Contract liabilities are recognised as revenue once the Consolidated Group has met its contractual obligations or has transferred control over the respective goods or services to the customer.

3.16.1 Revenues from service and protection business

Revenues from service and protection business are reported under the profit from service business. The lease assets must be included under the group insurance policy of the GRENKE Group unless the lessees themselves insure the lease asset. For this service, the lessee will be charged fees on an annual basis that are recognised as revenue. The lessee's payments are made in advance at the beginning of the respective calendar year or, in the case of newly concluded contracts, at the beginning of the lease term during the year. Deferred income from contracts with customers in service and protection business is presented as contractual liabilities under the item deferred lease payments. When recognising the revenue from service and protection business, the performance obligation over a certain period of time can be said to be fulfilled, meaning the income must also be realised over this period. Income is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.2 Sale of lease assets

The sale of lease assets relates to lease assets from contracts that have exhausted their basic lease term, defective lease contracts or mutually agreed early termination. Revenue from the sale of lease assets is recognised when GRENKE fulfils a performance obligation by transferring the promised good to a customer. The transfer occurs when the customer obtains control over this asset. The Consolidated Group recognises the revenue at a certain point in time.

Revenue from sales after the end of the basic lease term or due to the mutually agreed early termination of the contract is recognised in gains / losses from disposals sale proceeds from defective lease contracts are recognised in the line item “settlement of claims and risk provision”.

3.16.3 Service fees for making lease assets available for use

Service fees for making the lease asset available for use are usually recognised at the beginning of the lease agreement when the performance obligation has been fulfilled.

3.16.4 Commission income from banking business

Commission income from banking business consists primarily of account fees and is usually charged or invoiced on a quarterly basis. These performance obligations are fulfilled over a period of time. Income is realised by means of output-based methods, under which revenue is determined on a straight-line basis over time.

3.16.5 Revenue from reminder fees

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

3.16.6 Other revenue to lessees

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

3.16.7 Interest income

Interest and similar income from financing business are recognised using the effective interest method. An exception is fees such as factoring fees, which are realised at the time of invoice.

3.17 Accounting judgements

In applying the accounting policies, the senior management has made the following judgements that substantially influence the recognition and amounts in the financial statements. This does not include those decisions involving estimates.

3.17.1 Principles of consolidation

When deciding whether to consolidate an entity, the following control factors, among others, are evaluated: the purpose and design of the entity; the relevant activities and how they are determined; whether the Consolidated Group’s rights give the ability to direct the relevant activities; whether the Consolidated Group has risk exposure or rights to variable returns; and whether the Consolidated Group can use its power to influence its returns.

When voting rights are decisive, the Consolidated Group is said to have control over an entity where it holds, directly or indirectly, more than half of the voting rights. This is the case unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

In determining control, potential voting rights are also considered if they are deemed as substantial.

The Consolidated Group gives a similar assessment on the existence of control where it does not control the majority of the voting rights but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of the voting rights of the shareholders give the Consolidated Group the power to direct the activities of the investee.

Moreover, when assessing whether to consolidate an entity, the possibility to control parts of the investee as a fictitious separate entity, a “silo”, is also considered.

If any facts or circumstances indicate changes in one or more of the control factors listed in IFRS 10, the Consolidated Group reviews the adequacy of previous decisions. The Consolidated Group reassesses the consolidation status on an annual basis. This includes changes in decision-making rights, changes in contractual arrangements changes in the financing, ownership or capital structure, as well as changes triggered by an event that was anticipated in the original contractual agreements.

For further explanations regarding changes in the scope of consolidation during the reporting period, please refer to Note 6.

3.17.2 Consolidation of structured entities

For refinancing, the Consolidated Group uses various structured entities in the form of asset-backed commercial paper (ABCP) programmes.

Control over the investee as a fictitious separate entity (“silo” structure) was determined for the structured entities and ABCP programmes of CORAL PURCHASING (IRELAND) 2 DAC, Kebnekaise Funding Limited, Elektra Purchase No. 25 DAC, Opusalpha Purchaser II Limited and SILVER BIRCH FUNDING DAC. Although this concerns multi-sellers in which banks create securitisation vehicles to give customers access to specific portfolios of assets and provide market liquidity through the securitisation of the financial assets, this financing structure opens up a further form of refinancing for the Consolidated Group and thus provides it with the corresponding benefits. The GRENKE Group does not have the power to exercise influence over the trust or the management of structured entities.

A significant activity over the term of these programmes is the selection of the receivables to be transferred. Furthermore, the initial selection of the receivables for each silo is defined according to specific selection criteria. In the event of a default of receivables, the settlement is managed by the GRENKE Group. The opportunities and risks of the receivables of the silos remain in the GRENKE Group. In the case of revolving receivables purchases or sales, the variable returns may be affected in such a manner that the part of the investee is controlled as a fictitious separate entity.

With the Fonds Commun de Titrisation (FCT), GK 2, FCT GK 4, and FCT GK 5 shares of the funds are held by two subsidiaries and are included in consolidation. The lease receivables purchased by the FCTs are underwritten by the ABCP programmes described above. The shares that are directly and indirectly held by the Consolidated Group are an indication for inclusion in the scope of consolidation, but not the decisive criteria since all assumptions contained in IFRS 10 must be met for consolidation. The FCTs are included in the scope of consolidation since all control factors are met, and the Consolidated Group controls the entities by having the power to direct the relevant activities, having the right of variable returns, as well as having the power to affect the amount of the returns.

As of December 31, 2023 and December 31, 2022 and during both years, the GRENKE Group did not hold any interests where it did not have the controlling influence. Therefore, there were no significant restrictions due to protection rights in favour of these shareholders.

3.17.3 Consolidation of franchise companies

The GRENKE Group has used a franchise model to facilitate its expansion strategy in the Leasing and Factoring segments in new markets. To this end, franchise companies were founded in the local markets by financial investors, with the respective managing director also holding shares in the franchise company. The GRENKE Group could acquire the company after approximately four to six years based on a pre-emptive right. Due to this strategy, an increasing number of former GRENKE employees have been recruited as managing directors and shareholders in recent years. Through the franchise agreements concluded, GRENKE grants rights that are intended to protect the franchise brand. In a typical franchise agreement, the franchisor is granted certain decision-making rights with regard to the franchisee's business activities. Generally, the franchisor's rights do not restrict the ability of third parties to make decisions that have a significant impact on the franchisee's return on investment. Similarly, the franchisor's rights under franchise agreements do not necessarily give the franchisor the ability to direct activities that have a material impact on the franchisee's return. A distinction has to be made between the present ability to make decisions that materially affect the franchisee's return and the ability to make decisions that protect the franchise brand. The franchisor does not have control over the franchisee if third parties have existing rights that give them the present ability to direct the franchisee's relevant activities. By entering into the franchise agreement, the franchisee has made a unilateral decision to conduct its business in accordance with the terms of the franchise agreement but on its own account. Fundamental decisions, such as the choice of legal form and financial structure of the franchisee, may be dominated by parties other than the franchisor and may significantly affect the franchisee's return. The lower the level of financial support provided by the franchisor and the lower the franchisor's risk exposure to the franchisee's return fluctuations, the greater the likelihood that the franchisor will only have protective rights. A certain degree of management's judgement is required in assessing whether or not franchise agreements and the accompanying objective control of the relevant activities of the franchise companies preclude a relationship requiring consolidation. The franchise companies are therefore included in the GRENKE Group's scope of consolidation in accordance with IFRS 10.

3.17.4 Leasing – GRENKE Group as lessor

In its capacity as lessor, the GRENKE Group has determined from its analysis of the contractual terms and conditions of nearly all leases during the basic lease term that all significant risks and rewards incidental to ownership of the leased assets concerned are transferred to the lessee. Accordingly, these leases are recognized in full as finance leases. In the case of individual Consolidated Group companies, the leases are set for the basic lease term in such a way that the significant risks and rewards incidental to ownership of the leased assets are not transferred to the lessee. These contracts are therefore accounted for as operating leases.

The determination of the term of a lease is subject to discretion. The term of a lease includes the non-cancellable basic term during which a lessee has the right to use an underlying asset. It also includes extension periods if the exercise of the underlying extension option by the lessee can be considered reasonably certain. Periods resulting from an option to terminate the lease are also only taken into account if there is sufficient certainty.

The GRENKE Group's contracts are structured so that there are no early termination options for the lessee that can be unilaterally exercised without GRENKE's consent until the agreed basic term ends. Early termination can only take effect through mutual agreement with GRENKE being released from damages. At the specified end of the basic term, both the lessee and GRENKE have a right of termination.

It is however possible for the lessee to obtain an extension of the period of use of the leased asset after the end of the fixed basic term by not terminating at the end of the basic term if GRENKE does not itself give notice of termination at the end of the basic term, e.g. in the event of an advantageous disposal opportunity. However, at the inception of the lease, experience does not indicate with sufficient certainty that leases will continue beyond the basic term. The term of the lease therefore generally corresponds to the basic term of the contract. When assessing whether there is sufficient certainty, the GRENKE Group takes into account all facts and circumstances that give the lessee an economic incentive to exercise or not exercise the extension option.

3.17.5 Leasing – GRENKE Group as lessee

The GRENKE Group, in its role as lessee, makes assessments affecting the amount of lease liabilities and rights of use recognised in the statement of financial position under IFRS 16. Such assessments concern, for example, the determination of appropriate incremental borrowing rates for discounting the expected cash flows and the determination of the lease term.

The determination of the lease's term is subject to discretion, as the property agreements concluded regularly include extension and termination options for flexibility purposes that are to be included in the determination of the lease's term when there is sufficient certainty that these options will be exercised. In assessing the existence of sufficient certainty, the GRENKE Group takes into account all of the facts and circumstances that give it an economic incentive in its role as lessee to exercise or not exercise the extension or termination option.

For further explanations of the recognised lease liabilities and rights of use, please refer to Note 5.10.

3.17.6 Impairment of financial assets

For information on discretionary decisions with regard to level transfers, credit impairment and other discretionary decisions made in determining the impairment of financial assets, please refer to the explanations in Note 3.5.5.

3.18 Use of assumptions and estimates

In preparing the consolidated financial statements, assumptions and estimates have been made that have affected the recognition and carrying amounts of assets, liabilities, income, expenses and contingent liabilities.

Assumptions and estimates generally relate to the GRENKE Group-wide uniform determination of the useful lives of assets; the measurement of provisions; the impairment of receivables; the recognition of realisable residual values of lease assets; the determination of parameters for assessing the recoverability of intangible assets and other non-financial assets and the determination of the fair value of financial instruments as well as the probability of future tax benefits. In individual cases, the actual amounts may differ from the assumptions and estimates. Any changes will be recognised in profit and loss as and when better information becomes available.

The key uncertainties in relation to estimates and the associated disclosure requirements are described in the sections that follow.

3.18.1 Assumptions made in impairment tests for measuring existing goodwill

The cash flows used to measure goodwill under the discounted cash flow method are based on the most current business plans and internal plans. In this context, assumptions are made as to the future development of income and expenses. Future growth rates of the respective cash-generating unit are assumed on the basis of past experience, and income and expense trends to date are projected into the future, taking into account current and expected market developments. The plans determined reflect the best possible estimates of further development of the macroeconomic environment and the respective cash-generating unit. The estimates made and the underlying methodology can have a significant influence on the values determined. Due to the current overall economic environment, the estimates regarding the development of future new business and returns for the cash-generating units continue to be associated with additional uncertainties. If significant assumptions differ from actual figures, impairments may have to be made in the future in profit and loss. For further information on the assumptions made, please refer to Note 5.7.

3.18.2 Determination of impairment for lease receivables (risk provisions)

Current lease receivables ("performing lease receivables") are generally to be measured in accordance with the provisions of IFRS 16. Additionally, appropriate risk provisions as defined by IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions. The ECL is calculated as a multiplication of the three parameters: probability of default (PD), loss given default (LGD) and exposure at default (EaD). This standard formula for determining the expected loss takes into account the probability of failure (PD), the maximum possible loss on failure (EaD) and ultimately the actual loss (LGD). Depending on whether the twelve-month period or the total residual term is considered, different models are used to estimate the parameters, taking into account the period under consideration.

The individual parameters are described in the following:

- PD: The default probability model is determined using a recognised mathematical statistical method. The model weighs input variables and, based on these weightings, determines an estimate for the probability of default until the actual end of the contract. Variables from three areas are included in the PD models. These are customer-specific variables, contract-specific variables and variables that reflect the observed payment behaviour of the lessee. Macroeconomic variables are included in our models in the form of country-specific parameters that are based on the respective country risk. Countries for which there is insufficient data to calculate a separate PD are summarised. In addition, various scenarios for the development of macroeconomic variables are considered. The aim here is to obtain forward-looking information on the gross domestic product and the unemployment rate in individual countries. The probabilities of the possible developments of macroeconomic variables are taken from a survey of professional forecasters published by the ECB. The final impact on the PD, and thus the risk provisioning within the individual scenarios, is determined using internal data. The final weighting of the PD derived from the internal data within the individual macroeconomic scenarios with their probability of occurrence according to the ECB expert survey results in the final PD that is decisive for risk provisioning.

- EaD: We calculate the EaD for lease receivables as the sum of the outstanding instalments and the IFRS residual value at the date of the loss. Since the time at which the loss event occurs is unknown at the reporting date, an estimate is made about the distribution of loss events during the observation period based on past experience and considered in our EaD model. Discounting takes place at the internal interest rate of the lease contract concerned.

- LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be as a quota of estimated EaD. For countries with insufficient data for the determination of LGDs, average values of the GRENKE Group are used. In addition, various scenarios for the development of macroeconomic variables are taken into account similar to the PD model.

The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

Terminated lease contracts or contracts in arrears (“non-performing lease receivables”) are also to be measured in accordance with the provisions of IFRS 16, taking the appropriate impairment pursuant to IFRS 9 into consideration. The amount of impairment is determined using percentages and processing categories. Percentages are calculated using statistical methods, which include both payments as well as expected payments. They are reviewed once a year for validity using backtesting. Processing statuses are grouped together in processing categories that are set up with respect to risk.

The following table lists the processing categories in 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 (requested or issued),insolvency proceedings instituted but not completed, protracted legal action / long-term monitoring (lawyer or debt collection)
7	Extended long-term monitoring / derecognition certificate insolvency required
8	Contract extension after end of the basic lease term (not terminated)
9	Discharged (completely paid) or being settled

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 25 percent and 100 percent. Processing categories 0 and 1 are impaired in the context of current lease receivables.

Management adjustments

Within the scope of risk provisioning as of December 31, 2023, management adjustments were recognised for future risks that are novel and difficult to calculate ("novel risks") in addition to the risk provisioning calculated in the model in accordance with IFRS 9. These adjustments cover, among others, geopolitical risks in connection with the conflicts in Ukraine and the Middle East and added uncertainties due to recession, supply and energy bottlenecks, and inflation. At the end of the financial year, these additional management adjustments totalled EUR 42,241k. These were recognised as an in-model adjustment of EUR 16,352k, reflecting the increased economic uncertainty through higher PD and LGD factors. In the normal scenario, the PD factors for current lease receivables were increased in line with economic uncertainties. In addition, the LGD factors were increased by 10 percent in the normal scenario and by 20 percent in the negative scenario. For the non-performing lease receivables, the LGD factors were increased by 10 percent in the negative scenario. In addition, a post-model adjustment of EUR 25,889k was recognised. This was determined based on an additional sensitivity analysis to cover risks that are difficult to calculate. The development of the chargeback ratio was used to determine additional default risks. As an additional post-model adjustment, 20 percent of the resulting effect on earnings was taken into account quantitatively.

The novel risks addressed by the ECB and taken into account in the management adjustments were modelled as part of a parallel calculation. The stability of the supply chains and the criticality of energy intensity were aggregated and evaluated on a country-group-specific basis to form an industry assessment. The parallel model confirmed the risk provisions recognised.

3.18.3 Determination of impairment for factoring receivables (risk provisions)

Current factoring receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

The following points describe the individual parameters:

- PD: The default probability model is determined using a recognised mathematical statistical method. The model weighs input variables and, based on this weighting, calculates an estimated probability of default. Our PD models include variables that provide information on the customer, the debtor and the receivable, as well as the current overdue status.
- EaD: The EaD is defined for factoring receivables as the outstanding amount as of the date of default. Since factoring receivables have a fixed due date, there are virtually no or only very limited estimation uncertainties about the amount and the time of outstanding receivables subject to potential default.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be in the future as a quota of estimated EaD. LGDs are determined at the country level. For countries where there is no sufficient underlying data for determining the LGDs, the LGD determined for Germany is used.

The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

Factoring receivables in arrears are recognised at amortised cost less appropriate bad debt allowances. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. Processing statuses are grouped together in processing categories.

The following table illustrates the processing categories in 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 0.2 percent and 100 percent. 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 lending business (risk provision)

Receivables from lending business are carried at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables. The following sub-portfolios are to be distinguished for lending business: start-up loans, microcredits and other loans. The microcredit receivables are fully guaranteed by the German microcredit fund (Mikrokreditfonds Deutschland) to ensure the recognition of an LGD of zero and no loan loss provisions for this portfolio.

For the remaining two portfolios, the individual parameters of the ECL model are defined as follows:

- PD: The default probability model is determined based on a viability rating (VR) procedure for corporate clients, if available. Otherwise, the modelling is carried out with the help of historical empirical values on defaults. The VR rating is updated monthly and, in addition to customer information, focuses on an analysis of their payment behaviour. Furthermore, various scenarios for the development of macroeconomic variables are taken into account. The aim here is to obtain forward-looking information on the gross domestic product and the unemployment rate in individual countries. The probabilities of the possible developments of macroeconomic variables are taken from a survey of professional forecasters published by the ECB. The final impact on the PD, and thus the risk provisioning within the individual scenarios, is determined using internal data. The final weighting of the PD derived from the internal data within the individual macroeconomic scenarios with their probability of occurrence according to the ECB expert survey results in the final PD that is decisive for risk provisioning.
- EaD: We calculate the EaD for receivables from lending business as the balance of outstanding receivables. Since the time at which the loss event occurs is unknown at the reporting date, an estimate is made about the future distribution of loss events during the observation period based on past experience and considered in our EaD model.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses in the future will be as a quota of estimated EaD. LGDs are determined separately for each portfolio. Macroeconomic factors are also taken into consideration.

The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

3.18.5 Determination of impairment for trade receivables

Trade receivables are measured at amortised cost. Appropriate risk provisions within the meaning of IFRS 9 must be taken into account. The GRENKE Group uses the expected credit loss (ECL) model to determine the expected loss and thus the risk provisions, as is the case for lease receivables.

The individual parameters are described below:

- PD: The probability of default model is determined using expert estimates based on internal information.
- EaD: EaD is defined for trade receivables as the outstanding amount as of the date of default. Since trade receivables have a fixed due date, there are virtually no or only very limited estimation uncertainties about the amount and the time of the outstanding receivables subject to a possible default.
- LGD: The LGD models reflect the past loss experience and determine how high the level of losses will be in the future as a quota of estimated EaD. For trade receivables, the LGD was based on an expert estimate that also includes regulatory requirements.

Trade receivables that are credit-impaired are assigned to Level 3 of the IFRS 9 Impairment Model. The amount of the impairment loss is based on the processing categories in leasing business and is determined on a case-by-case basis. Based on past experience, a 100 percent impairment loss is already recognised in some countries for all receivables that are more than six months past due.

The ECL model is validated on an ad hoc basis and at least once a year and updated if necessary.

3.18.6 Consideration of estimated residual values at the end of the lease term to determine the present value of lease receivables

Non-guaranteed (estimated) residual values are taken into account when determining the present value of the lease receivables in accordance with the definition in IFRS 16. The residual values estimated at the end of the contract period are determined according to the expiration group of the respective lease contract and include the expected subsequent business at the end of the term, based on historical experience. For additions as of January 1, 2023, residual values amounted to between 1 percent and 25 percent of the acquisition cost (previous year: as of January 1, 2022, between 1 percent and 25 percent). The estimated residual values are best determined on the basis of statistical analyses. If the post-transaction recoverable amount is lower than expected (from the sale and subsequent lease), the lease receivables are impaired. However, an increase in the recoverable amount remains unrecognised.

3.18.7 Recognition of lease assets for sale at estimated residual values

The measurement of lease assets for sale is based on the average sales proceeds per age group realised in the past financial year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. As of the end of the reporting period, the residual values used amounted to between 2.3 percent and 14.5 percent of the historical cost (previous year: between 2.5 percent and 19.6 percent). If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

3.18.8 Fair value of financial instruments

The fair values of financial assets and financial liabilities that could not be directly derived from information on active markets, are determined using a valuation model. The input parameters of these models are based on observable market data, if possible. If this is not possible, determining fair values requires a certain degree of judgement. This judgement relates to input parameters such as liquidity risk, credit risk and volatility. Changes regarding the assumptions of these input parameters may have an effect on the recognised fair value of financial instruments. If observable prices and parameters are available, they are to determine the fair value that in turn avoids the large-scale use of estimates.

3.18.9 Recognition and measurement of deferred taxes on tax-loss carryforwards

Deferred tax assets are recognised for all unused tax-loss carryforwards to the extent to which it is likely that taxable income will be available. This means that the tax-loss carryforwards may, in fact, be used. Determining the amount of the deferred tax assets requires considerable use of judgement on the part of management with regard to the expected occurrence and level of the future taxable income, as well as to future tax planning strategies.

3.18.10 Recognition and measurement of actual tax assets and tax liabilities

Due to the complexity of tax legislation, taxpayers and local tax authorities may have varying constructions and interpretations of the tax laws. This can lead to subsequent tax payments for previous financial years. Tax provisions are recognised in the event that the amounts stated in the tax declarations are not likely to be realised (uncertain tax items). The amount is determined from the best estimate of the anticipated tax payment. Tax receivables from uncertain tax items are recognised when probable and adequately ensured they can be realised. The assumptions of the amount of uncertain tax items that can be recognised are based on the management's assessment.

3.19 Categorisation as current and non-current

The Consolidated Group classifies assets and liabilities on the statement of financial position into current and non-current assets and liabilities. The residual term or the date of expected realisation or settlement is defined as current if there is less than one year between the reporting date and the due date. Financial instruments without contractual maturities, cash on hand, demand deposits and actual income taxes are generally categorised as "current". Deferred tax assets and liabilities are classified as non-current assets or liabilities.

4. Selected notes to the income statement

4.1 Net interest income

4.1.1 Interest and similar income from financing business

Interest and similar income from financing business break down as follows:

EURk	2023	2022
Interest income from leasing business	449'571	397'665
Interest and similar income from factoring business	13'465	10'893
Interest income from the Bank's lending business	4'376	4'955
TOTAL	467'412	413'513

4.1.2 Interest expenses from refinancing (including deposit business)

Interest expenses from refinancing, including deposit business, break down as follows:

EURk	2023	2022
Interest expenses from refinancing (excl. deposit business)	104'646	61'568
Interest expenses from deposit business	24'233	7'432
TOTAL	128'879	69'000

4.2 Settlement of claims and risk provision

Expenses for the settlement of claims and risk provision break down as follows:

EURk	2023	2022
SETTLEMENT OF CLAIMS AND RISK PROVISION IN LEASING BUSINESS	86'879	105'243
Impairment in leasing business	–8'469	–53'617
Settlement of claims and other risk provision in leasing business	95'083	158'495
Depreciation of terminated operating leases	92	189
Expenses from disposal of residual carrying amounts under operating leases	173	176
SETTLEMENT OF CLAIMS AND RISK PROVISION IN THE BANK'S LENDING BUSINESS	–5'842	14'331
Impairment in the Bank's lending business	–13'970	14'166
Other settlement of claims and risk provision in lending business	8'128	165
SETTLEMENT OF CLAIMS AND RISK PROVISION IN FACTORING BUSINESS	7'874	74
Impairment in factoring business	7'039	–528
Other settlement of claims and risk provision in factoring business	835	602
SETTLEMENT OF CLAIMS AND RISK PROVISION IN TRADE RECEIVABLES	1'918	789
Impairment in trade receivables	1'528	365
Other settlement of claims and risk provision in factoring business	390	424
TOTAL	90'829	120'437
thereof impairment	–13'872	–39'614

4.3 Profit from service business

This item contains income and expenses from service and protection business, the processing of property insurance policies within the scope of leasing business, as well as income and expenses from operating leases. The effect from hyperinflation results from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the context of leasing business in Turkey.

The income and expenses from service business break down as follows:

EURk	2023	2022
Revenue from service and protection business	146'726	133'272
Expenses from service and protection business	11'918	9'438
PROFIT FROM SERVICE AND PROTECTION BUSINESS	**134'808**	**123'834**
Revenue from operating leases	25'191	24'357
Depreciation of lease assets from operating leases	29'405	28'525
Effect of high inflation	4'515	4'365
PROFIT FROM OPERATING LEASES	**301**	**197**
TOTAL	**135'109**	**124'031**

4.4 Profit from new business

The profit from new business is comprised as follows:

EURk	2023	2022
Capitalised initial direct costs	24'591	23'132
Revenue from lease down payments	12'433	10'341
Service fees for making lease assets available for use	9'139	6'693
Net commission income from lending and factoring business	393	495
Other	4	12
PROFIT FROM NEW BUSINESS	**46'560**	**40'673**

Based on the calculations specific to the lease agreement, mainly 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 primarily include commissions paid to resellers, bonus payments, variable remuneration components and other initial direct costs incurred in connection with the conclusion of the lease. The presentation of capitalised initial direct costs is on a gross basis, which means the costs incurred are still included within the corresponding items of the income statement.

4.5 Gains (+) / losses (-) from disposals

EURk	2023	2022
Capital gains / losses from disposal after end of the basic lease term	6'424	1'631
Capital losses from the mutually agreed early dissolution of contracts	–3'827	–4'752
PROFIT	**2'597**	**–3'121**

The gains / losses from disposals consist of gains and losses from the termination of lease contracts after the agreed basic lease term and gains / losses from the premature mutual termination of contracts. The income components of subsequent business are reported as interest and similar income from financing business within the framework of finance leases.

4.6 Staff costs

In the reporting year, GRENKE Group's headcount (excluding the Board of Directors) averaged 2,158 employees (previous year: 1,954). Additionally, the Consolidated Group employed 58 trainees (previous year: 47).

Number of employees	2023	2022
Europe	2'036	1'847
of which in Germany	912	814
of which in France	194	170
of which in Italy	208	205
Other countries	122	107
GRENKE GROUP	**2'158**	**1'954**

The average number of employees (excluding the Board of Directors) in full-time equivalents was 2,068 (previous year: 1,878).

Staff costs consisted of the following:

EURk	2023	2022
Salaries	144'468	122'637
Social security and pension expenses	31'539	26'430
TOTAL	**176'007**	**149'067**

Salaries include severance payments of EUR 2,157k (previous year: EUR 1,284k).

Staff costs contain a net amount of government grants triggered by the COVID-19 pandemic in the amount of EUR 0k (previous year: EUR 100k) and other grants of EUR 84k (previous year: EUR 39k). The grants recognised were attributable to the utilisation of training allowances and, in the previous year, short-time allowance, reduced social security contributions and other grants in various countries.

For the existing defined benefit pension plans, a net pension expense totalling EUR 496k (previous year: EUR 588k) was recognised under staff costs for the 2023 financial year. Staff costs also included EUR 2,225k (previous year: EUR 1,531k) for the employee participation programme of the French subsidiary.

Expenses by category were as follows:

EURk	2023	2022
Staff costs	176'007	149'067
Own work capitalised	555	2'243
TOTAL STAFF COSTS	**176'562**	**151'310**

4.7 Depreciation, amortisation and impairment

EURk	2023	2022
Other intangible assets	6'732	7'298
Operating and office equipment	4'845	4'817
Goodwill	600	5'923
Office buildings	1'156	1'157
Rights of use	13'735	13'112
Financial assets	0	158
TOTAL	**27'068**	**32'465**

With regard to expenses from impairment of property, plant and equipment, goodwill and other intangible assets, please refer to Notes 5.6 through 5.8. With regard to the amortisation of rights of use capitalised as lessee in accordance with IFRS 16, please see Note 5.10.

Expenses by category were as follows:

EURk	2023	2022
Depreciation, amortisation and impairment	27'068	32'465
Depreciation and amortisation of operating leases recorded in the profit from service business	29'405	28'525
Depreciation and amortisation of operating leases recorded in the risk provisions of leasing business	92	189
TOTAL DEPRECIATION/ AMORTISATION	**56'565**	**61'179**

4.8 Selling and administrative expenses (excluding staff costs)

Selling and administrative expenses are divided into the following categories:

EURk	2023	2022
Operating expenses	31'738	29'458
Consulting and audit fees	17'117	22'194
Distribution costs (excl. commissions and bonuses)	17'287	15'693
Administrative expenses	21'099	16'959
Other taxes	4'964	3'971
IT project costs	13'384	8'602
Remuneration of the supervisory committees	876	786
TOTAL	**106'465**	**97'663**

The decrease in consulting and auditing costs was mainly due to the non-recurrence of the additional legal and consulting costs still incurred in the previous year following the special audit in accordance with Section 44 (1) Sentence 2 KWG.

The consulting costs in the context of the majority acquisitions of the franchise companies amounted to EUR 428k in the 2023 financial year (previous year: EUR 1,327k).

Information technology (IT) project costs that were not capitalised as development costs occurred as a result of the involvement of external expertise, particularly for process optimisation projects of the central and standardised IT processes. The increase compared to the previous year resulted from activities related to the Digital Excellence programme, which included the design and implementation of automated processes in the areas of customer verification and money laundering, as well as the gradual establishment of a suitable cloud infrastructure.

Expenses by category were as follows:

EURk	2023	2022
Selling and administrative expenses	106'465	97'663
Expenses from service and protection business	11'918	9'438
Commissions and bonuses paid to dealers and recorded in profit from new business	64'975	57'234
TOTAL SELLING AND ADMINISTRATIVE EXPENSES	**183'358**	**164'335**

4.9 Other operating expenses

Other operating expenses break down as follows:

EURk	2023	2022
Currency translation differences	12'400	8'708
Revenue deductions	5'085	3'612
Capital losses from the disposal of operating and office equipment	40	461
Expenses from previous periods	3	94
Other items	833	1'114
TOTAL	**18'361**	**13'989**

4.10 Other operating income

Other operating income breaks down as follows:

EURk	2023	2022
Revenue from overdue payment fees	1'433	1'261
Maintenance revenues	863	398
Other revenue from lessees	860	956
Revenue from the disposal of merchandise	67	93
Previous period income	1'129	605
Proceeds account management	156	346
Rental income	94	102
Capital gains from the disposal of non-current assets	400	72
Reversal of other provisions	1'778	52
Government grants	167	292
Other items	1'898	1'326
TOTAL	**8'845**	**5'503**

4.11 Revenue from contracts with customers

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

EURk	Segment	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)			
Gross revenue from service and protection business (service business)	Leasing	146'726	133'272
Service fee for making lease assets available for use	Leasing	9'139	6'693
Revenue from reminder fees	Leasing	1'418	1'246
Revenue from reminder fees	Factoring	15	15
Other revenue from lessees	Leasing	860	956
Disposal of lease assets	Leasing	186'365	182'309
Commission income from banking business	Bank	393	495
TOTAL		**344'916**	**324'986**

4.12 Revenue from contracts with customers and other revenue

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

EURk	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)	**344'916**	**324'986**
OTHER REVENUE (IFRS 9, IFRS 16)		
Interest and similar income from financing business	467'412	413'513
Revenue from operating leases	25'191	24'357
Portions of revenue from lease down payments	12'434	10'341
TOTAL	**849'953**	**773'197**

4.13 Income taxes

EURk	2023	2022
Current taxes	24'059	22'141
Corporate and trade taxes (Germany)	842	143
International income taxes	23'217	21'998
Deferred taxes	–370	4'708
Germany	–10'503	–5'482
International	10'133	10'190
TOTAL	**23'689**	**26'849**

Current taxes include tax expenses of EUR 623k from previous years (previous year: EUR 2,592k).

4.13.1 Reconciliation of the average effective tax rate to the expected tax rate

The reconciliation of the expected applicable tax rate of GRENKE AG to the effective tax rate based on earnings before taxes (100 percent) is as follows:

Applicable tax rate	2023	2022
Trade tax	14.13%	14.13%
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	**29.96%**	**29.96%**
Non-deductible expenses	7.13%	7.33%
Changes due to international taxes	–10.26%	–14.40%
Effective changes in tax rates	0.09%	0.84%
Utilisation of non-capitalised loss carryforwards	–1.11%	0.00%
Tax-free income	2.37%	3.04%
Effect of non-tax deductible goodwill impairment	0.16%	1.60%
Tax reductions due to tax-free income	–6.22%	–6.86%
Back payments and tax re-funds from previous years	0.56%	2.33%
Tax credits	0.00%	0.00%
Other	–1.22%	0.34%
EFFECTIVE AVERAGE TAX RATE FOR THE CONSOLI-DATED GROUP	**21.46%**	**24.18%**

4.14 Earnings per share

The Consolidated Group net profit attributable to the shareholders of GRENKE AG in the amount of EUR 83,248k (previous year: 81,307k) is the basis for the calculation of both diluted and basic earnings per share. There was no dilutive effect in the 2023 financial year or in the previous year. Earnings per share for the reporting year amounted to EUR 1.79 (previous year: EUR 1.75).

Shares	2023	2022
Shares outstanding at beginning of period	46'495'573	46'495'573
Average number of shares outstanding at end of period	46'495'573	46'495'573
Shares outstanding at end of period	46'495'573	46'495'573

EURk	2023	2022
Net profit attributable to GRENKE AG ordinary shareholders	83'248	81'307
Net profit attributable to GRENKE AG hybrid capital holders	9'068	9'068
Profit / loss attributable to non-controlling interests	–5'602	–6'191
GROUP EARNINGS	**86'714**	**84'184**

5. Selected notes to the statement of financial position

5.1 Cash and cash equivalents

EURk	Dec. 31, 2023	Dec. 31, 2022
Bank balances	212'464	122'192
Balances at central banks	484'721	326'614
Cash in hand	17	38
TOTAL	**697'202**	**448'844**

For the purposes of the statement of cash flows, cash and cash equivalents break down as follows:

EURk	Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents as per the statement of financial position	697'202	448'844
Less current account liabilities	272	239
CASH AND CASH EQUIVALENTS AS PER THE STATEMENT OF CASH FLOWS	**696'930**	**448'605**

5.2 Lease receivables

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

EURk	Dec. 31, 2023	Dec. 31, 2022
Lease payments outstanding under finance leases as of reporting date		
Up to 1 year	2'233'373	2'091'397
1 to 2 years	1'590'640	1'463'163
2 to 3 years	1'095'970	927'828
3 to 4 years	654'453	527'037
4 to 5 years	278'172	230'406
More than 5 years	52'594	37'224
TOTAL	**5'905'202**	**5'277'055**
+ non-guaranteed residual values	720'312	692'976
GROSS INVESTMENT	**6'625'514**	**5'970'031**
– unrealised (outstanding) finance income	910'816	685'009
NET INVESTMENT	**5'714'698**	**5'285'022**

The reconciliation of gross investment contains only current contracts as of the reporting date. The following adjustments must be made in order to reconcile the net investment with the carrying amount of lease receivables reported in the statement of financial position:

EURk	Dec. 31, 2023	Dec. 31, 2022
CHANGES IN LEASE RECEIVABLES FROM CURRENT CONTRACTS		
RECEIVABLES AT BEGINNING OF PERIOD	**5'285'022**	**5'093'885**
+ change during the period	429'676	191'137
LEASE RECEIVABLES (CURRENT + NON-CURRENT) FROM CURRENT CONTRACTS AT END OF PERIOD	**5'714'698**	**5'285'022**
CHANGES IN LEASE RECEIVABLES FROM TERMINATED CONTRACTS / CONTRACTS IN ARREARS		
GROSS RECEIVABLES AT BEGINNING OF PERIOD	**443'506**	**563'763**
+ additions to gross receivables during the period	115'361	25'308
– disposals of gross receivables during the period	96'905	145'565
GROSS RECEIVABLES AT END OF PERIOD	**461'962**	**443'506**
TOTAL GROSS RECEIVABLES (CURRENT AND TERMINATED)	**6'176'660**	**5'728'528**
IMPAIRMENT AT BEGINNING OF PERIOD	**484'584**	**538'676**
+ additions of accumulated impairment during the period	–7'778	–54'092
IMPAIRMENT AT END OF PERIOD	**476'806**	**484'584**
Lease receivables (carrying amount, current and non-current) at beginning of period	5'243'944	5'118'972
LEASE RECEIVABLES (CARRYING AMOUNT, CURRENT AND NON-CURRENT) AT END OF PERIOD	**5'699'854**	**5'243'944**

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-conscious decision-making processes and a small-scale contract and lessee portfolio, lease receivables are highly diversified in terms of credit risk quality. In the majority of cases (97.9 percent), the GRENKE Group remains the legal owner of the lease assets, which are used as collateral for the lease receivables. There is also a low amount of bank guarantees (EUR 8.1 million) as well as guarantees and warranties from third parties for 3 percent of the lease receivables based on the carrying amount. The risk concentration of the lease receivables results from the underlying receivables. The risk concentration of lease receivables is determined on the basis of the main geographical areas in which revenues are generated with external customers. The three countries Germany, France and Italy account for a total of 57 percent (previous year: 60 percent) of the gross volume of lease receivables. The total amount of the risk position per risk concentration country is shown in the following overview. The following overview also shows the gross receivables broken down into the default risk rating categories for lease receivables as defined in the GRENKE Group and the level of impairment for lease receivables for each IFRS 9 impairment level. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

2023

EURk	Level 1	Level 2	Level 3	Total
GERMANY				
Categories 0, 8: Low risk	1'156'441	48'685	0	1'205'126
Categories 1, 8: Higher risk	0	7'456	15'803	23'259
Categories 2–6: Doubtful receivables	0	0	20'253	20'253
TOTAL GROSS RECEIVABLES GERMANY	**1'156'441**	**56'141**	**36'056**	**1'248'638**
FRANCE				
Categories 0, 8: Low risk	1'160'722	61'201	0	1'221'923
Categories 1, 8: Higher risk	0	15'080	35'191	50'271
Categories 2–6: Doubtful receivables	0	0	83'714	83'714
TOTAL GROSS RECEIVABLES FRANCE	**1'160'722**	**76'281**	**118'905**	**1'355'908**
ITALY				
Categories 0, 8: Low risk	688'529	56'911	0	745'440
Categories 1, 8: Higher risk	0	5'649	24'582	30'231
Categories 2–6: Doubtful receivables	0	0	125'013	125'013
TOTAL GROSS RECEIVABLES ITALY	**688'529**	**62'560**	**149'595**	**900'684**
OTHER COUNTRIES				
Categories 0, 8: Low risk	2'216'404	125'587	0	2'341'991
Categories 1, 8: Higher risk	0	46'580	70'238	116'818
Categories 2–6: Doubtful receivables	0	0	212'621	212'621
TOTAL GROSS RECEIVABLES OTHER COUNTRIES	**2'216'404**	**172'167**	**282'859**	**2'671'430**
TOTAL CONSOLIDATED GROUP				
Categories 0, 8: Low risk	5'222'096	292'384	0	5'514'480
Categories 1, 8: Higher risk	0	74'765	145'814	220'579
Categories 2–6: Doubtful receivables	0	0	441'601	441'601
TOTAL GROSS RECEIVABLES CONSOLIDATED GROUP	**5'222'096**	**367'149**	**587'415**	**6'176'660**
Impairment	70'565	44'789	361'452	476'806
CARRYING AMOUNT	**5'151'531**	**322'360**	**225'963**	**5'699'854**

Gross lease receivables increased in the 2023 financial year by EUR 448,132k or 7.8 percent. The gross lease receivables developed differently in the three IFRS 9 levels. While receivables in Levels 1 and 3 increased by a respective EUR 412,331k (8.6 percent) and EUR 47,510k (8.8 percent), receivables in Level 2 decreased by EUR 11,709k (3.1 percent). The increase in receivables in IFRS 9 Level 1 was due to the growth in new leasing business. At EUR 330,870k (17.5 percent), the segment "Other countries" recorded the strongest year-on-year increase, followed by France, where Level 1 receivables increased by EUR 88,814k (8.3 percent). The increase in receivables in IFRS 9 Level 3 was attributable to the difficult macroeconomic environment and had a varying impact in Germany (58.4 percent), France (23.6 percent) and in the "Other countries" segment (15.5 percent). In absolute figures, the increase in Level 3 was strongest in the "Other countries" segment at EUR 37,916k. In France and Germany, the increase amounted to EUR 22,698k and EUR 13,291k, respectively. Only Italy recorded a decline in Level 3 receivables. This amounted to EUR 26,395k or 15.0 percent compared to the previous year. In contrast to the other countries, Level 1 receivables in Italy also fell by EUR 31,963k (4.4 percent). In IFRS 9 Level 2, there was only an increase in gross lease receivables in the "Other countries" segment in the amount of EUR 23,636k (15.9 percent). They declined in all other countries, with the largest decrease in Italy at EUR 31,937k (33.8 percent).

2022

EURk	Level 1	Level 2	Level 3	Total
GERMANY				
Categories 0, 8: Low risk	1'131'831	42'023	0	1'173'854
Categories 1, 8: Higher risk	0	15'373	9'078	24'451
Categories 2–6: Doubtful receivables	0	0	13'687	13'687
TOTAL GROSS RECEIVABLES GERMANY	**1'131'831**	**57'396**	**22'765**	**1'211'992**
FRANCE				
Categories 0, 8: Low risk	1'071'908	65'584	0	1'137'492
Categories 1, 8: Higher risk	0	12'850	24'984	37'834
Categories 2–6: Doubtful receivables	0	0	71'223	71'223
TOTAL GROSS RECEIVABLES FRANCE	**1'071'908**	**78'434**	**96'207**	**1'246'549**
ITALY				
Categories 0, 8: Low risk	720'492	87'867	0	808'359
Categories 1, 8: Higher risk	0	6'630	23'158	29'788
Categories 2–6: Doubtful receivables	0	0	152'832	152'832
TOTAL GROSS RECEIVABLES ITALY	**720'492**	**94'497**	**175'990**	**990'979**
OTHER COUNTRIES				
Categories 0, 8: Low risk	1'885'534	113'337	0	1'998'871
Categories 1, 8: Higher risk	0	35'194	53'396	88'590
Categories 2–6: Doubtful receivables	0	0	191'547	191'547
TOTAL GROSS RECEIVABLES OTHER COUNTRIES	**1'885'534**	**148'531**	**244'943**	**2'279'008**
TOTAL CONSOLIDATED GROUP				
Categories 0, 8: Low risk	4'809'765	308'811	0	5'118'576
Categories 1, 8: Higher risk	0	70'047	110'616	180'663
Categories 2–6: Doubtful receivables	0	0	429'289	429'289
TOTAL GROSS RECEIVABLES CONSOLIDATED GROUP	**4'809'765**	**378'858**	**539'905**	**5'728'528**
Impairment	71'296	49'912	363'376	484'584
CARRYING AMOUNT	**4'738'469**	**328'946**	**176'529**	**5'243'944**

The following tables provide an overview of the changes in gross lease receivables for financial years 2023 and 2022:

EURk	Level 1	Level 2	Level 3	Total
GROSS RECEIVABLES AS OF JAN. 1, 2023	**4'809'765**	**378'858**	**539'905**	**5'728'528**
Newly extended or acquired financial assets*	2'310'459	105'716	71'897	2'488'072
Reclassifications				
to Level 1	61'167	–49'694	–11'473	0
to Level 2	–145'552	173'991	–28'439	0
to Level 3	–135'588	–66'064	201'652	0
Change in risk provision due to change in level	–27'020	–57'259	–40'504	–124'783
Mutual contract dissolution or payment for financial assets (without derecognition)	–2'004'545	–144'220	–51'678	–2'200'443
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	–12'950	–12'950
Change in models / risk parameters used in ECL calculation	–3	0	0	–3
Derecognition of financial assets	–3'886	–1'869	–91'510	–97'265
Currency translation and other differences	3'049	242	1'214	4'505
Accrued interest	354'250	27'448	9'301	390'999
GROSS RECEIVABLES AS OF DEC. 31, 2023	**5'222'096**	**367'149**	**587'415**	**6'176'660**

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

EURk	Level 1	Level 2	Level 3	Total
GROSS RECEIVABLES AS OF JAN. 1, 2022	**4'658'798**	**379'464**	**619'386**	**5'657'648**
Newly extended or acquired financial assets*	2'031'747	87'705	57'695	2'177'147
Reclassifications				
to Level 1	39'155	–28'809	–10'346	0
to Level 2	–148'311	182'715	–34'404	0
to Level 3	–105'735	–47'582	153'317	0
Change in risk provision due to change in level	–17'713	–62'432	–33'550	–113'695
Mutual contract dissolution or payment for financial assets (without derecognition)	–1'950'859	–157'625	–52'210	–2'160'694
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	–19'279	–19'279
Change in models / risk parameters used in ECL calculation	–3	0	0	–3
Derecognition of financial assets	–3'420	–1'382	–150'778	–155'580
Currency translation and other differences	–25'490	–802	1'243	–25'049
Accrued interest	331'596	27'606	8'831	368'033
GROSS RECEIVABLES AS OF DEC. 31, 2022	**4'809'765**	**378'858**	**539'905**	**5'728'528**

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

The following tables provide an overview of changes in impairment for current and non-current lease receivables for financial years 2023 and 2022:

EURk	Level 1	Level 2	Level 3	Total
IMPAIRMENT AS OF JAN. 1, 2023	**71'296**	**49'912**	**363'376**	**484'584**
Newly extended or acquired financial assets*	29'859	14'302	27'309	71'470
Reclassifications				
to Level 1	5'989	–4'119	–1'870	0
to Level 2	–2'891	9'418	–6'527	0
to Level 3	–2'641	–10'134	12'775	0
Change in risk provision due to change in level	–5'163	1'551	64'689	61'077
Mutual contract dissolution or payment for financial assets (without derecognition)	–27'989	–16'407	–20'595	–64'991
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	1'542	1'542
Change in models / risk parameters used in ECL calculation	–2'295	–2'620	–7'802	–12'717
Derecognition of financial assets	–44	–263	–73'621	–73'928
Currency translation and other differences	49	131	13	193
Accrued interest	4'395	3'018	2'163	9'576
IMPAIRMENT AS OF DEC. 31, 2023	**70'565**	**44'789**	**361'452**	**476'806**
thereof impairment on non-performing lease receivables	0	0	325'316	325'316
thereof impairment on performing lease receivables	70'565	44'789	36'136	151'490

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

The risk provision for lease receivables fell by EUR 7,778k or 1.6 percent in the 2023 financial year. The decrease is mainly due to IFRS 9 Level 2 and, to a lesser extent, IFRS 9 Level 3 and IFRS 9 Level 1. The risk provision in Level 2 fell by EUR 5,123k (10.3 percent), the risk provision in Level 3 fell by EUR 1,924k (0.5 percent) and the risk provision in Level 1 fell by EUR 731k (1.0 percent). The decrease in risk provisioning in IFRS 9 Level 2 was due, among others, to the post-model adjustment explained in Note 3.18.2.

EURk	Level 1	Level 2	Level 3	Total
IMPAIRMENT AS OF JAN. 1, 2022	**45'416**	**51'070**	**442'190**	**538'676**
Newly extended or acquired financial assets*	28'274	12'539	23'343	64'156
Reclassifications				
to Level 1	3'268	–1'892	–1'376	0
to Level 2	–2'583	9'018	–6'435	0
to Level 3	–1'711	–5'977	7'688	0
Change in risk provision due to change in level	–2'731	3'696	51'633	52'598
Mutual contract dissolution or payment for financial assets (without derecognition)	–14'666	–10'755	–24'580	–50'001
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0
Change in category in processing losses	0	0	12'042	12'042
Change in models / risk parameters used in ECL calculation	12'931	–9'880	–8'777	–5'726
Derecognition of financial assets	–30	–178	–135'759	–135'967
Currency translation and other differences	–84	–71	1'722	1'567
Accrued interest	3'212	2'342	1'685	7'239
IMPAIRMENT AS OF DEC. 31, 2022	**71'296**	**49'912**	**363'376**	**484'584**
thereof impairment on non-performing lease receivables	0	0	336'783	336'783
thereof impairment on performing lease receivables	71'296	49'912	26'593	147'801

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

Sensitivity analysis

The calculation of impairment losses on financial assets is based on assumptions and estimates regarding the risk of default and the expected loss rates. The Consolidated Group exercises judgement in determining these assumptions and in selecting the inputs to the impairment calculation based on the Consolidated Group's past experience, existing market conditions and forward-looking estimates at the end of each reporting period. The most important assumptions and input factors used are presented under accounting policies.

To determine the risk provision in accordance with IFRS 9, expected credit defaults of various macroeconomic scenarios are weighted. GRENKE calculates a negative, a positive and a baseline scenario for this purpose.

The assumed developments of the gross domestic product are shown in the following table for each scenario:

Gross domestic product	Jan. 1, 2024–Dec. 31, 2024			Jan. 1, 2025–Dec. 31, 2025			Jan. 1, 2026–Dec. 31, 2026		
	Negative	Baseline	Positive	Negative	Baseline	Positive	Negative	Baseline	Positive
Eurozone	–6.3%	0.9%	2.1%	0.9%	1.5%	2.1%	1.5%	1.4%	2.1%
Germany	–3.8%	0.9%	2.2%	0.9%	2.0%	2.2%	2.0%	1.9%	2.2%
France	–7.7%	1.3%	2.3%	1.3%	1.8%	2.3%	1.8%	1.7%	2.3%
Italy	–9.0%	0.7%	1.8%	0.7%	1.0%	1.8%	1.0%	1.1%	1.8%
Spain	–11.2%	1.7%	3.5%	1.7%	2.1%	3.5%	2.1%	1.8%	3.5%
United Kingdom	–11.0%	0.6%	2.5%	0.6%	2.0%	2.5%	2.0%	2.1%	2.5%

The amount of risk provisioning for current lease receivables per scenario is shown in the following table:

	Scenarios as of Dec. 31, 2023		
EURk	Negative	Baseline	Positive
Risk provision	147'476	124'364	104'158

	Scenarios as of Dec. 31, 2022		
EURk	Negative	Baseline	Positive
Risk provision	135'232	113'174	94'219

In the baseline scenario, recurring but not permanent shortages of Russian gas supplies are assumed. The assumption is also that the Russia-Ukraine war will further continue, and inflation will remain at an elevated level (well above 2.0 percent). As a result of second- and third-round effects, increased credit losses occur globally. The increase in default rates is about a quarter of the increase at the beginning of the COVID-19 pandemic. The magnitude of the increase is derived from historical default rates in the wake of the recent financial and sovereign debt crisis.

The negative scenario assumes further significant shortages in the economies heavily dependent on Russian gas and the continuation of the Russian war of aggression against Ukraine. This leads to a further increase in the price of imported energy raw materials. At the same time, central banks continue to tighten monetary policy in order to combat ever-rising inflation rates. This leads to a sharp drop in the willingness to undertake industrial investment as well as to a considerable loss in purchasing power among private households. Second- and third-round effects are assumed to result in substantially increased credit losses globally. The increase in default rates roughly corresponds to what was seen at the beginning of the COVID-19 pandemic.

In the positive scenario, the lack of Russian gas supplies can be compensated for by energy-saving measures and the import of liquid gas, despite the ongoing Russia-Ukraine war. Inflation is assumed to decrease moderately. Political measures support the loss of purchasing power in private households and prevent a sharp drop in the willingness to invest in industry. Accordingly, default rates return to pre-COVID-19 levels.

Various minimum default rates (floors) are taken into account in all scenarios. Significantly declining default rates can currently be observed in the GRENKE portfolio, especially compared to the pre-COVID-19 level. Notwithstanding this, the increase in default rates to the default rate level before the COVID-19 pandemic is applied in all scenarios. The effect of the current significant decline in default rates is therefore not taken into account.

The probabilities of occurrence of the macro scenarios are determined on a country-specific basis in order to take into account the different economic and political circumstances of the respective countries. These scenario weightings are derived from public data published by the ECB. By means of a survey among various analysts, the ECB establishes a probability distribution for the GDP of the years 2023 to 2025. Probabilities of occurrence for individual scenarios can be calculated from these probability distributions. The publicly available GDP expectations as well as the historical GDP observations of the IMF are also used for the country-specific determination of the probabilities of occurrence.

As of December 31, 2023, the scenarios in the core markets of the GRENKE Group were weighted as follows:

Scenario weighting	Jan. 1, 2024–Dec. 31, 2024			Jan. 1, 2025–Dec. 31, 2025			Jan. 1, 2026–Dec. 31, 2026		
	Negative	Baseline	Positive	Negative	Baseline	Positive	Negative	Baseline	Positive
Germany	17.0%	77.0%	6.0%	5.0%	62.0%	33.0%	5.0%	64.0%	31.0%
France	10.0%	81.0%	9.0%	6.0%	74.0%	20.0%	6.0%	76.0%	18.0%
Italy	22.0%	70.0%	8.0%	13.0%	73.0%	14.0%	11.0%	72.0%	17.0%
Spain	6.0%	92.0%	2.0%	4.0%	92.0%	4.0%	5.0%	92.0%	3.0%
United Kingdom	23.0%	75.0%	2.0%	5.0%	76.0%	19.0%	4.0%	74.0%	22.0%

Due to the increased economic uncertainty, various sensitivity analyses were also carried out. In these sensitivity analyses, the effects on risk provisioning were analysed by shifting various input parameters. Specifically, the probability of default (PD) was increased or decreased by 15 percent; the positive macro scenario was increased by 20 percent and the negative macro scenario was decreased by 20 percent. An average reduction in PD of 15 percent and a change in the positive scenario of 20 percent would result in a decline in the risk provision of EUR 16,099k as of the reporting date. An increase in the average PD by 15 percent and a shift in the negative scenario would result in a higher risk provision of EUR 16,290k. The post-model adjustments recognised take into account the increased economic uncertainties on the basis of these sensitivity analyses.

Presentation of lease receivables in the cash flow statement

For the purposes of the statement of cash flows, lease receivables are composed as follows:

EURk	2023	2022
Payments by lessees	2'409'747	2'319'543
Interest and similar income from leasing business	−449'572	−397'665
Additions of lease receivables / net investments	−2'656'310	−2'363'799
SUBTOTAL	**−696'135**	**−441'921**
Disposals / reclassifications of lease receivables at residual carrying amounts	279'598	237'756
Decrease / increase in other receivables from lessees	−26'233	66'164
Currency translation differences	−13'140	13'029
CHANGE IN LEASE RECEIVABLES	**−455'910**	**−124'972**

5.3 Other financial assets

EURk	Dec. 31, 2023	Dec. 31, 2022
OTHER CURRENT FINANCIAL ASSETS		
Instalments collected before end of month	609	617
Receivables from factoring business	83'944	81'466
Receivables from refinancers*	10'308	5'169
Loans (bank)	40'873	37'580
TOTAL OTHER CURRENT FINANCIAL ASSETS	**135'734**	**124'832**
OTHER NON-CURRENT FINANCIAL ASSETS		
Loans (bank)	79'501	84'865
Receivables from refinancers*	0	0
Other	0	0
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**79'501**	**84'865**
TOTAL FINANCIAL ASSETS	**215'235**	**209'697**

* This item also includes the loans related to ABCP. There is no separate identification of the item.

Factoring receivables contain traditional factoring services focused on small-ticket factoring. Deductibles amounting to EUR 679k (previous year: EUR 610k) serve as collateral that is agreed upon with individual factoring clients at the beginning of each year. Collateral as of December 31, 2023 was utilised in the amount of EUR 34k (previous year: EUR 27k).

As of the reporting date, the gross receivables from lending business of GRENKE BANK AG include receivables from granting business start-up loans in the amount of EUR 11,161k (previous year: EUR 17,417k). Total receivables from lending business also include receivables from granting microcredits in the amount of EUR 96,933k (previous year: EUR 94,365k), promotion loans of EUR 4,930k (previous year: EUR 9,598k) and other commercial loans of EUR 2,952k (previous year: EUR 6,628k). Interest income is recognised as such under net interest income.

The other investments under non-current financial assets contain the interest in Finanzchef24 GmbH at fair value of EUR 0k (previous year: EUR 0k). Finanzchef24 GmbH did not pay a dividend in the 2023 financial year.

The maximum credit risk without taking into account collateral, credit deterioration systems and other tools is limited to the carrying amount of the other financial assets.

The following overview shows the gross receivables broken down into the credit risk rating categories of other financial assets as defined in the GRENKE Group and the impairment for other financial assets for each IFRS 9 impairment level. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

Dec. 31, 2023

EURk	Level 1	Level 2	Level 3	Simplified method	Total
Low risk	114'158	7'769	0	79'772	201'699
Doubtful receivables	0	0	38'757	0	38'757
TOTAL GROSS RECEIVABLES	**114'158**	**7'769**	**38'757**	**79'772**	**240'456**
Impairment	1'369	5'413	18'114	325	25'221
CARRYING AMOUNT	**112'789**	**2'356**	**20'643**	**79'447**	**215'235**

Dec. 31, 2022

EURk	Level 1	Level 2	Level 3	Simplified method	Total
Low risk	113'519	10'667	0	76'925	201'111
Doubtful receivables	0	0	40'269	0	40'269
TOTAL GROSS RECEIVABLES	**113'519**	**10'667**	**40'269**	**76'925**	**241'380**
Impairment	4'963	9'462	17'000	258	31'683
CARRYING AMOUNT	**108'556**	**1'205**	**23'269**	**76'667**	**209'697**

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

EURk	Level 1	Level 2	Level 3	Simplified method	Total
IMPAIRMENT AS OF JAN. 1, 2023	**4'963**	**9'463**	**16'999**	**258**	**31'683**
Newly extended or acquired financial assets*	67	1	533	184	785
Reclassifications					
to Level 1	59	–52	–7	0	0
to Level 2	–31	84	–53	0	0
to Level 3	–16	–168	185	–1	0
Change in risk provision due to change in level	–4	–17	633	0	612
Payments for financial assets (without derecognition)	–104	–94	7'753	–119	7'436
Change due to changed status in legal proceedings	0	0	118	0	118
Change in models / risk parameters used in ECL calculation	–3'565	–3'804	717	0	–6'652
Derecognition of financial assets	0	0	–8'726	0	–8'726
Currency translation and other differences	0	0	–38	3	–35
IMPAIRMENT AS OF DEC. 31, 2023	**1'369**	**5'413**	**18'114**	**325**	**25'221**

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

The risk provision for other financial assets fell by EUR 6,462k (20 percent) in the 2023 financial year. The decline was mainly attributable to a year-on-year decrease in risk provisions for receivables from lending business of EUR 13,970k (50 percent). By contrast, risk provisions for receivables from factoring business increased by EUR 7,508k (215 percent).

The risk provision for receivables from lending business in IFRS 9 Level 1 fell by EUR 3,594k, the risk provision in Level 2 by EUR 4,050k and in Level 3 by EUR 6,326k. The decrease in Levels 1 and 2 was mainly due to the reversal of additional risk provisions recognised in the previous year due to uncertainties in the area of corporate loans. The decrease in risk provisions in Level 3 was due to a lower level of receivables as a result of a portfolio sale in this level.

The increase in risk provisions for receivables from factoring business resulted from IFRS 9 Level 3. Risk provisions from the simplified procedure increased by EUR 67k (26 percent) due to a higher volume of IFRS 9 Level 3 receivables. Risk provisions in Level 3 increased by EUR 7,441k (230 percent). This was mainly due to additional impairments as a result of portfolio adjustments at the Swiss factoring company and the risk structure of Level 3 receivables. In the 2023 financial year, there were more contracts in Level 3 that were only overdue for a short time and are still being managed through our own collection processing (BA Class 2). See also Chapter 3.18.3.

EURk	Level 1	Level 2	Level 3	Simplified method	Total
IMPAIRMENT AS OF JAN. 1, 2022	**575**	**3'586**	**13'662**	**215**	**18'038**
Newly extended or acquired financial assets*	27	7	512	119	665
Reclassifications					
to Level 1	44	–18	–26	0	0
to Level 2	–87	270	–183	0	0
to Level 3	–31	–684	715	0	0
Change in risk provision due to change in level	–73	–1	1'593	0	1'519
Payments for financial assets (without derecognition)	–149	–185	–826	–61	–1'221
Change due to changed status in legal proceedings	0	0	–26	0	–26
Change in models / risk parameters used in ECL calculation	4'657	6'488	2'279	–17	13'407
Derecognition of financial assets	0	0	–716	0	–716
Currency translation and other differences	0	0	15	2	17
IMPAIRMENT AS OF DEC. 31, 2022	**4'963**	**9'463**	**16'999**	**258**	**31'683**

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

5.4 Trade receivables

Trade receivables of EUR 7,214k (previous year: EUR 6,531k) mainly related to receivables from resellers and third parties resulting from the disposal of lease assets, of which a total of EUR 3,924k (previous year: EUR 3,597k) was more than three months past due. Of total trade receivables, EUR 5,486k (previous year: EUR 3,905k) was impaired.

The maximum credit risk without taking into account collateral, credit assessment systems and other tools are limited to the carrying amount of the trade receivables.

The following overview shows the gross receivables broken down into the default risk rating categories for trade receivables and risk provisions for trade receivables as defined in the GRENKE Group. The impairment and the definition of the default risk rating category are based on the approach described in Note 3.18.

Dec. 31, 2023

EURk	Simplified method	Level 3	Total
Low risk	3'422	0	3'422
Doubtful receivables	0	9'278	9'278
TOTAL GROSS RECEIVABLES	**3'422**	**9'278**	**12'700**
Impairment	132	5'354	5'486
CARRYING AMOUNT	**3'290**	**3'924**	**7'214**

Dec. 31, 2022

EURk	Simplified method	Level 3	Total
Low risk	3'053	0	3'053
Doubtful receivables	0	7'383	7'383
TOTAL GROSS RECEIVABLES	**3'053**	**7'383**	**10'436**
Impairment	119	3'786	3'905
CARRYING AMOUNT	**2'934**	**3'597**	**6'531**

5.5 Other current assets

EURk	Dec. 31, 2023	Dec. 31, 2022
VAT receivables	167'278	185'021
Orders in progress	3'817	7'991
Prepaid expenses	10'576	8'026
Prepayments	2'667	6'342
PAYMENT CLEARING ACCOUNTS	11'487	8'869
Amounts in transit	3'782	2'502
Insurance claims	293	528
Creditors with debit balances	1'773	892
Deposit account	1'703	0
Merchandise	318	503
Other items	12'246	12'696
TOTAL	**215'940**	**233'370**

Other items mainly include advance purchase price payments made to franchise shareholders in the amount of EUR 9,276k (previous year: EUR 10,534k).

5.6 Property, plant and equipment

5.6.1 Overview for the 2023 financial year

EURk	Land and buildings	Assets under construction	Operating and office equipment	Leased assets from operating leases	Total
ACQUISITION COSTS JAN. 1, 2023	**37'097**	**12**	**56'185**	**103'772**	**197'066**
Currency translation differences	0	0	177	–5'448	–5'271
Additions	132	588	3'919	32'631	37'270
Disposals	504	0	1'745	21'134	23'383
Effect of hyperinflation	0	0	0	–3'126	–3'126
ACQUISITION COSTS DEC. 31, 2023	**36'725**	**600**	**58'536**	**106'695**	**202'556**
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2023	**12'412**	**0**	**44'239**	**52'381**	**109'032**
Currency translation differences	0	0	143	–3'030	–2'887
Additions to depreciation	1'156	0	4'845	24'778	30'779
Disposals of depreciation	69	0	1'637	20'226	21'932
Effect of hyperinflation	0	0	0	–1'265	–1'265
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2023	**13'499**	**0**	**47'590**	**52'638**	**113'727**
NET CARRYING AMOUNTS DEC. 31, 2023	**23'226**	**600**	**10'946**	**54'057**	**88'829**

5.6.2 Overview for the 2022 financial year

EURk	Land and buildings	Assets under construction	Operating and office equipment	Leased assets from operating leases	Total
ACQUISITION COSTS JAN. 1, 2022	**36'711**	**0**	**55'518**	**80'228**	**172'457**
Currency translation differences	0	0	−8	−4'348	−4'356
Additions	386	12	3'079	31'075	34'552
Disposals	0	0	2'404	15'072	17'476
Effect of hyperinflation	0	0	0	11'889	11'889
ACQUISITION COSTS DEC. 31, 2022	**37'097**	**12**	**56'185**	**103'772**	**197'066**
ACCUMULATED DEPRECIATION AND IMPAIRMENT JAN. 1, 2022	**11'255**	**0**	**41'421**	**37'699**	**90'375**
Currency translation differences	0	0	−21	−2'002	−2'023
Additions to depreciation	1'157	0	4'817	22'874	28'848
Disposals of depreciation	0	0	1'978	14'285	16'263
Effect of hyperinflation	0	0	0	8'095	8'095
ACCUMULATED DEPRECIATION AND IMPAIRMENT DEC. 31, 2022	**12'412**	**0**	**44'239**	**52'381**	**109'032**
NET CARRYING AMOUNTS DEC. 31, 2022	**24'685**	**12**	**11'946**	**51'391**	**88'034**

Pursuant to the GRENKE Group's business model, lease assets from operating leases consisted mainly of operating and office equipment.

Depreciation on lease assets is recorded in the line items profit from service business (see Note 4.3) and settlement of claims and risk provision (see Note 4.2).

The following table shows the maturities of the non-discounted lease payments from leases that were classified as operating leases:

EURk	Dec. 31, 2023	Dec. 31, 2022
LEASE PAYMENTS OUTSTANDING UNDER OPERATING LEASES AS OF THE REPORTING DATE		
Up to 1 year	25'796	23'399
1 to 2 years	17'076	14'976
2 to 3 years	11'388	7'958
3 to 4 years	6'601	4'473
4 to 5 years	2'659	1'558
More than 5 years	419	98
TOTAL	**63'939**	**52'462**

5.7 Goodwill

5.7.1 Development and overview

EURk	2023	2022
ACQUISITION COST		
As of Jan. 1	51'046	51'214
Foreign currency translation effects	33	–168
As of Dec. 31	51'079	51'046
ACCUMULATED AMORTISATION FROM IMPAIRMENT		
As of Jan. 1	16'106	10'183
Impairment loss of the financial year	600	5'923
As of Dec. 31	16'706	16'106
CARRYING AMOUNTS		
As of Jan. 1	34'940	41'031
AS OF DEC. 31	**34'373**	**34'940**

In the 2023 financial year, there were no additions to goodwill due to acquisitions. The carrying amounts of goodwill as of December 31, 2023 are allocated to the following cash-generating units:

EURk	Dec. 31, 2023	Dec. 31, 2022
Portugal (PT)	21'272	21'272
Spain (ES)	4'415	5'015
Finland (FI)	3'410	3'410
United Kingdom (UK)	1'951	1'911
Medical technology (DE)	1'229	1'229
Romania (RO)	1'213	1'220
Italy (IT)	504	504
Procurement (DE)	379	379

With the exception of the Procurement (Germany) unit, all cash-generating units operate within the Leasing segment.

5.7.2 Recoverability

5.7.2.1 Impairment test

GRENKE tests goodwill for impairment at least once a year. The key parameters for determining the recoverable amount based on the value in use are the future expectations with regard to the development of new business and profitability. The scheduled impairment test was carried out as of October 1, 2023. Additional event-driven impairment tests were not required in the 2023 financial year.

The basic assumptions in the Leasing segment, which were used to determine the recoverable cash flows in the respective units in the five-year detailed planning phase, were based on calendar-year growth rates in new business in the individual cash-generating units of between 5.3 percent and 23.2 percent (previous year: between 8.0 percent and 41.9 percent). The forecast parameters available on the market do not offer suitable forecast quality due to the special business orientation in the Consolidated Group as these are only based on the entire leasing market and the overall leasing market is massively influenced by real estate, capital goods and vehicle leasing. Therefore, the forecasts for new business development in the detailed planning phase are based on internal Consolidated Group experience and estimates of the future economic development of the respective cash-generating units. For cash flows after the detailed planning phase, a growth rate of 50 percent of the country-specific inflation expectation was applied. In line with the planning horizon, long-term inflation forecasts were used, so that no higher long-term growth expectations are applied due to short-term elevated inflation rates. A growth rate of at least 1.0 percent (previous year: 1.0 percent) was used for cash-generating units in the euro area.

On October 1, 2023, the discount rates of the cash-generating units were between 11.7 percent and 15.0 percent (previous year: between 10.8 percent and 16.3 percent). The discount rate shown reflects the cost of equity after taxes. The calculation of the discount factors was based on the CAPM (capital asset pricing model), taking into account a risk-free interest rate of 3.0 percent (previous year: 2.1 percent), a market risk premium of 7.0 percent (previous year: 7.0 percent) and a beta factor of 1.25 (previous year: 1.25) for the cash-generating units in the Leasing segment.

5.7.2.2 Impairment losses in the financial year

In the course of the scheduled annual impairment test as of October 1, 2023, the GRENKE Group identified goodwill impairment of the Spanish cash-generating unit. The impairment loss of EUR 600k was calculated on the basis of the value in use and was included in the line item “Depreciation, amortisation and impairment” in the consolidated income statement. The goodwill of the Spanish cash-generating unit decreased from EUR 5,015k to EUR 4,415k as a result of the impairment.

The reason for the impairment of goodwill was the increase to 14.1 percent (previous year: 13.1 percent) in the discount rate used to discount the cash flows. The base rate to be included in the calculation of the discount rate saw a particular increase from 2.1 percent to 3.0 percent. The recoverable amount of the Spanish cash-generating unit, which represents Spanish leasing business, amounted to EUR 29,465k (previous year: EUR 52,172k). The valuation was based on new business growth rates in the five-year detailed planning phase of between 8.7 and 17.2 percent (previous year: between 9.3 and 22.0 percent) and a growth rate in the ramp-up phase and the perpetual annuity of 1.0 percent (previous year: 1.0 percent) based on calendar years.

No intangible assets with indeterminate useful lives were allocated to the Spanish cash-generating unit. The impairment loss was allocated to the Leasing segment.

5.7.3 Significant goodwill

The goodwill of the cash-generating units Portugal (EUR 21,272k), Spain (EUR 4,415k) and Finland (EUR 3,410k) is significant compared to the total carrying amount of goodwill. The recoverable amount of these cash-generating units, to each of which no intangible assets with indeterminate useful lives are allocated, was determined on the basis of the value in use. The main assumptions of the parameters used and their calculation approach correspond to the procedure explained in Note 5.7.2 and were valid for all cash-generating units operating in the Leasing segment. Cash flows were planned in accordance with the procedure described in Note 3.8. The calculation of the value in use of the cash-generating units was based on the following parameters:

Cash-generating unit	Discount rate		New business growth rates based on calendar years in the five-year detailed planning phase		Growth rate in settling phase and terminal value	
	Oct. 1, 2023	Oct. 1, 2022	Oct. 1, 2023	Oct. 1, 2022	Oct. 1, 2023	Oct. 1, 2022
Portugal (PT)	14.6%	13.5%	6.7–14.1%	8.0–14.7%	1.0%	1.0%
Spain (ES)	14.1%	13.1%	8.7–17.2%	9.3–22.0%	1.0%	1.0%
Finland (FI)	12.3%	11.4%	12.0–20.0%	10.7–41.9%	1.0%	1.0%

5.7.4 Sensitivity of assumptions

The recoverable amount of a cash-generating unit, where the major value drivers are cash flows and the discount rate, is sensitive to changes in the discount rate. The discount rate is largely determined by the risk-free interest rate, a market risk premium and a beta factor for systematic risk. Specific features with regard to countries, financial structure and currencies were taken into consideration. These parameters are based on external sources of information. Therefore, fluctuations in the components stated above may affect the discount rate.

As part of the validation of the recoverable amounts determined for the cash-generating units, the significant value drivers of each unit are reviewed annually. In this context, the relevant determinants used for the discounted cash flow modelling were subject to a sensitivity test. The changes in the parameters between the impairment tests had an impact on the recoverability of individual cash-generating units (see Note 5.7.2).

The overall economic environment and the resulting estimates regarding further new business and return developments continue to be associated with elevated uncertainties. In addition to the resulting estimation uncertainties with regard to the projected cash flows, there is above all increased uncertainty regarding the expected development of the discount rates to be used.

After determining the recoverable amounts for those cash-generating units whose goodwill is significant in comparison to the total carrying amount of goodwill, it was found that a possible change in the discount rate for the cash-generating unit Finland would not result in the carrying amount of the unit exceeding its recoverable amount. The recoverable amount of the cash-generating unit Portugal exceeded its carrying amount by EUR 1,089k (previous year: EUR 0k, after impairment). The discount rate as of October 1, 2023 was 14.6 percent (previous year: 13.5 percent). The recoverable amount of the Portugal cash-generating unit would correspond to the carrying amount of the unit if the discount rate were to increase from 14.6 percent to 14.8 percent. The goodwill of the Spanish cash-generating unit was impaired in the 2023 financial year. For more information, please refer to Note 5.7.2.2.

5.8 Other intangible assets

5.8.1 Overview for the 2023 financial year

EURk	Development costs	Software licences	Customer relations / non-competitive clauses	Total
ACQUISITION COSTS AS OF JAN. 1, 2023	**38'680**	**15'305**	**23'544**	**77'529**
Currency translation differences	0	23	0	23
Additions	898	1'246	250	2'394
Disposals	0	1'912	11'363	13'275
Reclassifications	0	0	0	0
ACQUISITION COSTS AS OF DEC. 31, 2023	**39'578**	**14'662**	**12'431**	**66'671**
ACCUMULATED AMORTISATION AS OF JAN. 1, 2023	**25'042**	**13'931**	**22'042**	**61'015**
Currency translation differences	0	24	0	24
Additions	4'393	805	1'534	6'732
Disposals	0	1'909	11'363	13'272
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS OF DEC. 31, 2023	**29'435**	**12'851**	**12'213**	**54'499**
NET CARRYING AMOUNTS AS OF DEC. 31, 2023	**10'143**	**1'811**	**218**	**12'172**

5.8.2 Overview for the 2022 financial year

EURk	Development costs	Software licences	Customer relations / non-competi-tive clauses	Total
ACQUISITION COSTS AS PER JAN. 1, 2022	**34'295**	**15'203**	**23'544**	**73'042**
Currency translation differences	0	–7	0	–7
Additions	4'385	352	0	4'737
Disposals	0	243	0	243
Reclassifications	0	0	0	0
ACQUISITION COSTS AS PER DEC. 31, 2022	**38'680**	**15'305**	**23'544**	**77'529**
ACCUMULATED AMORTISATION AS PER JAN. 1, 2022	**20'367**	**12'858**	**20'539**	**53'764**
Currency translation differences	0	–7	0	–7
Additions	4'675	1'120	1'503	7'298
Disposals	0	40	0	40
Reclassifications	0	0	0	0
ACCUMULATED AMORTISATION AS PER DEC. 31, 2022	**25'042**	**13'931**	**22'042**	**61'015**
NET CARRYING AMOUNTS DEC. 31, 2022	**13'638**	**1'374**	**1'502**	**16'514**

Amortisation of capitalised development costs amounted to EUR 4,393k (previous year: EUR 4,675k).

5.9 Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are distributed over the following items:

	Statement of financial position		Income statement	
EURk	**Dec. 31, 2023**	**Dec. 31, 2022**	**2023**	**2022**
DEFERRED TAX ASSETS				
Tax-loss carryforwards	17'237	18'568	1'352	–3'924
Lease receivables	16'468	4'159	–12'309	–1'059
Liabilities	18'021	8'855	–9'166	15'425
Pensions	691	293	–194	87
Others	29'037	20'713	–8'328	11'887
TOTAL	**81'454**	**52'588**	**–28'645**	**22'416**
DEFERRED TAX LIABILITIES				
Lease receivables	71'751	49'599	22'152	1'944
Intangible assets	3'095	4'086	–991	–971
Liabilities	5'525	10'251	–4'726	–1'687
Others	40'180	30'336	11'840	–16'994
TOTAL	**120'551**	**94'272**	**28'275**	**–17'708**
DEFERRED TAX EXPENSE / (INCOME)			**–370**	**4'708**
DEFERRED TAX LIABILITIES, NET	**39'097**	**41'684**		
REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS AFTER OFFSETTING:				
DEFERRED TAX ASSETS	**29'366**	**18'761**		
DEFERRED TAX LIABILITIES	**68'463**	**60'445**		

In the 2023 financial year, deferred tax liabilities of EUR 2,438k were derecognised directly in equity (previous year: recognition of deferred tax liabilities of EUR 2,294k). These resulted from the recognition of the cash flow hedge reserve and the recognition of actuarial losses or gains that will not be offset in profit or loss in the future.

The tax rate decreased from 24.18 percent to 21.46 percent due, among others, to tax rate differences on foreign income and the reduction of non-tax-effective goodwill amortisation.

No deferred tax assets were recognised for tax-loss carryforwards of EUR 125,068k (previous year: EUR 155,399k). Of unrecognised tax-loss carryforwards, EUR 16,473k will expire in the period up to 2043. In the reporting period, EUR 0k (previous year: EUR 15k) of tax-loss carryforwards were written off through profit or loss. Expenses decreased by EUR 1,222k (previous year: EUR 46k) due to the recognition of previously unrecognised tax losses, and EUR 99k (previous year: EUR 937k) were due to changes in the tax rate. No deferred tax liabilities had to be recognised for accumulated results of subsidiaries in the 2023 or 2022 financial years. The distribution of dividends by the Consolidated Group to the shareholders did not have any income tax consequences in 2023 or 2022.

5.10 Leases – the Consolidated Group as lessee

In its role as lessee, the GRENKE Group accounts for numerous lease contracts.

5.10.1 Rights of use

In the consolidated statement of financial position, the GRENKE Group capitalised the rights of use granted to it under the underlying leases. The following overview shows the categorisation and development of the rights of use.

Overview for the 2023 financial year

EURk	Properties	Vehicles	Other	Total
Acquisition costs as of Dec. 31, 2023	72'111	12'736	396	85'243
thereof additions in 2023	4'332	4'975	163	9'470
Accumulated depreciation as of Dec. 31, 2023	43'937	5'638	147	49'722
thereof additions in 2023	9'751	3'885	99	13'735
NET CARRYING AMOUNTS AS OF DEC. 31, 2023	**28'174**	**7'098**	**249**	**35'521**

Overview for the 2022 financial year

EURk	Properties	Vehicles	Other	Total
Acquisition costs as of Dec. 31, 2022	74'005	8'641	1'049	83'695
thereof additions in 2022	5'828	1'509	216	7'553
Accumulated depreciation as of Dec. 31, 2022	44'534	5'513	675	50'722
thereof additions in 2022	10'020	2'945	147	13'112
NET CARRYING AMOUNTS AS OF DEC. 31, 2022	**29'471**	**3'128**	**374**	**32'973**

The lease contracts in the “Properties” category consist of office and parking space rental contracts from the sales and administrative branches. The “Vehicles” category includes vehicle lease contracts for employees of the GRENKE Group. The rights of use in the “Other” segment concern advertising space contracts, an IT computer centre and franking machines.

Most of the vehicle leases have a term of three to four years (previous year: three to four years), while the office leases have contractually fixed terms of between three and twelve years (previous year: between three and twelve years). There are also extension options for the office rental agreements of between one and six years (previous year: between one and eight years). Please refer to Note 3.17.5 for information on the GRENKE Group’s discretionary power to include these extension options when determining the lease term in accordance with IFRS 16. The structure and terms of office lease contracts are based on the individually negotiated contractual agreements. Generally, there are no special restrictions or commitments outside of the extension and termination options mentioned.

5.10.2 Lease liabilities

As of December 31, 2023, lease liabilities amounted to EUR 36,076k (previous year: EUR 33,213k).

Interest expenses for the recognised lease liabilities for the GRENKE Group as lessee amounted to EUR 1,044k in the reporting year (previous year: 602k). The repayment volume of lease liabilities in the reporting year totalled EUR 13,429k (previous year: EUR 13,258k). For a maturity analysis of the expected cash outflows from lease liabilities carried as liabilities, please refer to Note 7.2 “Maturity of Financial Obligations”.

5.10.3 Additional information and effects

The additional effects of IFRS 16 on the GRENKE Group as lessee are summarised in the following table:

EURk	2023	2022
Expenses for short-term leases	62	19
Expenses for low-value leases	84	41
Expenses for variable lease payments not included in the measurement of lease liabilities	0	0
Income from the subleasing of rights of use	362	100
Gains or losses from sale and leaseback transactions	0	0

The total cash outflow for leases in the current financial year amounted to EUR 14,473k (previous year: EUR 13,860k).

Leases that the GRENKE Group had already entered into as a lessee but have not yet commenced could lead to future cash outflows of EUR 5,776k (previous year: EUR 4,164k). From extension and termination options not included in the measurement of the lease liabilities, future cash outflows could increase by EUR 8,437k (previous year: EUR 6,551k) compared to the current assumptions used in the calculation of lease liabilities.

5.11 Current and non-current financial liabilities

5.11.1 Overview

The GRENKE Group's financial liabilities consist of the following current and non-current financial liabilities:

EURk	Dec. 31, 2023	Dec. 31, 2022
CURRENT FINANCIAL LIABILITIES		
Asset-backed	432'085	417'318
Senior unsecured	744'434	941'402
Committed development loans	23'474	61'069
Liabilities from deposit business	631'324	827'638
Other bank liabilities	272	239
TOTAL CURRENT FINANCIAL LIABILITIES	**1'831'589**	**2'247'666**
NON-CURRENT FINANCIAL LIABILITIES		
Asset-backed	567'739	554'792
Senior unsecured	2'019'594	1'644'798
Committed development loans	14'229	24'421
Liabilities from deposit business	985'766	323'041
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**3'587'328**	**2'547'052**
TOTAL FINANCIAL LIABILITIES	**5'418'917**	**4'794'718**

The GRENKE Group structures the split of its financial liabilities in the same manner as reported to bond and capital market participants to ensure a uniform presentation. Asset-backed financial liabilities include liabilities in connection with ABCP programmes and sales of receivables to external credit institutions. Senior unsecured financial liabilities include primary unsecured debt instruments.

Liabilities from deposit business comprise deposits of customers of GRENKE BANK AG. The total current liabilities totalling EUR 631,324k (previous year: EUR 827,638k) include an amount of EUR 182,562k (previous year: EUR 225,336k) of deposits payable on demand. For the other deposits consisting of restricted and fixed term deposits, corresponding terms have been arranged.

Liabilities to banks due on demand are recognised under liabilities to banks. As of the reporting date, these totalled EUR 272k (previous year: EUR 239k).

Current and non-current lease receivables totalling EUR 1,037,527k (previous year: EUR 1,047,691k) were assigned to the refinancing institutions to secure the liabilities stemming from the refinancing of leasing business. Each item of collateral is assigned until the outstanding receivable on the lease has been settled. The collateral is then reassigned. The items of collateral for assigned receivables are marked so that they may be clearly distinguished from non-assigned receivables.

The volume of non-current financial liabilities with remaining maturities of one to five years or more as of December 31, 2023 is as follows:

EURk	Year	Total amount	1 to 5 years	More than 5 years	Secured amount
TYPE OF LIABILITY					
ASSET-BACKED	2023	567'739	563'347	4'392	567'739
	2022	554'792	552'195	2'597	554'792
SENIOR UNSECURED	2023	2'019'594	1'835'988	183'606	0
	2022	1'644'798	1'452'702	192'096	0
COMMITTED DEVELOPMENT LOANS	2023	14'229	13'743	486	14'229
	2022	24'421	23'718	703	24'421
LIABILITIES FROM DEPOSIT BUSINESS	2023	985'766	937'128	48'638	0
	2022	323'041	310'524	12'517	0

The refinancing sources and thus the main categories of financial liabilities are explained in more detail below.

5.11.2 Asset-backed financial liabilities

5.11.2.1 Structured entities

The following consolidated structured entities were in place as of the reporting date: Opusalpha Purchaser II Limited (HeLaBa), Kebnekaise Funding Limited (SEB AB), CORAL PURCHASING (IRELAND) 2 DAC (DZ Bank), SILVER BIRCH FUNDING DAC(NordLB), FCT “GK”-COMPARTMENT “G2” (UniCredit), Elektra Purchase No. 25 DAC, FCT “GK”-COMPARTMENT “G4” (HeLaBa) and FCT “GK”-COMPARTMENT “G5” (DZ Bank). In the following, the consolidated structured entities initiated as asset-backed commercial paper (ABCP) programmes are further explained.

5.11.2.2 ABCP programmes

The GRENKE Group had several asset-backed commercial paper programmes (ABCPs) with the following volumes as of the end of the reporting period:

	Dec. 31, 2023	Dec. 31, 2022
Programme volume in local currency		
EURk	1'089'452	927'414
GBPk	286'364	150'000
Programme volume in EURk	1'418'965	1'096'536
Utilisation in EURk	1'057'695	992'002
Carrying amount in EURk	900'898	844'032
thereof current	383'260	366'168
thereof non-current	517'638	477'864

The ABCP programmes grant GRENKE FINANCE PLC, Dublin/Ireland, GRENKE Investitionen Verwaltungs KGaA, Baden-Baden/Germany and GRENKE LEASING LIMITED, Guildford/United Kingdom, the right to refinance or to sell receivables to the respective programmes for a certain period of time. The cap on the purchase volume is determined by the volume of the programme, which is normally backed by the organising bank in the form of a liquidity commitment in the corresponding amount. The carrying amount is calculated using the effective interest method, whereby incurred transaction costs are amortised over the term of the underlying refinancing package.

The structured entities are refinanced by issuing commercial paper or promissory notes, usually with a term of one month, on a revolving basis. The interest on the commercial paper and promissory notes is based on one-month Euribor. This is a floating interest rate. The structured entities manage the interest rate risk (fixed-rate lease receivables versus floating-rate refinancing) with interest rate hedges (interest rate swaps).

There is no currency risk in ABCP refinancing as only euro transactions and euro-based leases – and for the United Kingdom, GBP transactions and GBP-based leases – are involved.

The maturities of the individual ABCP programmes can be found in the following table:

ABCP programmes	Sponsor	Term until
Opusalpha Purchaser II Limited	HeLaBa	December 2025
Kebnekaise Funding Limited (GER)	SEB AB	October 2025
Kebnekaise Funding Limited (UK)	SEB AB	June 2025
Kebnekaise Funding Limited (FI)	SEB AB	October 2025
CORAL PURCHASING (IRELAND) 2 DAC	DZ-Bank	December 2025
SILVER BIRCH FUNDING DAC	NordLB	December 2025
FCT ‚"GK"-COMPARTMENT "G 2"	UniCredit	April 2025
FCT "GK"-COMPARTMENT "G 4"	HeLaBa	December 2025
FCT "GK"-COMPARTMENT "G 5"	DZ-Bank	December 2025

5.11.2.3 Sale of receivables agreements

Sale of receivables agreements are currently in place with Stadtsparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, the Commerzbank subsidiary mBank S.A. and Deutsche Bank S.A., Brazil, as well as with Norddeutsche Landesbank for receivables in the United Kingdom.

All such agreements represent refinancing of lease contracts with matching maturities. For this purpose, individual lease contracts with similar maturities are grouped together, and lease receivables for the same maturities are sold.

Derecognition of receivables does not take place because the sale of the receivables is not without recourse. The present value of the related liabilities as of the end of the reporting period was EUR 105,014k (previous year: EUR 135,219k) and generally coincided with the value of the receivables sold.

	Dec. 31, 2023	Dec. 31, 2022
Programme volume in local currency		
EURk	16'500	16'500
GBPk	90'000	90'000
BRLk	210'000	210'000
Programme volume in EURk	159'227	155'217
Utilisation in EURk	105'014	135'219
Carrying amount in EURk	98'926	128'078
thereof current	48'825	51'150
thereof non-current	50'101	76'928

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, 2023	Dec. 31, 2022
Bonds	2'211'718	2'145'406
thereof current	380'794	571'144
thereof non-current	1'830'924	1'574'262
Promissory notes	166'831	131'017
thereof current	10'781	67'418
thereof non-current	156'050	63'599
Commercial paper	50'000	25'000
Revolving credit facility	266'044	212'548
thereof current	233'452	205'611
thereof non-current	32'592	6'937
Money market trading	20'000	40'000
thereof current	20'000	40'000
Overdrafts	12'712	11'420
Accrued interest	36'723	20'809

The following table shows the refinancing framework of the individual instruments:

	Dec. 31, 2023	Dec. 31, 2022
Bonds EURk	5'000'000	5'000'000
Commercial paper EURk	750'000	750'000
Syndicated revolving credit facility EURk	400'000	250'000
Revolving credit facility EURk	16'600	30'000
Revolving credit facility PLNk	150'000	150'000
Revolving credit facility CLPk	0	20'250'000
Revolving credit facility HRKk	0	125'000
Revolving credit facility HUFk	540'000	540'000
Revolving credit facility BRLk	140'000	100'000
Money market trading EURk	40'000	40'000

5.11.3.1 Bonds

In principle, all debentures are bullet debt securities and are subject to the condition of a stable rating. In the event of a rating downgrade by Standard & Poor's or Fitch, the agreed interest rate would be contractually adjusted (increased). As a downgrade is not expected, no hedge has been concluded to date.

The discounts and the initial expenses directly corresponding to the transaction concerned are reversed over the term using the effective interest method.

5.11.3.2 Debt issuance programme

The GRENKE Group had euro-denominated bonds outstanding with a nominal volume of EUR 2,092,923k (previous year: EUR 2,006,000k) as of the reporting date.

The relevant terms and conditions for bonds denominated in euros and issued through the debt issuance programme are as follows:

	Term		Interest coupon	Carrying amount Dec. 31, 2023	Carrying amount Dec. 31, 2022	Nominal amount Dec. 31, 2023	Nominal amount Dec. 31, 2022
Description	From	To	Percent p.a.	EURk	EURk	EURk	EURk
Euro bond	Jan. 21, 2016	Jan. 21, 2026	2.616	25'965	25'954	26'000	26'000
Euro bond	Dec. 5, 2017	Dec. 5, 2024	0.97	14'993	14'988	15'000	15'000
Euro bond	Mar. 28, 2018	Apr. 5, 2023	1	0	266'959	0	267'000
Euro bond	May 15, 2018	May 15, 2025	1.423	54'971	54'958	55'000	55'000
Euro bond	Aug. 28, 2018	Aug. 28, 2024	1.048	29'986	29'972	30'000	30'000
Euro bond	Nov. 16, 2018	Oct. 5, 2023	1.5	0	299'713	0	300'000
Euro bond	Jan. 29, 2019	Jan. 29, 2029	2.237	11'477	11'474	11'500	11'500
Euro bond	Feb. 26, 2019	Apr. 5, 2024	1.625	184'069	299'636	184'141	300'000
Euro bond	Apr. 16, 2019	Apr. 16, 2029	2.04	19'964	19'959	20'000	20'000
Euro bond	Apr. 25, 2019	Apr. 25, 2024	1.131	19'994	19'985	20'000	20'000
Euro bond	May 15, 2019	May 15, 2026	1.287	29'959	29'946	30'000	30'000
Euro bond	May 27, 2019	Nov. 27, 2024	1.015	49'968	49'943	50'000	50'000
Euro bond	Oct. 9, 2019	Oct. 9, 2026	0.681	26'467	26'457	26'500	26'500
Euro bond	Nov. 12, 2019	Jan. 9, 2025	0.625	392'625	342'483	400'000	350'000
Euro bond	Mar. 4, 2020	Feb. 15, 2030	0.819	9'970	9'966	10'000	10'000
Euro bond	Apr. 9, 2020	Jul. 9, 2025	3.95	445'023	328'191	449'250	325'000
Euro bond	Apr. 14, 2022	Oct. 14, 2024	4.125	85'310	149'187	85'532	150'000
Euro bond	Oct. 13, 2022	Oct. 13, 2025	6.3	19'820	19'733	20'000	20'000
Euro bond	Feb. 23, 2023	Feb. 23, 2026	3M Euribor + 2.92	9'988	0	10'000	0
Euro bond	May 31, 2023	Jan. 7, 2026	6.75	148'211	0	150'000	0
Euro bond	Sep. 29, 2023	Apr. 6, 2027	7.875	495'548	0	500'000	0

In 2023, three euro-denominated bonds with a total nominal volume of EUR 660,000k were issued and two existing bonds were increased by EUR 50,000k and one existing bond by EUR 124,250k. The conditions of the bonds issued in euros are shown in the table above.

Two bonds with a total nominal volume of EUR 567,000k were redeemed on schedule in the financial year. In addition, a redemption of EUR 178,418k was made, with which a nominal volume of EUR 180,327k was repaid early.

The existing bonds in foreign currencies are shown in the table below.

	Term		Interest coupon	Carrying amount Dec. 31, 2023	Carrying amount Dec. 31, 2022	Nominal amount Dec. 31, 2023	Nominal amount Dec. 31, 2022
Description	From	To	Percent p.a.	EURk	EURk	In foreign currency	In foreign currency
JPY bond	Jul. 2, 2019	Jul. 2, 2029	0.95	44'758	49'743	7'000'000'000	7'000'000'000
HKD bond	Sep. 13, 2019	Sep. 13, 2029	2.844	57'908	60'100	500'000'000	500'000'000
HKD bond	Mar. 11, 2020	Mar. 11, 2030	2.5	34'744	36'059	300'000'000	300'000'000

5.11.3.3 Promissory notes (PNs)

The total volume of promissory notes outstanding in euros as of December 31, 2023 was EUR 80,500k (previous year: EUR 60,000k). The terms and conditions for the promissory notes denominated in euros are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2023	Carrying amount Dec. 31, 2022	Nominal amount Dec. 31, 2023	Nominal amount Dec. 31, 2022
Description	From	To	Percent p.a.	EURk	EURk	EURk	EURk
EUR PN	Feb. 14, 2018	Feb. 14, 2028	2	4'994	4'993	5'000	5'000
EUR PN	Feb. 14, 2018	Feb. 14, 2028	1.979	998	998	1'000	1'000
EUR PN	Jul. 6, 2018	Jul. 6, 2023	0.82	0	9'997	0	10'000
EUR PN	Jul. 6, 2018	Dec. 15, 2027	1.773	1'997	1'996	2'000	2'000
EUR PN	Aug. 15, 2018	Aug. 15, 2023	0.92	0	8'000	0	8'000
EUR PN	Jan. 25, 2019	Jan. 25, 2029	2.282	4'991	4'988	5'000	5'000
EUR PN	Mar. 19, 2020	Jan. 5, 2023	0.96	0	19'000	0	19'000
EUR PN	Sep. 23, 2022	Sep. 23, 2025	4.945	10'000	10'000	10'000	10'000
EUR PN	Aug. 25, 2023	Apr. 15, 2026	6.07	57'495	0	57'500	0

In 2023, one new promissory note with a nominal volume of EUR 57,500k was issued. Scheduled repayments were made for three promissory notes with a total volume of EUR 37,000k.

The total volume of foreign currency promissory notes outstanding as of December 31, 2023 was CHF 80,000k. The terms and conditions for the promissory notes denominated in foreign currencies are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2023	Carrying amount Dec. 31, 2022	Nominal amount Dec. 31, 2023	Nominal amount Dec. 31, 2022
Description	From	To	Percent p.a.	EURk	EURk	In foreign currency	In foreign currency
CHF PN	Sep. 17, 2019	Sep. 17, 2024	0.275	10'798	10'152	10'000'000	10'000'000
CHF PN	Sep. 7, 2020	Sep. 7, 2023	0.8975	0	30'451	0	30'000'000
CHF PN	Sep. 9, 2020	Sep. 9, 2025	0.97	10'796	10'150	10'000'000	10'000'000
CHF PN	Aug. 31, 2022	Aug. 31, 2027	2.643	21'582	20'292	20'000'000	20'000'000
CHF PN	Jan. 23, 2023	Jan. 23, 2026	2.25	21'591	0	20'000'000	0
CHF PN	Sep. 6, 2023	Sep. 7, 2026	2.68	21'589	0	20'000'000	0

In 2023, two new CHF promissory notes were issued with a total nominal volume of CHF 40,000k.

All repayments due on promissory notes in foreign currency totalling CHF 30,000k were made as scheduled in the financial year.

5.11.3.4 Commercial paper

The GRENKE Group has the option of issuing commercial paper of up to a total volume of EUR 750,000k with a term of between 1 and 364 days. As of December 31, 2023, EUR 50,000k (previous year: EUR 25,000k) of the commercial paper programme was utilised.

5.11.3.5 Revolving credit facility

In the financial year, an existing syndicated revolving credit facility of EUR 250,000k was cancelled, and a new syndicated revolving credit facility with a volume of EUR 400,000k (which can also be partially drawn in Swiss francs, British pounds and Canadian dollars) was signed, which offers GRENKE FINANCE PLC, Dublin/Ireland, GRENKELEASING AG, Zurich/Switzerland, and GRENKE LEASING LIMITED, Guildford/United Kingdom, the opportunity to borrow funds at short notice at any time for a term of up to six months. The lenders are Deutsche Bank AG, DZ BANK AG, HSBC Trinkaus & Burkhardt GmbH, Landesbank

Hessen-Thüringen, Le Crédit Lyonnais, Norddeutsche Landesbank, SEB AB Frankfurt Branch and ING Bank N.V. The credit facility is subject to a term of three years with an extension option of a further two years.

Additional facilities exist with SEB AB and Norddeutsche Landesbank, which offer GRENKELEASING Sp.z o.o., Poznan/Poland, the opportunity to borrow funds anytime at short notice up to a volume of PLN 150,000k for a fixed term each of three years or up to six months.

GRENKE Hrvatska d.o.o., Zagreb, Croatia, has access to a facility with Raiffeisenbank Austria for a volume of up to EUR 16,600k and a fixed term of two and a half or three years.

There is also a facility totalling HUF 540,000k with Deutsche Bank AG Hungary Branch, which enables GF Faktor Zrt, Budapest/Hungary, to borrow funds anytime at short notice for a term of up to six months.

GC Locação de Equipamentos LTDA, São Paulo/Brazil has loan facilities at its disposal in the amount of BRL 100,000k with Itaú Unibanco Holding S.A. and in the amount of BRL 40,000k with BANCO HSBC S.A.

As of December 31, 2023, the utilised volume of the revolving loan facilities amounted to EUR 166,582k, PLN 110,000k, BRL 127,075k, GBP 36,000k and CHF 10,000k (previous year: EUR 130,000k, PLN 110,000k, HRK 85,000k, CLP 16,467,200k, BRL 48,885k and CHF 21,000k).

5.11.3.6 Money market trading

The GRENKE Group has money market trading lines with Landesbank Hessen-Thüringen and DZ BANK AG for a total amount of EUR 40,000k. The money market trading lines are available to GRENKE FINANCE PLC, Dublin/Ireland.

As of December 31, 2023, the utilised volume of the credit lines amounted to EUR 20,000k (previous year: EUR 40,000k).

5.11.4 Committed development loans

There are various collaborations in the form of global loans between the GRENKE BANK AG and the development banks Kreditanstalt für Wiederaufbau (KfW), NRW Bank, Thüringer Aufbaubank and Landeskreditbank Baden-Württemberg. These collaborations facilitate the integration of public funding in GRENKE AG's lease financing. The funding is available to regional investment projects of commercial enterprises and self-employed professionals with an annual turnover of up to EUR 500 million.

The total volume of GRENKE BANK AG's global loans, which are used to refinance the development loans brokered, amounted to EUR 405,000k as of the reporting date of December 31, 2023 (previous year: EUR 555,000k).

The following table shows the carrying amounts of the development loans utilised at the individual development banks:

EURk	Dec. 31, 2023	Dec. 31, 2022
European Investment Bank	0	9'910
NRW Bank	16'753	22'037
Thüringer Aufbaubank	2'597	980
KfW	17'895	51'963
Landeskreditbank Baden-Württemberg	301	537
Accrued interest	157	63
TOTAL DEVELOPMENT LOANS	**37'703**	**85'490**

5.11.5 Supplementary information on financial liabilities in the statement of cash flows

For the purposes of the statement of cash flows, financial liabilities are composed as follows:

EURk	2023	2022
FINANCIAL LIABILITIES		
Additions of liabilities / assumption of new liabilities from refinancing	2'319'421	1'984'500
Interest expenses from refinancing	104'646	61'569
Payment / repayment of liabilities to refinancers	–2'272'348	–2'065'359
Currency translation differences	6'036	–1'993
CHANGE IN LIABILITIES FROM REFINANCING	**157'755**	**–21'283**
Additions / repayment of liabilities from deposit business	442'178	–268'721
Interest expenses from deposit business	24'233	7'431
CHANGE IN LIABILITIES FROM DEPOSIT BUSINESS	**466'411**	**–261'290**
CHANGE IN FINANCIAL LIABILITIES	**624'166**	**–282'573**

5.12 Other current liabilities

EURk	Dec. 31, 2023	Dec. 31, 2022
Value-added tax	20'445	12'878
Debtors with credit	19'101	17'422
Clearing accounts with companies	1'638	6'722
Liabilities for salaries	1'818	1'912
Outstanding charges from refinancers	1'529	16'387
Contributions to social security	3'693	2'899
Wages / church tax	1'053	897
Customer payments being settled	1'116	1'428
Liabilities from car leases	436	314
Deferred income	269	344
Liabilities from security deposits	104	104
Amounts in process	1'835	2'188
Liabilities from other taxes	2'660	281
Other	5'124	3'464
TOTAL	**60'821**	**67'240**

The decrease in liabilities from outstanding debits to refinancers mainly resulted in the amount of EUR 16,290k from lower collateral received due to the market valuation of the interest rate swaps issued on the reporting date.

5.13 Deferred lease payments

The line item deferred lease payments contains contractual liabilities of EUR 8,814k (previous year: EUR 7,347k). These liabilities are the result of payments received for services in service and protection business for the subsequent year. The contractual liabilities recorded as of December 31, 2023 will be recognised as revenue in the following year.

5.14 Deferred liabilities

The following items are shown under the item deferred liabilities:

EURk	Dec. 31, 2023	Dec. 31, 2022
Consulting services	3'918	3'307
Personnel services	13'457	12'171
Other costs	20'769	24'180
TOTAL	**38'144**	**39'658**

The line item “Other costs” consists largely of deferred liabilities for outstanding invoices and reseller bonuses. All deferred liabilities are short-term in nature.

5.15 Pensions

5.15.1 Defined benefit plans

The provisions for pensions relate to the compulsory funded retirement benefit plans (endowment insurance) with a 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 496k (previous year: EUR 588k) was recognised for existing pension plans in the 2023 financial year.

The weighted-average duration of the predominant share of the pension obligations amounts to 17.3 years (previous year: 16.4 years).

5.15.1.1 Pensions in Germany

The pension obligations of GRENKE BANK AG relate to direct and vesting pension commitments made in the past and predominantly for former employees.

The pension provisions were calculated on the basis of the following parameters:

EURk	Dec. 31, 2023	Dec. 31, 2022
Discount rate	3.40%	3.90%
Estimated future pension increases	2.20%	2.10%
Mortality tables applied	“Heubeck-Richttafeln 2018 G”	“Heubeck-Richttafeln 2018 G”

The development of the defined benefit obligations was as follows:

EURk	2023	2022
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	**1'281**	**1'703**
Interest expense	48	17
Current service cost	0	0
Benefits paid	−86	−82
Actuarial gains and losses recognised in equity	62	−357
Past service costs resulting from amendments to plan	0	0
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	**1'305**	**1'281**

5.15.1.2 Pensions in Switzerland

According to the Swiss Occupational Pension Act (BVG), every employer must grant pensions to entitled employees after termination of employment. The GRENKE Group maintains defined benefit plans (capital-based) in Switzerland that are managed by trusts and independent of the Company.

The external expert opinion is based on the following actuarial assumptions:

EURk	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.50%	2.25%
Estimated future salary increases	2.00%	2.00%
Estimated future pension increases	0.00%	0.00%
Mortality tables applied	BVG 2020	BVG 2020

* A pension adjustment of 0 percent is assumed as no pensions are currently paid to employees.

Based on the actuarial report, the following income and expenses were recognised:

EURk	Dec. 31, 2023	Dec. 31, 2022
Service cost	496	588
Interest expense	165	31
Income from interest on plan assets	127	18

The assets are invested in a collective insurance agreement with a life insurance company by way of a follow-up agreement with the BVG pension fund. With this form of full insurance, the life insurer assumes the risk, meaning a shortfall in coverage cannot occur.

As of December 31, 2023, the provision for pensions recognised under non-current liabilities amounted to EUR 3,345k (previous year: EUR 1,795k). The amount consists of a calculated present value of defined benefit obligations (DBO) of EUR 10,126k (previous year: EUR 7,066k), a fair value of plan assets of EUR 6,781k (previous year: EUR 5,271k) and an actuarial loss of EUR 1,195k (previous year: gain of EUR 1,793k).

EURk	2023	2022
CHANGE IN DEFINED BENEFIT OBLIGATIONS		
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF PERIOD	**7'066**	**7'252**
Interest expense	165	31
Current service cost	496	588
Benefits paid	620	609
Contributions of the participants of the plan	244	204
Actuarial gains and losses recognised in equity	964	–1'962
Past service cost	0	0
Currency translation differences from international plans	571	344
DEFINED BENEFIT OBLIGATIONS AT END OF PERIOD	**10'126**	**7'066**
CHANGE IN PLAN ASSETS	0	0
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**5'271**	**4'088**
Expected return	127	18
Employer's contributions	360	301
Contributions of the participants of the plan	244	204
Benefits paid	620	609
Actuarial gains and losses recognised in equity	–231	–169
Currency translation differences from international plans	390	220
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**6'781**	**5'271**

The actuarial gains and losses included in the revaluation of defined benefit obligations result from the following:

EURk	Dec. 31, 2023	Dec. 31, 2022
Changes in demographic assumptions	0	0
Changes in financial assumptions	842	–2'097
Experience-based gains / losses	122	135
TOTAL	**964**	**–1'962**

Experience-based adjustments to plan assets amounted to EUR –231k (previous year: EUR –169k). Employer contributions for the subsequent period are estimated at EUR 408k.

5.15.1.3 Sensitivity analysis

A change in the assumptions above applied to determine the DBO as of December 31, 2023 and December 31, 2022 would increase or decrease the DBO as follows:

	Change in assumptions in percentage points	Increase in assumptions Change in DBO in EURk	Decrease in assumptions Change in DBO in EURk
DEC. 31, 2023			
Discount rate	0.25	–487	521
Future salary increases	0.25	72	–70
Future pension increases	0.25	30	–29
DEC. 31, 2022			
Discount rate	0.25	–355	358
Future salary increases	0.25	99	–94
Future pension increases	0.25	29	–28

In calculating the sensitivity of the DBO for the relevant actuarial assumptions, the same method was used for the calculation of the recognised obligation.

5.15.2 Defined contribution plans

Defined contribution plans represent an additional part of the occupational pension schemes within the Consolidated Group. Under defined contribution plans, the entity pays contributions to public or private pension insurance schemes voluntarily or on the basis of statutory or contractual requirements. The entity does not have any other benefit obligations beyond the contribution payments.

The current contribution payments are recognised as an expense for the respective year. In 2023, they amounted to a total of EUR 7,264k (previous year: EUR 5,665k) and mainly comprised contributions to the statutory pension insurance scheme in Germany. Going forward, the level of expenses primarily depends on the development of the underlying pension insurance schemes.

5.16 Equity

5.16.1 Share capital

For details on changes in equity, please refer to the consolidated statement of changes in equity.

GRENKE AG's share capital is unchanged compared to December 31, 2022 and amounts to EUR 46,495,573 divided into 46,495,573 no-par value shares. Each ordinary share has a notional interest in the share capital of EUR 1. All shares are fully paid-in and have the same rights and obligations. Each share is entitled to one vote at the Annual General Meeting and accounts for the shareholders' proportionate share in the Consolidated Group's net profit.

5.16.2 Authorised capital

On May 3, 2018, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions up to a nominal amount of EUR 4,400k (authorised capital) until May 2, 2023. As of December 31, 2022, authorised capital amounted to EUR 2,218k. This authorisation was not utilised in the 2023 financial year, and the authorisation has expired.

5.16.3 Contingent capital

On May 14, 2019, the Annual General Meeting adopted a resolution authorising the Board of Directors, with the consent of the Supervisory Board, to increase the Company's share capital up to a nominal amount of EUR 4,500k (contingent capital) until May 13, 2024 by issuing new shares against contribution in cash or in kind. The creation of contingent capital is linked to the authorisation of the Board of Directors, with the consent of the Supervisory Board, to issue on one or more occasions bearer and/or registered bonds with warrants and/or convertible bonds up to a total nominal amount of EUR 500,000k. No bonds with warrants and/or convertible bonds have been issued from contingent capital to date.

5.16.4 Treasury shares

By resolution of the Annual General Meeting on August 6, 2020, the Company was authorised to acquire treasury shares in accordance with Section 71 (1) No. 8 AktG until August 5, 2025. The authorisation to acquire treasury shares is limited to up to 5 percent of the Company's share capital. No acquisition took place in the 2023 financial year. On November 21, 2023, an application was submitted for the approval of a share buyback programme in order to make use of the authorisation. The authorisation was received after the reporting date. For further information, please refer to Note 9.8 of the notes to the consolidated financial statements.

5.16.5 Unappropriated surplus

On May 16, 2023, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for the financial year 2022 in the amount of EUR 95,293,372.29. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

	EUR
2022 unappropriated surplus	95'293'372.29
Distribution of a dividend of EUR 0.45 per share for a total of 46,495,573 shares	20'923'007.85
Profit carried forward (to new account)	74'370'364.44

For the past 2023 financial year, the Board of Directors will propose to the Annual General Meeting the distribution of a dividend of EUR 0.47 per share. This distribution is not recognised as a liability as of December 31, 2023.

5.16.6 Reserves

The capital reserves of EUR 298,019k (previous year: EUR 298,019k) result primarily from GRENKE AG's IPO in April 2000 and the capital increases in February 2013, May 2014, May 2016, June 2018 and September 2020. In addition to GRENKE AG's retained earnings, retained earnings include the retained earnings and results of the subsidiaries and consolidated structured entities included in the consolidated financial statements.

5.16.7 Additional equity components according to IAS 32

On July 22, 2015, GRENKE AG issued an unsecured, subordinated hybrid bond (non-cumulative, indefinite Additional Tier 1, known as an AT1 bond or hybrid capital) with a nominal volume of EUR 30,000k and an interest coupon of 8.25 percent. The interest payments for this bond are based on the bond's nominal value and are fixed for the period from the day of issuance until the first possible early redemption day. Thereafter, the interest rate will be redetermined for periods of five years each. Interest payments can be omitted in full or in part, and 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 previous years. The bonds have an indefinite maturity and are therefore not subject to a limited term. The bonds can be called by GRENKE AG with effect as of the first possible early redemption day and thereafter at five-year intervals. The first possible date for early redemption was March 31, 2021. The bonds can also be called prematurely, subject to certain conditions. The investors' right to call the bonds is excluded. The bonds are subject to the terms and conditions detailed in the respective prospectus, which include – among others – that GRENKE AG can call the bonds only in full and not in part, to the extent certain regulatory or tax reasons exist. Any premature call of the bonds requires the prior approval of the relevant regulatory authority. The redemption and nominal amount of the bonds may be reduced upon the occurrence of a triggering event. Should the GRENKE Group's Tier 1 core capital ratio fall below 5.125 percent, this would constitute such a triggering event. In the case of a triggering event, the bonds may be appreciated, subject to certain conditions. On December 20, 2016, the bond with an unchanged coupon of 8.25 percent was increased by a nominal EUR 20,000k. The change in market interest rates since the first issue resulted in an additional premium of EUR 600k. The entire hybrid bond in the amount of EUR 50,000k was not called on the first possible date of March 31, 2021. Therefore, the AT1 bond is extended by a further five years until March 31, 2026. The new interest coupon is 7.33 percent.

On September 27, 2018, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 7.0 percent. The terms are otherwise identical to the AT1 bond issued on July 22, 2015. The first possible early redemption date is March 31, 2023. Transaction costs of EUR 1,425k were offset directly against retained earnings.

On December 5, 2019, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 5.375 percent. The terms are otherwise identical to the AT1 bonds issued on July 22, 2015 and September 27, 2018. The first possible early redemption date is March 31, 2026. Transaction costs of EUR 1,286k were offset directly against retained earnings.

On March 30, 2023, GRENKE AG made a scheduled payment of EUR 12,946,250 to the hybrid capital investors (previous year: EUR 12,946,250).

5.16.8 Other components of equity

Other components of equity include the hedge reserve, in which the recognition directly in equity of derivatives designated as hedges is shown; the reserve for actuarial gains / losses, in which the change in value directly recognised in equity of the defined benefit plans is shown; the currency translation from the translation of the financial statements of entities in foreign currency; as well as the revaluation reserve from equity instruments (IFRS 9), in which the change in value directly in equity of other investments recognised at fair value is shown (FVTOCI).

5.16.9 Non-controlling interests

Non-controlling interests are reported in the consolidated statement of financial position as an equity component but separately from equity attributable to GRENKE shareholders. Consolidated net profit or loss attributable to non-controlling interests is presented separately in the consolidated income statement. Changes in the ownership interest in subsidiaries without loss of control are recognised as transactions between equity providers and recognised directly in retained earnings.

6. Changes in the scope of consolidation

6.1 ACQUISITION OF FRANCHISE COMPANIES

In the first quarter of 2023, GRENKE AG acquired 100 percent of the shares in the factoring franchise company in Ireland (GC Factoring Ireland Limited) and in the two leasing franchise companies in Australia (GC LEASING MELBOURNE PTY LTD and GC LEASING SYDNEY PTY LTD) with legal effect. In addition, 58 percent of the shares in the factoring franchise companies in Poland (GC Faktoring Polska Sp. z o.o.) and in the United Kingdom (GC Factoring Limited) were acquired with legal effect.

In the second quarter of 2023, GRENKE AG acquired the remaining 42 percent of the shares in the factoring franchise company in Poland (GC Faktoring Polska Sp. z o.o.) with legal effect.

In the third quarter of 2023, GRENKE AG acquired the remaining 42 percent of the shares in the factoring franchise company in the United Kingdom (GC Factoring Limited) with legal effect. In addition, the remaining 42 percent of the shares in the leasing franchise company in Singapore (GC Lease Singapore Pte. Ltd.) were acquired with legal effect.

In the fourth quarter, GRENKE AG legally acquired 100 percent of the shares in the factoring franchise company in Hungary (GF Faktor Zrt.).

The cash outflows agreed in the purchase agreement were as follows:

Company	Country	Segment	Equity interest Dec. 31, 2023	Equity interest Dec. 31, 2022	Purchase price payment in 2023 (in EURk)
GF Faktor Zrt.	Hungary	Factoring	100%	0%	5'500
GC Factoring Limited	Great Britain	Factoring	100%	0%	307
GC Factoring Ireland Limited	Ireland	Factoring	100%	0%	100
GC Faktoring Polska Sp. z o.o.	Poland	Factoring	100%	0%	95
GC Lease Singapore Pte. Ltd.	Singapore	Leasing	100%	58%	0
GC LEASING MELBOURNE PTY LTD	Australia	Leasing	100%	0%	10'224
GC LEASING SYDNEY PTY LTD	Australia	Leasing	100%	0%	7'862

The franchise companies were already fully consolidated prior to the acquisition of the shares, meaning that the legally effective acquisition of shares only led to a reduction in the minority interests to be recognised.

6.2 Miete24 P4Y GmbH

In the 2023 financial year, GRENKE AG acquired just under 26 percent of the shares and voting rights in Miete24 P4Y GmbH (Velten, Germany) with legal effect. The shares have been accounted for using the equity method. Miete24 P4Y GmbH operates the online platform Miete24 for leasing information and communication technology. The acquisition of the internet platform strengthens GRENKE‘s sales infrastructure, particularly in specialised retailing, and opens up additional options in online direct business with commercial customers. In addition to the completed acquisition of shares, GRENKE AG has secured the long-term option to fully acquire Miete24 P4Y GmbH.

6.3 SILVER BIRCH FUNDING DAC (NordLB)

Silver Birch Funding DAC (sponsor: NordLB), based in Dublin, Ireland, was included in the scope of consolidation and consolidated for the first time in the fourth quarter of 2023. This is a structured entity in the form of an established asset-backed commercial paper programme. The GRENKE Group does not hold any shares in the structured entity, but has the ability to direct relevant activities and influence the amount of returns. For further explanations, please refer to Note 3.17.2 „Consolidation of structured entities“.

6.4 GRENKE LEASING IL LLC

A new subsidiary, GRENKE LEASING IL LLC, Chicago/USA, was founded in the 2023 financial year. This reflects the GRENKE Group's increasing involvement in the future core market of the United States. The subsidiary has been included in the scope of consolidation since its establishment.

6.5 GRENKE MANAGEMENT SERVICES GmbH und GRENKE Service GmbH

In the 2023 financial year, GRENKE MANAGEMENT SERVICES GmbH was merged into GRENKE Service GmbH with retroactive effect as of October 1, 2023. The merger process was preceded by a change in the legal form of GRENKE Service AG to GRENKE Service GmbH. This had no effect on the consolidated financial statements.

6.6 Further changes and information

There were no other changes in the financial year.

7. Disclosures on financial instruments

7.1 Additional information on financial instruments

			Valuation according to IFRS 9			
EURk	Measurement category	Carrying amount Dec. 31, 2023	At fair value directly in equity	At fair value through profit or loss	Amortised cost	Valuation according to IFRS 16
FINANCIAL ASSETS						
Cash and cash equivalents	AC	697'202			697'202	
Derivative financial instruments with positive fair value without hedging relationship	FVTPL	3'227		3'227		
Derivative financial instruments with positive fair value with hedging relationship	n.a.	15'464	15'464			
Lease receivables	n.a.	5'699'854				5'699'854
Trade receivables	AC	7'214			7'214	
Other investments	FVTOCI					
Other financial assets						
thereof receivables from factoring business	AC	83'944			83'944	
thereof receivables from lending business	AC	120'374			120'374	
thereof other financial assets	AC	10'917			10'917	
AGGREGATED CATEGORIES						
	AC				919'651	
	FVTPL			3'227		
	FVTOCI					
	n.a.		15'464			5'699'854

			Valuation according to IFRS 9			
EURk	Measurement category	Carrying amount Dec. 31, 2023	At fair value directly in equity	At fair value through profit or loss	Amortised cost	Valuation according to IFRS 16
FINANCIAL LIABILITIES						
Financial debt						
thereof liabilities from the refinancing of lease receivables	AC	3'801'555			3'801'555	
thereof liabilities from the deposit business	AC	1'617'090			1'617'090	
thereof bank liabilities	AC	272			272	
Trade payables	AC	41'680			41'680	
Derivative financial instruments with negative fair value without hedging relationship	FVTPL	3'142		3'142		
Derivative financial instruments with negative fair value with hedging relationship	n.a.	19'174	19'174			
AGGREGATED CATEGORIES						
	AC				5'460'597	
	FVTPL			3'142		
	n.a.		19'174			

Abbreviations

FVTPL: Fair value through profit or loss

FVTOCI: Fair value through other comprehensive income

AC: Amortised cost

n.a.: Not applicable / no category according to IFRS 7.8

			Valuation according to IFRS 9			
EURk	Measurement category	Carrying amount Dec. 31, 2022	At fair value directly in equity	At fair value through profit or loss	Amortised cost	Valuation according to IFRS 16
FINANCIAL ASSETS						
Cash and cash equivalents	AC	448'844			448'844	
Derivative financial instruments with positive fair value without hedging relationship	FVTPL	16'806		16'806		
Derivative financial instruments with positive fair value with hedging relationship	n.a.	21'153	21'153			
Lease receivables	n.a.	5'243'944				5'243'944
Trade receivables	AC	6'531			6'531	
Other investments	FVTOCI					
Other financial assets						
thereof receivables from factoring business	AC	81'466			81'466	
thereof receivables from lending business	AC	122'445			122'445	
thereof other financial assets	AC	5'786			5'786	
AGGREGATED CATEGORIES						
	AC				665'072	
	FVTPL			16'806		
	FVTOCI					
	n.a.		21'153			5'243'944

EURk	Measurement category	Carrying amount Dec. 31, 2022	Valuation according to IFRS 9: At fair value directly in equity	Valuation according to IFRS 9: At fair value through profit or loss	Valuation according to IFRS 9: Amortised cost	Valuation according to IFRS 16
FINANCIAL LIABILITIES						
Financial debt						
thereof liabilities from the refinancing of lease receivables	AC	3'643'800			3'643'800	
thereof liabilities from the deposit business	AC	1'150'679			1'150'679	
thereof bank liabilities	AC	239			239	
Trade payables	AC	36'112			36'112	
Derivative financial instruments with negative fair value without hedging relationship	FVTPL	3'978		3'978		
Derivative financial instruments with negative fair value with hedging relationship	n.a.	2'941	2'941			
AGGREGATED CATEGORIES						
	AC				4'830'830	
	FVTPL			3'978		
	n.a.		2'941			

Abbreviations
FVTPL: Fair value through profit or loss
FVTOCI: Fair value through other comprehensive income
AC: Amortised cost
n.a.: Not applicable / no category according to IFRS 7.8

Net gains and losses as of December 31, 2023

EURk	Currency translation	Interest	Impairment	From disposal	Net profit
Financial assets (at amortised cost)	2'101	0	13'872	–97'468	–81'495
At fair value through profit or loss	–1'257	–4'114	0	–5'568	–10'939
Financial liabilities (at amortised cost)	–8'500	0	0	0	–8'500

Net gains and losses as of December 31, 2022

EURk	Currency translation	Interest	Impairment	From disposal	Net profit
Financial assets (at amortised cost)	–8'401	0	39'614	–146'165	–114'952
At fair value through profit or loss	–2'021	12'206	0	–16'267	–6'082
Financial liabilities (at amortised cost)	2'449	0	0	0	2'449

Total interest income calculated according to the effective interest method amounted to EUR 9,112k (previous year: EUR 7,855k). Total interest expenses for financial assets and financial liabilities not measured at fair value through profit or loss was EUR 23,887k (previous year: EUR 8,705k). For equity instruments classified as FVTOCI, the loss recognised in other comprehensive income amounted to EUR 0k (previous year: EUR 0k).

Net gains from lease receivables are comprised of interest income, profit from new business and profit from disposals. They amount to EUR 498,729k (previous year: EUR 435,218k). Net gains and losses from financial instruments recognised at fair value through profit and loss include not only the changes in fair value (for forward exchange contracts shown as the effect from the currency translation and interest hedges as interest effect) but also the results from accrued interest and from the early disposal resulting from an early sale.

7.1.1 Financial risk strategy

For qualitative and quantitative information on default, liquidity and market risks, please refer to the combined management report.

7.2 Maturity of financial obligations

The table below shows the maturities of the earliest possible non-discounted contractual cash flows of the financial obligations at the end of the reporting period of the most recent and the previous financial years. Some amounts do not match the amounts shown in the statement of financial position as they relate to undiscounted cash flows.

As of December 31, 2023

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	425'205	852'975	2'844'258	206'554
Liabilities from deposit business	182'562	111'046	337'716	937'128	48'638
Bank liabilities	272	0	0	0	0
Lease liabilities	0	3'535	9'638	24'020	2'032
Other liabilities	0	60'821	0	0	0
Trade payables	0	41'680	0	0	0
Irrevocable credit commitments	7'360	0	0	0	0
Derivative financial liabilities	0	1'812	3'423	6'334	10'747
TOTAL	**190'194**	**644'099**	**1'203'752**	**3'811'740**	**267'971**

As of December 31, 2022

EURk	Due on demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
TYPE OF LIABILITY					
Refinancing liabilities	0	342'273	1'100'319	2'294'166	215'208
Liabilities from deposit business	225'336	133'717	468'585	310'524	12'517
Bank liabilities	239	0	0	0	0
Lease liabilities	0	2'812	7'452	20'460	4'030
Other liabilities	0	67'240	0	0	0
Trade payables	0	36'112	0	0	0
Irrevocable credit commitments	6'392	0	0	0	0
Derivative financial liabilities	0	1'140	2'337	2'184	1'258
TOTAL	**231'967**	**583'294**	**1'578'693**	**2'627'334**	**233'013**

For information on the disclosures on liquidity risk management, please refer to the explanations in the combined management report.

7.3 Derivative financial instruments

7.3.1 Fair value and nominal volume

The nominal volumes and fair values of the derivative financial instruments are shown in the following tables. In accordance with internal guidelines, the nominal volumes of the derivative financial instruments correspond to the volume of the underlying transactions hedged with the derivative financial instruments.

Derivative financial instruments with positive fair value

EURk	Dec. 31, 2023		Dec. 31, 2022	
	Nominal volume	Fair value	Nominal volume	Fair value
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Interest rate derivatives	503'244	6'020	435'000	4'761
Cross-currency swaps	98'720	5'063	99'622	8'402
Foreign currency forward contracts	171'416	4'381	276'699	7'990
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	**773'380**	**15'464**	**811'321**	**21'153**
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	32'234	823	365'265	12'748
Foreign currency forward contracts	57'717	2'404	43'860	4'058
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	**89'951**	**3'227**	**409'125**	**16'806**
TOTAL	**863'331**	**18'691**	**1'220'446**	**37'959**

Derivative financial instruments with negative fair value

EURk	Dec. 31, 2023		Dec. 31, 2022	
	Nominal volume	Fair value	Nominal volume	Fair value
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Interest rate derivatives	488'185	3'399	0	0
Cross-currency swaps	63'313	8'773	64'273	1'257
Foreign currency forward contracts	335'363	7'002	144'326	1'684
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP	**886'861**	**19'174**	**208'599**	**2'941**
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	22'998	312	0	0
Foreign currency forward contracts	56'375	2'830	81'354	3'978
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP	**79'373**	**3'142**	**81'354**	**3'978**
TOTAL	**966'234**	**22'316**	**289'953**	**6'919**

7.3.2 Components of the hedging reserve in the consolidated statement of comprehensive income

The following table shows the hedging gains and losses that were recognised in the hedging reserve within the consolidated statement of comprehensive income in the reporting period. The amounts reclassified to the income statement are also shown.

EURk	2023	2022
PROFITS / LOSSES IN THE FINANCIAL YEAR		
Cross-currency swaps	–10'855	14'281
Foreign currency forward contracts	–9'091	13'924
Interest rate derivatives	–10'355	4'856
RECLASSIFIED TO THE INCOME STATEMENT		
Cross-currency swaps	8'500	–2'449
Foreign currency forward contracts	9'430	–15'481
TOTAL GAINS / LOSSES RECOGNISED IN HEDGING RESERVE	**–12'371**	**15'131**

The amounts reclassified are reported under “other operating expenses“ or “other operating income“ in the item “currency translation differences“. The reclassifications relate, on the one hand, to the change in the fair value of the hedged item. This change would affect profit or loss without the reclassification. On the other hand, the costs of the hedge are reclassified to the income statement on a time-proportion basis. The cumulative change of the hedged bonds in foreign currency (cross-currency swap) amounted to EUR –13,079k. The cumulative change of the hedged foreign currency loans (foreign currency forward contracts) amounted to EUR 1,897k.

7.3.3 Use and measurement

7.3.3.1 Business model

As a small-ticket IT leasing company, the GRENKE Group offers lease contracts to B2B customers for mobile IT assets, among others. The lease portfolio, i.e. all lease contracts in their entirety, has fixed contractual terms over the duration of each individual contract. Upon conclusion of the contract, both the periodical payments as well as the interest rate used to calculate the payments are set out. Neither of the parties can subsequently amend these terms. The GRENKE Group only dissolves or agrees to dissolve contracts prematurely (repurchase, exchange option, termination, etc.) if the lessee bears the potential loss (i.e. due to lost interest). Each derivative contract has an underlying economic transaction with a corresponding contrarian risk position. Contracts are only concluded with credit institutions having an investment grade rating. Therefore, and due to the diversification of our contract partners, the maximum credit risk is of minor importance and is limited to the carrying amount. Please refer to the combined management report, and particularly to the risk report and the report on the financial position and net assets, for qualitative and quantitative disclosures regarding default risk, liquidity risk and market risks. Please refer to the notes to the consolidated statement of financial position for more information.

7.3.3.2 Hedging policy

Derivatives are used when, and only when, underlying contracts must be hedged. Underlying contracts are the contractual obligations entered into by the GRENKE Group in order to achieve its objectives. The Treasury Department is not a separate profit centre. The use of derivatives is limited to hedging the profits of the GRENKE Group to the extent stipulated in the Company’s Articles of Association.

Items are largely hedged in terms of volume or amount, with various instruments being used. The choice of instrument is always a management decision based on the risk profile, i.e. the potential income associated with the risk in question.

7.3.3.3 Measurement

Since the derivatives used are OTC derivatives rather than standardised, listed financial instruments, recognised measurement models are used for calculating fair values. The necessary parameters for measurement, such as interest rates, yield curves and foreign exchange spot and forward rates, can be observed on the market at all times and may be accessed via external sources of information.

7.3.4 Currency risk management

The GRENKE Group is exposed to currency risks as a result of its international activities and the growing significance of its international markets. Derivatives are used to mitigate or eliminate these risks. Forward exchange contracts were and are used to hedge the cash flows from the refinancing of the international subsidiaries. The GRENKE Group finances the lease receivables generated by the subsidiaries in the corresponding foreign currencies and receives payments in those currencies over the term of the underlying lease contracts. GRENKE Bank and GRENKE FINANCE PLC also granted foreign currency loans to subsidiaries. The fair values of the forward exchange contracts are recorded under financial instruments with positive fair value and financial instruments with negative fair value. As of the end of the reporting period, there were asset and liability forward exchange contracts, leading to their disclosure as assets as well as liabilities (see Note 7.3.1). Some of the forward exchange transactions are designated as hedging instruments as defined by IFRS 9.

The following table provides information on the maturity of the nominal volumes and the hedged average rate for the forward exchange transactions with a hedging relationship as defined by IFRS 9:

EURk	Maturity of the nominal volumes as of Dec. 31, 2023			
EUR purchase	Up to 1 year	1 to 5 years	More than 5 years	Hedged average rate
AED	4'253	0	-	4.04
AUD	92'776	0	-	1.65
CAD	69'894	0	-	1.49
CHF	13'395	0	-	0.95
CLP	33'409	0	-	932.91
DKK	29'337	66'132	-	7.43
GBP	30'871	0	-	0.86
PLN	27'028	5'527	-	4.65
SEK	43'660	61'831	-	11.13
SGD	20'730	0	-	1.45
USD	3'384	1'344	-	1.11
HUF	737	2'471	-	429.02

Cross-currency swaps were used to hedge the foreign currency risk of foreign currency bonds as well as the resulting interest payments. The hedged item is reported under current and non-current financial liabilities (see Note 5.11.3.2). The cross-currency swaps are designated as hedging relationships within the meaning of IFRS 9. The existing cross-currency swaps have proven to be effective. The changes in fair value were recognised in other comprehensive income. Exchange gains and losses from the translation of the foreign currency bonds at the spot rate as of December 31, 2023 were recognised in the income statement. The corresponding amount of these gains and losses was reversed from other comprehensive income to the income statement in order to offset the gains and losses from the translation of the foreign currency bonds at the spot rate as of December 31, 2023 (see Note 7.3.2).

The following table provides information on the maturity of the nominal volumes, the hedged average rate and the hedged average interest rates (arithmetic mean):

	Maturity of the nominal volumes as of Dec. 31, 2023		
EUR purchase	**Up to 1 year**	**1 to 5 years**	**More than 5 years**
CROSS-CURRENCY SWAPS (EUR: HKD)			
Nominal volume	898	3'602	94'220
Hedged average rate	8.6	8.6	8.6
Average interest rate	0.97%	0.97%	0.97%
CROSS-CURRENCY SWAPS (EUR: JPY)			
Nominal volume	959	3'838	58'516
Hedged average rate	121.62	121.62	121.62
Average interest rate	1.67%	1.67%	1.67%

For information on exchange rate sensitivity, please refer to the detailed explanations on market price risk in the risk report contained in the combined management report.

7.3.5 Interest rate risk management

The interest rate risk for the GRENKE Group's operations results mainly from the sensitivity of its financial liabilities to changes in market interest rates. GRENKE Group endeavours to limit the impact of such risks on interest expense and net interest income by employing appropriate derivatives.

Issuing bonds and contracting interest rate swaps are elements of implementing a financing strategy under which the GRENKE Group separates refinancing from interest rate hedging in order to obtain maximum flexibility for optimising its refinancing activities. The risks (variable cash flows) which may result are hedged by appropriate interest rate derivatives.

The variable refinancing of the ABCP transaction is economically hedged by the employment of interest rate swaps. From the perspective of the GRENKE Group, these are payer swaps. A fixed interest rate is exchanged for a floating-rate interest.

Some of the interest rate derivatives are designated as hedging instruments as defined by IFRS 9. For interest rate derivatives with a hedging relationship as defined by IFRS 9, the following table provides information on the maturity of the nominal volumes and the hedged average interest rate:

	Maturity of the nominal volumes as of Dec. 31, 2023		
EUR purchase	Up to 1 year	1 to 5 years	More than 5 years
INTEREST RATE DERIVATIVES			
Nominal volume	311'471	502'175	177'783
Average interest rate	2.55%	2.30%	3.60%

For information on sensitivities, please refer to the statements on market price risks, which are explained in detail in the risk report of the combined management report.

7.3.6 Effectiveness of the hedging relationship

IFRS accounting requires documentation and risk assessment when using derivative financial instruments. In particular, the appropriation and the critical term match between the hedged item and the hedging instrument form the basis for a successful hedging relationship in terms of effectiveness. By using derivatives to hedge foreign currency bonds and loans to Consolidated Group companies in foreign currencies, the GRENKE Group applies hedge accounting in accordance with IFRS 9. The efficiency of hedging relationships required by IFRSs is in line with the GRENKE Group's intention that only risks from designated underlying transactions are hedged by derivatives and that derivatives are not entered into at any time for speculative reasons.

The effectiveness tests for the individual financial derivatives, insofar as a hedging relationship is accounted for in accordance with IFRS 9, are performed prospectively on the basis of the critical term match method when the hedge is designated for the first time and once annually on a regular basis. The documentation of each hedging relationship describes the underlying transaction, the hedged risk, the hedging relationship, the strategy and the hedging instrument, as well as the effectiveness assessment, and names the contract partner.

Foreign currency cash flows are the basis for the forward currency contracts and cross-currency swaps. These foreign currency cash flows are determined by contractually fixed payment dates in foreign currency. The foreign currency denominated cash flows form the basis for the forward currency contracts and the cross-currency swaps. The hedging can be categorised as highly effective as only the actual cash flows are hedged and never a higher amount. The dates of the funding and the currency hedging coincide to ensure the best possible economic hedge of the cash flow risk.

The hedging relationships between the cross-currency swaps and the foreign currency bonds have proven to be highly effective. The material contractual terms of the hedging instrument and the hedged item match. The hedging relationships between the foreign currency loans to Consolidated Group companies and the forward exchange contracts with a hedging relationship have proven to be highly effective.

For all derivatives for which hedge accounting has been applied, the material contractual terms between the hedged item and the hedging instrument match. The credit risk of the counterparty to the hedging instrument is not dominant so the hedge is prospectively considered to be highly effective.

7.4 Fair value of financial instruments

7.4.1 Fair value of primary financial instruments

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. The table does not contain information on the fair value of financial assets and financial liabilities if the carrying amount represents an appropriate approximation to the fair value.

EURk	Fair value Dec. 31, 2023	Carrying amount Dec. 31, 2023	Fair value Dec. 31, 2022	Carrying amount Dec. 31, 2022
FINANCIAL ASSETS				
Lease receivables	6'161'352	5'699'854	5'841'004	5'243'944
Other financial assets	220'265	215'235	213'371	209'697
thereof receivables from lending business	125'404	120'374	126'119	122'445
FINANCIAL LIABILITIES				
Financial liabilities	5'844'624	5'418'917	4'648'125	4'794'718
thereof refinancing liabilities	4'185'037	3'801'555	3'507'752	3'643'800
thereof liabilities from deposit business	1'659'315	1'617'090	1'140'134	1'150'679

This includes the following line items in the statement of financial position: cash and cash equivalents, trade receivables and trade payables. All primary financial instruments are assigned to Level 2 of the fair value hierarchy except for exchange-listed bonds that are included in refinancing liabilities and assigned to Level 1 of the fair value hierarchy and the other investment that is assigned to Level 3 of the fair value hierarchy. As of the reporting date, the carrying amount of exchange-listed bonds was EUR 2,211,718k (previous year: EUR 2,145,406k), and their fair value amounted to EUR 2,431,362k (previous year: EUR 1,975,233k). All primary financial assets are measured at amortised cost (AC), except for lease receivables, which are measured in accordance with IFRS 16, and the other investment, which is allocated to the FVTOCI measurement category, and is therefore measured at fair value. Financial liabilities are also measured at (amortised) cost.

7.4.2 Fair value of derivative financial instruments

At the end of the reporting period, all derivative financial instruments, which include interest rate derivatives (interest rate swaps), forward exchange contracts and cross-currency swaps, are recognised at fair value in the GRENKE Group. All derivative financial instruments are assigned to Level 2 of the fair value hierarchy.

EURk	Fair value Dec. 31, 2023	Fair value Dec. 31, 2022
FINANCIAL ASSETS		
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP		
Interest rate derivatives	6'020	4'761
Cross-currency swaps	5'063	8'402
Forward exchange derivatives	4'381	7'990
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP		
Interest rate derivatives	823	12'748
Forward exchange derivatives	2'404	4'058
TOTAL	18'691	37'959
FINANCIAL LIABILITIES		
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP		
Interest rate derivatives	3'399	0
Cross-currency swaps	8'773	1'257
Forward exchange derivatives	7'002	1'684
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP		
Interest rate derivatives	312	0
Forward exchange derivatives	2'830	3'978
TOTAL	22'316	6'919

The GRENKE Group uses OTC ("over-the-counter") derivatives. These are directly concluded with counterparties having at least investment grade status. Thus, there are no quoted market prices available.

Fair values are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a mark-to-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.

7.4.3 Measurement methods and input parameters used

The following table presents the measurement methods used and the input parameters and assumptions applied to determine the fair values:

Category and level		Input factors
FAIR VALUE HIERARCHY LEVEL 1		
Listed bonds	n.a.	In active markets quoted market price as of the reporting date
FAIR VALUE HIERARCHY LEVEL 2		
Other financial assets	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities refinancing of lease receivables, promissory notes and bank liabilities)	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own credit risk (debt value adjustment – DVA)
Forward currency contracts / Cross-currency swaps	Mark-to-market 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 (DVA) or the counterparty's credit risk (credit value adjustment – CVA) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own counterparty risk (DVA) or the counterparty's credit risk (CVA) derived from available CDS quotes
FAIR VALUE HIERARCHY LEVEL 3		
Other investments (investment in Finanzchef24 GmbH)	Discounted cash flow model Present value of estimated future cash flows	Business plan of Finanzchef24 GmbH to determine future cash flows; sustainable growth rate of future cash flows; parameters to determine the discount rate (in particular, risk-free interest rate, market risk premium, beta factor, adjustment factors)

The scheduled valuation process of the investment in Finanzchef24 GmbH, which is allocated to the category fair value through other comprehensive income (FVTOCI) without recycling, is carried out annually on the basis of the updated business plan submitted by Finanzchef24 GmbH available on the reporting date. The fair value of the investment in Finanzchef24 GmbH classified in Level 3 of the fair value hierarchy remained at EUR 0k as of the reporting date (previous year: EUR 0k). The value of the gains and losses recognised in profit or loss for the period and the gains and losses recognised in other comprehensive income for the period amounted to EUR 0k (previous year: EUR 0k), as the fair value of the investment determined as of the reporting date had remained unchanged.

A discount rate (weighted average cost of capital-WACC) of between 27.1 and 32.4 percent (previous year: between 19.7 and 23.5 percent) and a sustainable growth rate of future cash flows of 1 percent (previous year: 1 percent) were used as significant unobservable input factors in determining the fair value of the investment in Finanzchef24 GmbH. A change in the significant unobservable input factors within realistic ranges would not lead to a material change in the estimates underlying the measurement of the fair value of the investment in Finanzchef24 GmbH.

7.5 Transfers of financial assets

The following table lists transferred financial assets not derecognised and the corresponding liabilities at their respective carrying amount and fair value for which the contractual right to cash flows from these financial assets was transferred.

EURk	Carrying amount	Carrying amount of corresponding liability	Fair value	Fair value of corresponding liability	Net position
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2023	**120'619**	**98'927**	**129'340**	**95'716**	**21'692**
From sale of receivables agreements	120'619	98'927	129'340	95'716	21'692
TRANSFERRED LEASE RECEIVABLES DEC. 31, 2022	**156'028**	**128'078**	**170'853**	**125'914**	**27'950**
From sale of receivables agreements	156'028	128'078	170'853	125'914	27'950

For more information, please see the explanations on sales of receivables agreements under Note 5.11.2.3.

8. Segment reporting

8.1 Description of reportable segments

The GRENKE Group's reporting on the development of its segments is aligned with its prevailing organisational structure within the GRENKE Group ("management approach". Thus, operating segments are divided into Leasing, Banking, and Factoring based on the management of the Company's segments, which enables the key decision-maker, the Board of Directors of GRENKE AG, to assess the performance of the segments and make decisions about the allocation of resources to the segments. Separate financial information is available for the three operating segments.

Intra-Group transactions between the segments are eliminated in the segment reporting in the column "Consolidation and other".

8.1.1 Leasing

The Leasing segment comprises all of the activities that are related to the Consolidated Group's business as a lessor. The services offered consist of the provision of financing to commercial lessees, rental, service, protection and maintenance offerings, as well as the disposal of used equipment.

The GRENKE Group specialises primarily in small-ticket leasing, where the ticket size is less than EUR 25k. In addition to IT products such as PCs, notebooks, servers, software, monitors and other peripheral devices, our leasing portfolio also includes other office communication products such as telecommunications and copier equipment, as well as medical technology products, small machinery and systems, security devices and green economy objects, such as wallboxes, photovoltaic systems and eBikes. Nearly all leases concluded provide for full cost recovery.

8.1.2 Banking

The Banking segment comprises the activities of GRENKE BANK AG (GRENKE Bank) as a financing partner, particularly to small- and medium-sized companies (SMEs). In the context of cooperating with a variety of federal government and state development banks, GRENKE Bank offers business start-up financing. In addition, GRENKE Bank provides development loans to SMEs and self-employed professionals who want to finance new business purchases through lease financing. GRENKE Bank also offers investment products such as fixed deposit products to private and business customers via its website. The bank's business is focused primarily on German customers. In addition to business with external customers, GRENKE BANK AG's activities also include the internal refinancing of the GRENKE Group's Leasing segment through the purchase of receivables and the issuance of loans.

8.1.3 Factoring

In the Factoring segment, GRENKE offers traditional factoring services with a focus on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. In addition, the segment offers receivables management without a financing function (non-recourse factoring), where the customer continues to bear the credit risk. Internal operating income results above all from internal refinancing.

8.2 Segment data

The accounting policies employed to gather segment information are the same as those used for the consolidated financial statements (see Note 3). Intra-Group transactions are performed at standard market prices.

The Board of Directors of GRENKE AG is the responsible body for assessing the performance of the GRENKE Group. In addition to the growth of new business in the Leasing segment (total acquisition costs of newly acquired leased assets), the Board of Directors has determined the deposit volume for GRENKE Bank and the gross margin for the Factoring segment as key performance indicators. The performance components of the segments are presented in the combined management report. Other measures include, above all, segment operating income, non-interest expenses and segment result before other financial result, in addition to staff costs, selling and administrative expenses as well as depreciation and amortisation. Other financial result and tax expense / income are the main components of the consolidated income statement that are not included in the individual segment information.

The segment income of the individual segments is composed as follows:

- Leasing – Net interest income after settlement of claims and risk provision, profit from service business, profit from new business and gains / losses from disposals
- Banking – Net interest income after settlement of claims and risk provision
- Factoring – Net interest income after settlement of claims and risk provision
- Non-cash items represent impairment losses

The segment assets include the assets required for operations. Segment liabilities correspond to liabilities attributable to the respective segment.

Segment assets and liabilities do not take into account tax positions.

EURk	Leasing segment		Banking segment		Factoring segment		Consolidation & Other		Consolidated Group	
January to December*	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
OPERATING INCOME										
External operating income	421'604	393'899	8'314	–17'054	2'052	8'814	0	0	431'970	385'659
Internal operating income	–29'130	–38'921	32'268	41'149	–3'138	–2'228	0	0	0	0
TOTAL OPERATING INCOME	**392'474**	**354'978**	**40'582**	**24'095**	**–1'086**	**6'586**	**0**	**0**	**431'970**	**385'659**
thereof non-cash items	–6'941	–53'252	–13'970	14'166	7'039	–528	0	0	–13'872	–39'614
NON-INTEREST EXPENSES										
Staff costs	–160'549	–136'080	–9'040	–7'518	–6'418	–5'680	0	211	–176'007	–149'067
Depreciation / amortisation and impairment	–26'285	–31'663	–835	–1'341	–673	–635	725	1'174	–27'068	–32'465
Selling and administrative expenses	–94'376	–85'854	–11'636	–12'041	–3'851	–3'034	3'398	3'266	–106'465	–97'663
Other operating income (+) and expenses (–)	–4'341	–1'219	–1'205	–3'337	657	635	–4'627	–4'565	–9'516	–8'486
SEGMENT RESULT	**106'923**	**100'162**	**17'866**	**–142**	**–11'371**	**–2'128**	**–504**	**86**	**112'914**	**97'978**
Result from companies accounted for using the equity method	–216	–4	0	0	0	0	0	0	–216	–4
Other financial result							–2'295	13'059	–2'295	13'059
GROUP EARNINGS BEFORE TAXES	**106'707**	**100'158**	**17'866**	**–142**	**–11'371**	**–2'128**	**–2'799**	**13'145**	**110'403**	**111'033**
AS OF DECEMBER 31										
SEGMENT ASSETS	**6'515'993**	**6'088'976**	**2'074'496**	**1'667'264**	**108'859**	**100'816**	**–1'650'129**	**–1'488'545**	**7'049'219**	**6'368'511**
thereof investments accounted for using the equity method	2'906	0	0	0	0	0	0	0	2'906	0
SEGMENT LIABILITIES	**5'344'093**	**4'928'263**	**1'780'805**	**1'393'172**	**111'124**	**99'909**	**–1'567'294**	**–1'406'544**	**5'668'728**	**5'014'800**

* Income is shown as positive, expenses as negative.

8.3 Information on regional segments

The main geographical areas at country level in which operating income is generated with external customers are Germany, France and Italy. All other countries are summarised in “Other countries”. Operating income and non-current assets are presented for the countries shown. Operating income includes net interest income and non-interest income, the geographical breakdown of which is based on the customer contracts in the subsidiary’s location. Non-current assets include other intangible assets, property, plant and equipment, rights of use and other assets based on the location of the subsidiary.

EURk	Germany		France		Italy		Other countries		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
EXTERNAL OPERATING INCOME (JANUARY TO DECEMBER)	93'459	68'381	95'600	105'273	89'493	70'550	153'418	141'455	431'970	385'659
NON-CURRENT ASSETS (AS OF DECEMBER 31)	35'660	42'675	16'812	15'611	7'612	9'084	78'018	73'397	138'102	140'767

9. Other disclosures

9.1 Capital management

9.1.1 Economic capital

The primary goal of the GRENKE Group's capital management is to ensure that its credit rating is maintained in order to support its operations and safeguard liquidity, as well as to maintain risk-bearing capacity at all times within the requirements placed on the Consolidated Group by the Minimum Requirements for Risk Management.

The GRENKE Group monitors its capital, among other things, using the equity ratio, i.e. the ratio of its equity according to the statement of financial position to total assets. In accordance with the Consolidated Group guidelines, we aim for an equity ratio of a minimum of 16 percent, as in the previous year. In addition, the Consolidated Group's determination of maximum risk-bearing capacity and its risk-limiting system through the limiting of risk positions, the safeguarding and monitoring of economic capital is guaranteed.

Operating income consists of the same items as those explained above for operating segment income. Non-current assets comprise non-current lease receivables, property, plant and equipment, rights of use, goodwill, other intangible assets and other non-current assets.

9.1.2 Regulatory capital

As a financial services provider and parent company of the banking group, GRENKE AG must meet the equity requirements of banking groups under Section 10a KWG in conjunction with Section 25ff of EU Regulation No. 575/2013 (Capital Requirement Regulation – CRR).

The regulatory scope of consolidated companies of GRENKE AG is determined by the Consolidated Group's scope of consolidation. The solvency of the banking group is also measured based on the affiliation with the Consolidated Group. Equity is calculated in the context of the CoREP reporting (Common Solvency Ratio Reporting) under Section 72ff CRR.

For the presentation of equity, please refer to the combined management report. The return on capital in accordance with Section 26a (1) Sentence 4 KWG is 1.2 percent.

9.2 Contingent liabilities and other financial obligations

Irrevocable credit commitments from loan business amounted to EUR 7,360k (previous year: EUR 6,392k) and included unutilised limited overdrafts and unutilised loan commitments for the risk concentration country of Germany. This amount also represents the maximal credit risk.

Obligations for the construction of office buildings amounted to EUR 0k as of December 31, 2023 (previous year: EUR 123k).

The Company has financial obligations related to rent, building maintenance and lease contracts. Lease contracts for leased branch offices and company vehicles are generally recognised as rights of use and lease liabilities in the statement of financial position.

The following table contains other financial obligations that were not recognised as lease liabilities under IFRS 16 because the underlying contracts did not contain a lease as defined by IFRS 16 or the exemptions were utilised for short-term leases and low-value leases. The presentation also includes obligations from leases that the GRENKE Group had already entered into as lessee as of the reporting date but have not yet started.

EURk	Dec. 31, 2023	Dec. 31, 2022
RENT, MAINTENANCE AND LEASE OBLIGATIONS NOT RECOGNISED AS LEASE LIABILITIES IN STATEMENT OF FINANCIAL POSITION		
Due in subsequent year	7'061	4'494
Due in 1 to 5 years	6'060	4'947
Due after 5 years	1'859	0
TOTAL	**14'980**	**9'441**

Under three agreements on the sale of receivables of GRENKE Investitionen Verwaltungs KGaA to secure all receivables of the holding company (GRENKE Investitionen Verwaltungs KGaA) 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 issued a letter of comfort as of the December 31, 2023 reporting date for the following entities:

- Grenkeleasing Magyarország Kft., Hungary
- GRENKELEASING Sp. z o.o., Poland
- GRENKELEASING ApS, Denmark
- Grenkeleasing Oy, Finland
- GRENKELEASING s.r.o., Czechia
- GRENKE Renting Ltd., Malta
- GC Leasing Middle East FZCO, United Arab Emirates (UAE)
- GC LEASING SYDNEY PTY LTD, Australia
- GC LEASING MELBOURNE PTY LTD, Australia
- GC Lease Singapore Pte. Ltd., Singapore
- GC Factoring Ltd., United Kingdom
- 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.

9.3 Tax audits

The external tax audit for GRENKE Investitionen Verwaltungs KGaA for the financial years 2005 to 2009 was completed in 2018. As of the reporting date, the previously disputed matter has been settled. The tax authorities have settled their legal opinion and fully endorsed the legal opinion represented by GRENKE; amended tax assessments have not yet been issued. The most probable values were used to measure the tax items arising from the matter.

In April 2018, an audit order was issued for GRENKE BANK AG for the period 01/2011 to 12/2014. In February 2021, a further audit order was issued for GRENKE BANK AG for the period 1/2015 to 12/2020. The external tax audits related to insurance tax. As of the reporting date, the findings are available in the form of notices. As the facts are disputed and GRENKE takes a different position vis-à-vis the tax authorities, objections were lodged in due form in a timely manner and a suspension of enforcement was applied for and granted accordingly. Appeal decisions had not yet been made as of the reporting date. The most probable value was recognised as a tax provision for the valuation of the uncertain tax items from the disputed facts.

In July 2018, an audit order was issued for GRENKE AG for the period 01/2012 to 12/2017. In February 2021, a further audit order was issued for GRENKE AG for the period 1/2018 to 12/2020. The external tax audits related to insurance tax. As of the reporting date, the findings are available in the form of notices. As the facts of the case are disputed and GRENKE takes a different position vis-à-vis the tax authorities, objections were lodged in due form and in a timely matter and a suspension of enforcement was requested and granted accordingly. Appeal decisions had not yet been made as of the reporting date. For the valuation of the uncertain tax items from the disputed facts, the most probable value was recognised as a tax provision.

The tax audit for GRENKE AG and its tax group companies for the years 2015 to 2019, which began in the previous year, had not yet been completed as of the reporting date. There are also no final audit findings yet.

In addition, the tax audits and appeal proceedings initiated in previous years, including in Italy and Belgium, have been partially completed. In some cases, matters are still in dispute in which GRENKE takes a different position vis-à-vis the tax authorities and has lodged corresponding appeals. For the tax audit that began in France in the previous year, findings in the form of tax assessment notices were available as of the reporting date. As the facts of the case are disputed and GRENKE takes a different position vis-à-vis the tax authorities, appeals were lodged in due form and in a timely manner. In addition, a tax audit was started in France for the subsequent period. No final findings are available as of the reporting date. To the extent that final findings are available or uncertain tax items from disputed matters are to be measured, these were recognised in the consolidated financial statements at the most probable values.

9.4 Consulting and audit fees

The expenses related to the audit fee are comprised as follows:

EURk	2023	2022
Audit services	1'603	1'648
Other assurance services	144	136
TOTAL	**1'747**	**1'784**

In the 2023 financial year, expenses related to previous periods amounted to EUR 326k (previous year: EUR 253k) in connection with the 2022 audit.

9.5 Related party disclosures

Third parties are considered to be related when one party controls GRENKE AG, has joint control over GRENKE AG, or has the power to exercise considerable influence over its business or operating decisions. Related parties of the GRENKE Group include persons in key positions and persons closely related to them, and entities controlled by these persons, subsidiaries and associated companies of GRENKE AG, as well as entities that exercise a considerable influence. In the case of their interim entry or exit during the year, the transactions are shown as of or up to this point in time.

Transactions with associated companies and subsidiaries

Transactions of GRENKE AG with its subsidiaries are related party transactions. In the event that the transaction is eliminated in the course of consolidation, no disclosure is required. Transactions of the GRENKE Group with associated companies are to be disclosed as related party transactions.

There were no reportable transactions with subsidiaries or associated companies as of December 31, 2023 or as of December 31, 2022.

Transactions with persons in key positions

Persons in key positions are persons who have direct or indirect authority and responsibility for planning, directing and overseeing the activities of the GRENKE Group. Persons in key positions were exclusively sitting members of the Board of Directors and Supervisory Board of GRENKE AG and persons closely related to them such as family members.

In the course of its ordinary business activities, GRENKE BANK AG provides services to persons in key positions and persons closely related to them. As of the reporting date, GRENKE BANK AG received deposits and credit balances on current accounts of EUR 130k (previous year: EUR 0k) from persons in key positions and persons closely related to them.

Board of Directors

The following table presents the total remuneration of the members of the Board of Directors in accordance with Section 314 (1) No. 6 HGB and IAS 24.17. A detailed description of the basic features of the remuneration system for the members of the Board of Directors and the Supervisory Board and an individualised presentation of the remuneration in accordance with the provisions of German Accounting Standard (GAS) 17 are presented in the remuneration report (www.grenke.com/investor-relations/reports-and-presentations/). Short-term benefits include, among other things, customary benefits in kind.

EURk	2023	2022
Short-term benefits	1'898	2'639
Pension benefits	46	40
Other long-term benefits	0	0
Termination benefits	635	0
Share-based remuneration	271	0
TOTAL	**2'850**	**2'679**

Supervisory Board

The remuneration (including fringe benefits) of the Supervisory Board of GRENKE AG at Consolidated Group level totalled EUR 619k (previous year: EUR 555k). Remuneration for Supervisory Board activities is set out in GRENKE AG's Articles of Association. The remuneration is categorised as a short-term benefit in accordance with IAS 24.17.

Transactions with other related parties

Other related parties include subsidiaries and joint ventures of persons in key positions and persons closely related to them. Other related parties include persons who have been declared as related parties due to the economic content of the relationship in accordance with IAS 24.10.

Liabilities to other related parties result from GRENKE BANK AG's deposit business and current account balances. Credit facilities for current accounts were utilised in the amount of EUR 830k (previous year: EUR 802k) with a current account credit limit of EUR 840k (previous year: EUR 840k). This resulted in interest income of EUR 32k (previous year: EUR 31k). Income from other related parties in the amount of EUR 4k (previous year: EUR 4k) resulted from lease agreements and employee loans. Receivables from other related parties, which consisted mainly of collateral payments to other related parties, amounted to EUR 3,986k as of December 31, 2023 (previous year: EUR 4,518k).

9.6 Board of Directors and Supervisory Board

The Board of Directors of GRENKE AG consisted of the following members in the 2023 financial year:

- Dr Sebastian Hirsch, CEO, Sinzheim, Germany
- Gilles Christ, MBA, Wissembourg, France
- Isabel Rösler, Graduate in Business Administration (BA), Stuttgart, Germany

Members of the Board of Directors represent GRENKE AG together with another member of the Board of Directors or an authorised signatory.

Memberships of Board members on other statutory supervisory boards or comparable domestic and international supervisory bodies are listed below:

Dr Sebastian Hirsch is a member of the Supervisory Board of GRENKE Service AG, Baden-Baden (until June 30, 2023).

Gilles Christ is a member of the Supervisory Board of GRENKE Service AG, Baden-Baden (until December 20, 2023).

Isabel Rösler is a member of the Supervisory Board of GRENKE Service AG, Baden-Baden (until June 30, 2023).

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In the 2023 financial year, the Supervisory Board comprised the following members:

- Prof Dr Ernst-Moritz Lipp, Baden-Baden, Germany, Chair, Professor of International Finance and Managing Director of Odewald & Compagnie Gesellschaft für Beteiligungen mbH, Berlin (until May 16, 2023)
- Jens Rönnberg, Mainz, Germany, Deputy Chair (until May 16, 2023) and Chair (since May 16, 2023), self-employed auditor / tax consultant, Managing Director of Roennberg UG (limited liability), Mainz
- Dr Konstantin Nikolaus Maria Mettenheimer, Königstein, Germany, Deputy Chair (since May 16, 2023), lawyer and tax advisor, Executive Chair of the Board of Directors of PMB Capital Limited, London, United Kingdom

- Norbert Freisleben, Unterschleißheim, Germany, graduate economist and Certified Public Accountant (CPA), Karl Häge Verwaltungs GmbH, Langenau
- Nils Kröber, Neuss, Germany, lawyer, Managing Director of DeaDia Ventures GmbH, Cologne
- Dr Ljiljana Mitic, Munich, Germany, independent management consultant
- Moritz David Grenke, Baden-Baden, Germany, Member of the Supervisory Board of GRENKE BANK AG, Baden-Baden

The terms of office of Dr Konstantin Nikolaus Maria Mettenheimer and Dr Ljiljana Mitic end at the end of the Annual General Meeting that decides on their discharge for the 2023 financial year. The term of office of Moritz David Grenke ends at the end of the Annual General Meeting that decides on his discharge for the 2025 financial year, and the terms of office of Jens Rönnberg and Norbert Freisleben end at the end of the Annual General Meeting that decides on their discharge for the 2026 financial year. The term of office of Nils Kröber ceases at the end of the Annual General Meeting that decides on his discharge for the 2027 financial year.

Memberships of other statutory supervisory boards and membership of comparable domestic and international supervisory bodies are listed below:

Jens Rönnberg is Deputy Chair of the Supervisory Board of GRENKE BANK AG, Baden-Baden.

Dr Konstantin Nikolaus Maria Mettenheimer is a member of the Supervisory Board of TTTech Computertechnik AG, Vienna, Austria, as well as Chair of the Board of Directors of Brunneria Foundation, Liechtenstein, Blue Seas Trust Company Ltd, George Town, Cayman Islands, Eastwest Trust Company Ltd, George Town, Cayman Islands, and Director of Art Media Ltd. and Art Media Holding Ltd, Halifax, Canada.

Norbert Freisleben is Chair of the Supervisory Board of GANÉ AG, Aschaffenburg, and Chair of the Supervisory Board of GANÉ Investment AG, Frankfurt am Main.

Dr Ljiljana Mitic is a Non-Executive Director of Computacenter plc, London, United Kingdom, and Chair of the Supervisory Board of GRENKE BANK AG, Baden-Baden.

Moritz David Grenke is a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden.

9.7 Disclosures on notifications pursuant to Section 33 (1) WpHG

As part of our investor relations work, we provide comprehensive information on developments in the Company. GRENKE also makes extensive use of the internet for reporting purposes; the voting rights notifications that have been received are published at www.grenke.com/investor-relations/grenke-share/voting-rights in accordance with Section 40 of the German Securities Trading Act (WpHG).

The following table shows the notifiable shareholdings as of the reporting date. The information relates in each case to the last notification received from a reporting party.

Notifier	Date of notification	Threshold	Threshold exceeded or fallen below	Date threshold exceeded or fallen below	Share of voting rights in percent	Share of voting rights	Attribution to WpHG
Axxion S.A., Grevenmacher, Luxembourg	January 19, 2023	3%	Fallen below	January 13, 2023	2.99%	1'390'456	Section 33, 34
Moritz Grenke[1]	November 27, 2023	3%	Fallen below	November 23, 2023	0.01%	6'222	Section 33, 34
GRENKE-Stiftung Verwaltungs GmbH, Baden-Baden, Germany[2]	January 5, 2024	5%	Exceeded	December 29, 2023	7.16%	3'328'500	Section 33, 34
Universal Investment GmbH, Frankfurt am Main, Germany	January 12, 2024	5%	Exceeded	December 14, 2023	5.03%	2'339'324	Section 33, 34

1 Discontinuation of attribution due to controlling influence on GRENKE Stiftung Verwaltungs GmbH

2 GRENKE-Stiftung Verwaltungs GmbH acts as the trustee for the dependent (unincorporated) GRENKE-Stiftung, Baden-Baden, Germany. Prior to the transfer in question, GRENKE-Stiftung Verwaltungs GmbH held 1,408,500 shares in GRENKE AG in trust. Based on a securities lending agreement dated December 29, 2023, the notifying party acquired a further 1,920,000 shares from Grenke Beteiligung GmbH & Co. KG, Baden-Baden, Germany.

9.8 Events after the reporting date

On January 31, 2024, GRENKE AG announced the intended sale of the factoring companies in order to increase its concentration on leasing business with small- and medium-sized enterprises in the future. The intended sale is prompted by the fact that the expected synergies with the core leasing business have not materialised. In addition, an in-depth analysis showed that the existing factoring business could only become profitable in the long term through additional investments and a significant multi-fold increase in the business volume. As of December 31, 2023, assets from factoring business accounted for less than two percent of the consolidated balance sheet.

With effect from January 31, 2024, the receivables sale agreement between GRENKE LEASING LIMITED, Guildford/United Kingdom and Norddeutsche Landesbank Girozentrale, which had been in place since March 2010, was terminated and all receivables were repurchased. Utilisation amounted to GBP 62,932k as at December 31, 2023.

On February 6, 2024, with the approval of the Supervisory Board, the Board of Directors of GRENKE AG resolved to implement a share buyback programme of up to EUR 70 million (excluding incidental costs and not exceeding 2,317,695 shares). This corresponds to five percent of the company's share capital existing at the time of the authorisation resolution of the Annual General Meeting on August 6, 2020. Approval for this has been granted by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). The share buyback programme began on February 12, 2024 and is limited until July 31, 2025. Our website provides information on the volume of shares bought back on a weekly basis at www.grenke.com/en/investor-relations/grenke-share/share-buyback-program/.

In a letter dated February 20, 2024, BaFin informed us that the GRENKE Group must continue to comply with capital requirements that exceed the capital requirements pursuant to Article 92 of Regulation (EU) No. 575/2013 (CRR) by 2.5 percentage points. Accordingly, the GRENKE Group is required to meet a capital ratio of 8.0 percent plus 2.5 percent, amounting to a total of 10.5 percent.

There were no other significant events after the reporting date.

9.9 Declaration pursuant to Section 161 AktG

The Board of Directors and the Supervisory Board of GRENKE AG issued the declaration pursuant to Section 161 AktG and made it permanently available to shareholders on the Company's website.

10. Overview of the GRENKE Group's schedule of shareholdings pursuant to Section 313 (2) HGB

	Registered office	Equity interest Dec. 31, 2023 in %[1]
GERMANY		
GRENKE Service GmbH	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 digital GmbH	Karlsruhe	100
INTERNATIONAL		
GRENKELEASING s.r.o.	Prague/Czech Republic	100
GRENKE ALQUILER S.L.	Barcelona/Spain	100
Grenkefinance N.V.	Vianen/Netherlands	100
GRENKE RENT S.L.	Madrid/Spain	100
GRENKELEASING AG	Zurich/Switzerland	100
GRENKELEASING GmbH	Vienna/Austria	100
GRENKELEASING ApS	Herlev/Denmark	100
GRENKE LIMITED	Dublin/Ireland	100
GRENKE FINANCE PLC	Dublin/Ireland	100
GRENKE LOCATION SAS	Schiltigheim/France	100
GRENKE LOCAZIONE S.R.L.	Milan/Italy	100
GRENKELEASING AB	Stockholm/Sweden	100
GRENKE LEASE SRL	Brussels/Belgium	100

	Registered office	Equity interest Dec. 31, 2023 in %[1]
GRENKE LEASING LIMITED	Guildford/ United Kingdom	100
GRENKELEASING Sp. z o.o.	Poznan/Poland	100
Grenkeleasing Magyarország Kft.	Budapest/Hungary	100
Grenke RENTING S.R.L	Bucharest/Romania	100
GRENKE RENTING S.A.	Lisbon/Portugal	100
GRENKELEASING s.r.o.	Bratislava/Slovakia	100
Grenkeleasing Oy	Vantaa/Finland	100
GRENKELOCATION SARL	Munsbach/Luxembourg	100
GRENKEFACTORING AG	Basel/Switzerland	100
GRENKELEASING d.o.o.	Ljubljana/Slovenia	100
GRENKE Kiralama Ltd. Şti.	Istanbul/Turkey	100
GRENKE Renting Ltd.	Sliema/Malta	100
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100
GC Leasing Middle East FZCO	Dubai/UAE	100
GRENKE Hrvatska d.o.o.	Zagreb/Croatia	100
GC LEASING MELBOURNE PTY LTD	Melbourne/Australia	100
GC LEASING SYDNEY PTY LTD	Sydney/Australia	100
GC Factoring Ireland Limited	Dublin/Ireland	100
GC Faktoring Polska Sp. z o.o.	Poznan/Poland	100
GC Lease Singapore Pte. Ltd.	Singapore/Singapore	100
GF Faktor Zrt.	Budapest/Hungary	100
GC Factoring Limited	London/United Kingdom	100
GRENKE LEASING IL LLC	Chicago/USA	100
GC Leasing AZ LLC	Phoenix/USA	58

	Registered office	Equity interest Dec. 31, 2023 in %[1]
SUBSIDIARIES OPERATING WITHIN THE FRAMEWORK OF THE FRANCHISE SYSTEM		
GC Crédit-Bail Québec Inc.	Montreal/Canada	0[2]
GC Leasing Ontario Inc.	Toronto/Canada	0[2]
GL Leasing British Columbia Inc.	Vancouver/Canada	0[2]
GC Rent Chile SpA	Santiago de Chile/Chile	0[2]
SIA GC Leasing Baltic	Riga/Latvia	0[2]
STRUCTURED ENTITIES		
FCT “GK”-COMPARTMENT „G2“	Saint-Denis/France	100[2]
FCT “GK”-COMPARTMENT „G4“	Saint-Denis/France	100[2]
FCT “GK”-COMPARTMENT „G5“	Saint-Denis/France	100[2]
Elektra Purchase No. 25 DAC	Dublin/Ireland	0[2]
Opusalpha Purchaser II Limited	Dublin/Ireland	0[2]
Kebnekaise Funding Limited	St. Helier/Jersey	0[2]
CORAL PURCHASING (IRELAND) 2 DAC	Dublin/Ireland	0[2]
SILVER BIRCH FUNDING DAC	Dublin/Ireland	0[2]
ASSOCIATED ENTITIES		
Miete24 P4Y GmbH	Velten	25.96[3]

	Registered office	Equity interest Dec. 31, 2023 in %	Net profit in EURk	Equity in EURk
OTHER INVESTMENTS				
Finanzchef24 GmbH	Munich	13.71	–2’747[4]	–1’880[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 2023

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 Group") is required to provide a county-by-country breakdown of information on the company names, type of business activity, geographical location, revenue, number of employees in full-time equivalents, profit or loss before taxes, taxes on profit or loss and public subsidies received.

Disclosures

In this report, the GRENKE Group is publishing the required disclosures as of December 31, 2023. This includes the disclosures required as of the reporting date for all companies included in the scope of consolidation in the context of full consolidation under commercial law, which is identical to the regulatory scope of consolidation. The geographical allocation is based on the legal domicile of the companies.

The management and actions of the GRENKE Group are based on the standards of the German Corporate Governance Code. Additional principles of proper management of the Consolidated Group are set out in detail in the Annual Financial Report. This report distinguishes between leasing, factoring and banking/refinancing activities within the Consolidated Group. The Leasing segment represents the most significant segment for the GRENKE Group and includes all transactions related to the Consolidated Group's leasing activities. Depending on local circumstances, this may also include the leasing of movable goods. Commercial customers primarily lease IT products such as printers, copiers, telecommunications products and software with a net purchase value of EUR 500 or more. The Factoring segment includes traditional factoring services, such as the purchase of receivables for immediate payment. The focus of this segment is on small receivable amounts. The Banking segment includes the activities of GRENKE BANK AG, which primarily contributes to the Consolidated Group's refinancing through the bank's deposit business and purchase of receivables. In cooperation with development banks, it also provides and processes loans for business start-up financing and microcredits for small- and medium-sized enterprises (SMEs). In addition, GRENKE BANK AG operates its own leasing business through a branch in Norway, as well as its own factoring business in Italy and Portugal. In the refinancing area, a broad range of refinancing instruments is also provided by subsidiaries and securitisation companies that are consolidated without capital participation under supervisory and commercial law.

The definition of revenue is based on the following items on the income statement in accordance with IFRS:

- Net interest income, excluding the settlement of claims and risk provision
- Profit from service business
- Profit from new business
- Gains (+) and losses (–) from disposals
- Other operating income, including intra-Group income
- Other interest result, including intra-Group interest result

Reporting

The following overview lists all domestic and international companies, including the company name, registered office and type of business activity in accordance with Section 26a (1) Sentence 2 Point 1 KWG.

Country	Entity	Registered office	Business activity/segment
EU COUNTRIES			
Belgium	GRENKE LEASE SRL	Brussels	Leasing
Denmark	GRENKELEASING ApS	Herlev	Leasing
Germany	GRENKE BANK AG	Baden-Baden	Banking/Refinancing
	GRENKEFACTORING GmbH	Baden-Baden	Factoring
	GRENKE Investitionen Verwaltungs Kommanditgesellschaft auf Aktien	Baden-Baden	Leasing/Refinancing
	GRENKE AG	Baden-Baden	Leasing
	GRENKE Service GmbH	Baden-Baden	Other
	GRENKE digital GmbH	Karlsruhe	Other
	GRENKE BUSINESS SOLUTIONS GmbH & Co. KG	Baden-Baden	Leasing
Finland	Grenkeleasing Oy	Vantaa	Leasing
France	GRENKE LOCATION SAS	Schiltigheim	Leasing
	FCT „GK“-COMPARTMENT „G2“	Saint-Denis	Refinancing
	FCT „GK“-COMPARTMENT „G4“	Saint-Denis	Refinancing
	FCT „GK“-COMPARTMENT „G5“	Saint-Denis	Refinancing

Country	Entity	Registered office	Business activity/segment
Ireland	GRENKE LIMITED	Dublin	Leasing
	GRENKE FINANCE PLC	Dublin	Leasing/Refinancing
	GC Factoring Ireland Limited	Dublin	Factoring
	Opusalpha Purchaser II Limited	Dublin	Refinancing
	CORAL PURCHASING (IRELAND) 2 DAC	Dublin	Refinancing
	Elektra Purchase No. 25 DAC	Dublin	Refinancing
	SILVER BIRCH FUNDING DAC	Dublin	Refinancing
Italy	GRENKE LOCAZIONE S.R.L.	Milan	Leasing
	GRENKE BANK AG Branch Italy	Milan	Factoring
Croatia	GRENKE Hrvatska d.o.o.	Zagreb	Leasing
Latvia	SIA GC Leasing Baltic	Riga	Leasing
Luxembourg	GRENKELOCATION SARL	Munsbach	Leasing
Malta	GRENKE Renting Ltd.	Sliema	Leasing
Netherlands	Grenkefinance N.V.	Vianen	Leasing
Austria	GRENKELEASING GmbH	Vienna	Leasing
Poland	GRENKELEASING Sp. z o.o.	Poznan	Leasing
	GC Faktoring Polska Sp. z o.o.	Poznan	Factoring
Portugal	GRENKE RENTING S.A.	Lisbon	Leasing
	GRENKE BANK AG – Sucursal em Portugal	Lisbon	Factoring
Romania	Grenke RENTING S.R.L.	Bucharest	Leasing
Sweden	GRENKELEASING AB	Stockholm	Leasing
Slovakia	GRENKELEASING s.r.o.	Bratislava	Leasing
Slovenia	GRENKELEASING d.o.o.	Ljubljana	Leasing
Spain	GRENKE ALQUILER S.L.	Barcelona	Leasing
	GRENKE RENT S.L.	Madrid	Leasing
Czech Republic	GRENKELEASING s.r.o.	Prague	Leasing
Hungary	Grenkeleasing Magyarország Kft.	Budapest	Leasing
	GF Faktor Zrt.	Budapest	Factoring

Country	Entity	Registered office	Business activity/segment
THIRD COUNTRIES			
Australia	GC LEASING MELBOURNE PTY LTD	Melbourne	Leasing
	GC LEASING SYDNEY PTY LTD	Sydney	Leasing
Brazil	GC Locação de Equipamentos LTDA	São Paulo	Leasing
Chile	GC Rent Chile SpA	Santiago de Chile	Leasing
Jersey	Kebnekaise Funding Limited	St. Helier	Refinancing
Canada	GL Leasing British Columbia Inc.	Vancouver	Leasing
	GC Leasing Ontario Inc.	Toronto	Leasing
	GC Crédit-Bail Québec Inc.	Montreal	Leasing
Norway	GRENKE BANK AG Branch Norway	Lysaker	Leasing
Switzerland	GRENKELEASING AG	Zurich	Leasing
	GRENKEFACTORING AG	Basel	Factoring
Singapore	GC Lease Singapore Pte. Ltd.	Singapore	Leasing
Turkey	GRENKE Kiralama Ltd. Şti.	Istanbul	Leasing
United Arab Emirates	GC Leasing Middle East FZCO	Dubai	Leasing
United Kingdom	GRENKE LEASING LIMITED	Guildford	Leasing
	GC Factoring Limited	London	Factoring
United States of America	GC Leasing AZ LLC	Phoenix	Leasing
	GRENKE LEASING IL LLC	Chicago	Leasing

Country-specific disclosures pursuant to Section 26a (1) Sentence 2 Points 2–6 KWG follow below. Disclosures are provided on a country-by-country basis according to the IFRS conversion and before inter-Group transfers.

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
EU COUNTRIES					
Belgium	28	11.5	–1.5	–0.2	0
Denmark	30	3.2	–4.7	0.0	0
Germany	867	217.0	30.7	–9.2	0
Finland	52	10.2	2.1	0.0	0
France	202	78.7	30.0	8.3	0
Ireland	59	246.2	48.9	2.6	0
Italy	207	69.5	50.8	17.8	0
Croatia	20	3.5	2.2	0.3	0
Latvia	6	0.8	0.1	0.0	0
Luxembourg	4	0.8	0.2	0.0	0
Malta	3	0.0	–0.4	0.0	0
Netherlands	38	5.8	–0.5	0.0	0
Austria	23	9.5	1.4	1.5	0
Poland	52	2.6	–3.0	0.0	0
Portugal	65	9.2	2.7	0.6	0
Romania	28	2.8	0.4	0.1	0
Sweden	27	3.5	–3.1	–1.7	0
Slovakia	10	0.8	–0.5	0.0	0
Slovenia	9	0.9	0.0	0.0	0
Spain	86	18.7	3.7	1.0	0
Czech Republic	9	0.7	–0.4	0.3	0
Hungary	20	2.1	0.0	0.0	0

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
THIRD COUNTRIES					
Australia	25	4.0	–3.2	0.0	0
Brazil	41	9.0	2.0	0.6	0
Chile	13	1.1	–1.5	0.0	0
Jersey		13.2	0.0	0.0	0
Canada	17	1.8	–3.2	0.0	0
Norway	4	4.2	2.9	0.0	0
Switzerland	38	17.7	–0.2	0.0	0
Singapore	5	–1.5	–2.8	0.0	0
Turkey	11	–1.2	–2.7	–0.4	0
United Arab Emirates	13	2.4	–0.6	0.0	0
United Kingdom	89	22.5	4.9	2.2	0
United States of America	7	0.2	–1.0	0.0	0

[1] Excluding employees on maternity and parental leave but including executives and trainees.
[2] Figures include deferred taxes.

The return on capital was 1.2 percent, according to Section 26a KWG (1) Sentence 4.

Independent auditor's report

A. REPLICATION OF THE INDEPENDENT AUDITOR'S REPORT

We have included the financial statements and the combined management report of GRENKE AG, Baden-Baden, for the financial year from 1 January 2023 to 31 December 2023 in this report as Appendix I (financial statements) and Appendix III (combined management report) as well as the electronic renderings of the financial statements and of the combined management report prepared for publication purposes in the versions for which the unqualified audit opinion was signed and issued in Frankfurt am Main on 4 March 2024.

The translation of the original German auditor's report states as follows:

Note: This is a convenience translation of the German original. Solely the original text in German is authoritative.

INDEPENDENT AUDITOR'S REPORT

To the GRENKE AG, Baden-Baden

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of GRENKE AG, Baden-Baden, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of GENKE AG for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in section "OTHER INFORMATION".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

- the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3) sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We conducted our audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We have identified the following matter as the key audit matter to be disclosed in our auditor's report:

- 1. Determination of allowances for non-performing receivables from finance leases

DETERMINATION OF ALLOWANCES FOR NON-PERFORMING RECEIVABLES FROM FINANCE LEASES

Matter

In GRENKE AG's consolidated financial statements, non-performing lease receivables in the amount of EUR 462.0 million (6.5% of total assets) and allowances of EUR 325.7 million on these receivables are recognized from terminated leases classified as finance leases.

GRENKE AG has allocated these non-performing receivables from finance leases to level 3 and recognizes the allowances in the amount of the lifetime expected loss in accordance with IFRS 9.

In determining the allowances for non-performing receivables from finance leases, discretionary decisions must be made by the legal representatives. These include the selection of the model used to determine the loss rates for non-performing lease receivables, the other estimation parameters used in the model, the assumptions made for this purpose, and possible model adjustments based on the findings of model validations. These judgments are subject to uncertainties that are amplified by current macroeconomic factors. In addition, the determination of allowances is highly complex and dependent on a high level of expertise and knowledge of a limited number of employees and decision makers.

Against this background, this matter was of particular significance in the context of our audit.

For information on the accounting policies applied to non-performing lease receivables, please refer to the notes to the consolidated financial statement in section 3.18.2 "Determination of Impairment for Lease Receivables" and section 5.2 "Lease Receivables" in the notes to the consolidated financial statements.

Auditor's Response

As part of our audit approach, we first performed a risk assessment and evaluated the risk of material misstatement of the allowance for non-performing receivables from finance leases.

Based on this risk assessment, we obtained an understanding of the process used to determine the allowance for such receivables as part of our audit procedures on the internal control system. To this end, we assessed the design of methods, procedures, and controls – including over-arching IT controls – based on a review of guidelines and work instructions for the determination of allowances for non-performing receivables from finance leases and verified their implementation. In addition, we performed tests of operating effectiveness.

Based on this, we performed the following substantive audit procedures in particular, with the assistance of valuation specialists.

We analyzed the fundamental suitability of the valuation model for determining the value adjustments and the suitability of the estimation parameters used in the procedures.

In doing so, we examined whether the key estimation parameters used to determine the allowance were determined in a methodologically appropriate and mathematically correct manner and were correctly included in the model used to determine the allowance for non-performing receivables from finance leases. In addition, we verified the annual validation of key estimation parameters.

We sampled the determination of the key estimation parameters and understood how the data relevant for the determination is derived from the cash flows and balances recorded in the accounting records. A reconciliation was performed with the cash flows and balances recorded in accounting for the underlying contract bases. In a risk-oriented sample, we tested the correctness of the allocation to the processing classes of the receivables from finance leases.

Finally, our audit included the mathematical accuracy of the valuation model used with regard to the valuation allowances determined for non-performing receivables from finance leases.

OTHER INFORMATION

The legal representatives respectively the supervisory board are responsible for the other information. The other information comprises:

- The group statement on corporate governance provided in section 8 of the combined management report,
- the non-financial group statement provided in section 3 of the combined management report,
- the information referred to in the cross-reference in the introduction and in chapter 9 of the combined management report: www.grenke.de/unternehmen/investor-relations/berichte-und-praesentationen,
- the information in sections 1.3.2 "Management indicators" and 1.3.3 "Non-financial performance indicators" under Climate and Environment,
- the other parts of the annual report, with the exception of the audited financial statements and

combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report, or our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT, PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 (3A) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "GRENKE_AG_KA_2023.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2023 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (06.2023)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the consolidated general meeting on May 16, 2023. We were engaged by the supervisory board on 5 July 2023. We have been the group auditor of the GRENKE AG without interruption since the financial year 2021.

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

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report for the audited entity or its controlled entities:

- Agreed-Upon procedures report pursuant to ISRS 4400
- Review of the condensed interim consolidated financial statements as of June 30, 2023 and of the quarterly financial report as of September 30, 2023 in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf (IDW) (IDW PS 900).
- Audit of the compensation report in accordance with section 162 (3) AktG (IDW PS 870 (08.2021)).
- Issuance of a comfort letter in accordance with IDW PS 910.

OTHER MATTER — USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format — including the versions to be published in the German Federal Gazette — are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Schölch.

Frankfurt am Main, March 4, 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Björn Grunwald	Christoph Schölch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

We confirm that to the best of our knowledge, and in accordance with the applicable reporting standards, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Consolidated Group and the management report of the Company and the Consolidated Group conveys a true and fair view of business performance, including financial performance and the position of the Consolidated Group, and describes the main opportunities and risks relating to the Consolidated Group's anticipated development.

Baden-Baden, March 4, 2024

Dr. Sebastian Hirsch
Chair of the Board of Directors (CEO),
interim Chief Financial Officer (CFO)

Gilles Christ
Chief Sales Officer (CSO)

Isabel Rösler
Chief Risk Officer (CRO)

Annual Financial Statements

GRENKE AG´s complete Annual Financial Statements (HGB) are available at www.grenke.com/investor-relations/reports-and-presentations.

Annual Financial Statements 2023

of GRENKE AG (HGB) Excerpts

Annual financial statements of GRENKE AG

for the 2023 financial year

Grenke AG's Income Statement for the period from January 1 to December 31, 2023

	EUR	2023	2022
1.	Income from leases	697'422'242.46	665'253'748.68
2.	Expenses from leases	485'073'130.80	431'774'143.22
3.	Interest income from	7'275'972.14	7'440'232.07
	a) Lending and money market transactions	7'275'972.14	7'440'232.07
	thereof: negative interest income from lending and money market transactions	0.00	220'609.45
4.	Interest expenses	18'720'991.23	16'485'194.05
	thereof: positive interest income from lending and money market transactions	0.00	220'609.45
5.	Current income from	110'701'916.20	90'616'536.68
	c) Investments in associated companies	110'701'916.20	90'616'536.68
6.	Income from profit transfer agreements	22'180'985.87	230'713.51
7.	Commission income	4'839'646.00	6'241'008.00
8.	Commission expenses	24'234'945.34	22'139'245.54
9.	Other operating income	86'612'525.78	59'288'359.78
10.	General and administrative expenses	132'536'039.37	121'301'831.81
	a) Staff costs		
	aa) Wages and salaries	35'978'787.90	29'060'314.35
	ab) Social security contributions and expenses for pensions and other employee benefits, thereof: for pensions EUR 152,032.47 (previous year: EUR 125,283.24)	5'223'648.60	4'143'529.74
	b) other administrative expenses	91'333'602.87	88'097'987.72
11.	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	135'844'239.33	164'398'589.56
	a) on lease assets	132'665'467.07	161'120'393.21
	b) on intangible assets and property, plant and equipment	3'178'772.26	3'278'196.35

	EUR	2023	2022
12.	Other operating expenses	843'476.34	5'813'883.80
13.	Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business	37'594'346.70	4'884'307.97
14.	Write-downs and impairments on other investments, investments in associated companies and securities treated as fixed assets	53'800'330.86	52'387'876.23
15.	Income from write-ups of investments, shares in affiliated companies and securities treated as fixed assets	3'300'000.00	0.00
16.	Expenses from the transfer of losses	1'611'600.21	7'203'903.68
17.	**RESULT FROM NORMAL BUSINESS ACTIVITY**	**42'074'188.27**	**2'681'622.86**
18.	Income taxes	−670'260.55	144'284.72
19.	Other taxes	1'048'960.44	1'390'817.38
20.	**NET PROFIT**	**41'695'488.38**	**1'146'520.76**
21.	Profit carryforward from previous year	74'370'364.44	94'146'851.53
22.	**UNAPPROPRIATED SURPLUS**	**116'065'852.82**	**95'293'372.29**

Grenke AG's Statement of financial position as per December 31, 2023

	EUR	Dec. 31, 2023	Dec. 31, 2022
1.	Cash reserves	859.15	80'000'305.02
	a) Cash on hand	759.15	305.02
	b) Cash deposit at central banks thereof: at Deutsche Bundesbank EUR 100.00 (previous year: EUR 80,000,000.00)	100.00	80'000'000.00
2.	Receivables from credit institutions	84'120'469.50	114'714'530.43
	a) due on demand	24'409'574.89	5'613'271.20
	b) other receivables	59'710'894.61	109'101'259.23
3.	Receivables from customers	56'971'373.04	52'334'876.50
4.	Investments	3'121'351.57	0.00
5.	Investments in associated companies	447'891'753.56	444'054'671.78
	a) in banks	224'672'355.82	237'272'355.82
	b) in financial services institutions	4'276'957.59	4'276'957.59
	c) others	218'942'440.15	202'505'358.37
6.	Lease assets	301'167'322.39	369'092'146.90
7.	Intangible assets	979'274.00	1'013'595.00
	b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets	979'274.00	1'013'595.00
8.	Property, plant and equipment	15'542'199.87	16'746'963.30
9.	Other assets	158'356'388.64	110'176'523.30
10.	Prepaid expenses	9'796'472.00	7'891'877.93
	TOTAL ASSETS	**1'077'947'463.72**	**1'196'025'490.16**

Grenke AG's Statement of financial position as per December 31, 2023

	EUR	Dec. 31, 023	Dec. 31, 2022
1.	Liabilities to banks	135'303.19	75'582.89
	a) repayable on demand	135'303.19	75'582.89
2.	Liabilities to customers	52'381'205.02	48'190'819.48
	b) other liabilities		
	ba) repayable on demand	6'453'210.81	6'432'281.55
	bb) with agreed term or notice period thereof: to financial services institutions: EUR 45,927,994.21 (previous year: EUR 41,758,537.93)	45'927'994.21	41'758'537.93
3.	Other liabilities	32'296'204.17	105'673'439.94
4.	Accruals and deferrals	256'527'634.75	311'969'107.98
5.	Provisions	12'666'182.25	26'948'086.06
	b) tax provisions	1'199'710.21	0.00
	c) other provisions	11'466'472.04	26'948'086.06
6.	Subordinated liabilities	200'000'000.00	200'000'000.00
7.	Equity	523'940'934.34	503'168'453.81
	a) Subscribed capital	46'495'573.00	46'495'573.00
	b) Capital reserves	304'277'711.09	304'277'711.09
	c) Retained earnings		
	ca) legal reserves	5'089.87	5'089.87
	cc) statutory reserves	48'353.78	48'353.78
	cd) other retained earnings	57'048'353.78	57'048'353.78
	d) Unappropriated surplus	116'065'852.82	95'293'372.29
	TOTAL LIABILITIES AND EQUITY	**1'077'947'463.72**	**1'196'025'490.16**
1.	Contingent liabilities		
	b) Liabilities from guarantees and indemnity agreements	10'127'403'125.98	11'125'815'652.38

Financial calendar

April 4, 2024 // New business figures Q1 2024

April 30, 2024 // Annual General Meeting

May 15, 2024 // Quarterly Statement Q1 2024

July 3, 2024 // New business figures Q2 2024

August 8, 2024 // Financial Report Q2 and Q1-Q2 2024

October 2, 2024 // New business figures Q3 2024

November 14, 2024 // Quarterly Statement Q3 and Q1-Q3 2024

Contact information and disclaimer

Information and contact

GRENKE AG
Team Investor Relations

Neuer Markt 2
76532 Baden-Baden

Phone: +49 7221 5007-204
Fax: +49 7221 5007-4218
Email: investor@grenke.de

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Disclaimer

The figures in this annual report are generally presented in EURk and EUR millions. Rounding differences may occur in individual figures compared to the actual EUR amounts, which by their nature cannot be significant.
The financial report is published in German and English. The German version is always authoritative.

WWW.
GRENKE.
COM

GRENKE AG
Headquarters
Neuer Markt 2
76532 Baden-Baden
Germany

Phone +49 7221 5007-204
Fax +49 7221 5007-4218
investor@grenke.de