GRENKE®

ANNUAL REPORT

GRENKE CONSOLIDATED GROUP

2017


ANNUAL REPORT
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GRENKE CONSOLIDATED GROUP
KEY FIGURES

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GRENKE GROUP

	Jan. 1, 2017 to Dec. 31, 2017	Change (%)	Jan. 1, 2016 to Dec. 31, 2016	Unit
New business GRENKE Group Leasing	**1,975,713**	**24.1**	**1,592,506**	**EURk**
of which international	1,432,173	28.9	1,111,260	EURk
of which franchise international	53,723	109.1	25,689	EURk
of which DACH*	489,817	7.5	455,558	EURk
Western Europe (without DACH)*	506,090	19.4	423,943	EURk
Southern Europe*	613,393	38.3	443,637	EURk
Northern / Eastern Europe*	318,404	31.8	241,537	EURk
Other regions*	48,009	72.5	27,831	EURk
New business GRENKE Group Factoring (incl. collection services)	**442,840**	**24.3**	**356,222**	**EURk**
of which Germany	169,489	10.6	153,177	EURk
of which international	164,765	13.9	144,673	EURk
of which franchise international	108,586	86.0	58,372	EURk
GRENKE Bank				
Deposits	519,208	24.5	417,088	EURk
New business SME lending business incl. business start-up financing	30,653	21.2	25,282	EURk
Contribution margin 2 (CM2) on new business				
GRENKE Group Leasing	**353,048**	**25.3**	**281,787**	**EURk**
of which international	270,922	26.6	213,965	EURk
of which franchise international	11,675	116.1	5,402	EURk
of which DACH*	70,451	12.9	62,421	EURk
Western Europe (without DACH)*	90,599	16.8	77,582	EURk
Southern Europe*	120,415	38.0	87,229	EURk
Northern / Eastern Europe*	60,744	25.0	48,597	EURk
Other regions*	10,839	81.9	5,959	EURk
Further information leasing business				
Number of new contracts	228,199	24.9	182,655	units
Share of IT products in lease portfolio	75	–3.8	78	percent
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	8.7	0.0	8.7	EURk
Mean term of contract	48	0.0	48	months
Volume of leased assets	5,809	19.5	4,863	EURm
Number of current contracts	669,820	18.3	566,086	units

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

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

KEY FIGURES
GRENKE CONSOLIDATED GROUP

	Jan. 1, 2017 to Dec. 31, 2017	Change (%)	Jan. 1, 2016 to Dec. 31, 2016	Unit
Key figures income statement				
Net interest income	246,597	13.2	217,790	EURk
Settlement of claims and risk provision	55,467	0.7	55,089	EURk
Profit from service business	70,562	19.0	59,279	EURk
Profit from new business	68,983	17.3	58,799	EURk
Gains (+) / losses (–) from disposals	–8,212	37.2	–5,985	EURk
Other operating income	12,779	215.6	4,049	EURk
Cost of new contracts	50,317	25.0	40,244	EURk
Cost of current contracts	14,937	19.9	12,453	EURk
Project costs and basic distribution costs	53,381	26.5	42,193	EURk
Management costs	47,683	22.4	38,971	EURk
Other costs	7,577	–10.4	8,455	EURk
Operating result	161,347	18.2	136,527	EURk
Other financial result (income (–) / expense (+))	3,560	217.0	1,123	EURk
Income / expenses from fair value measurement	–60	n.a.	–868	EURk
EBT (earnings before taxes)	157,727	17.2	134,536	EURk
Net profit	**124,982**	**21.1**	**103,234**	**EURk**
Earnings per share (according to IFRS, after 1:3 stock split)	**2.74**	**19.7**	**2.29**	**EUR**
Further Information				
Dividends	0.70	20.7	0.58	EUR
Embedded value, leasing contract portfolio (incl. equity before taxes)	1,253	21.7	1,030	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	1,169	23.3	948	EURm
Cost / income ratio	52.4	2.3	51.2	percent
Equity ratio	17.7	1.7	17.4	percent
Average number of employees	1,229	19.2	1,031	employees
Staff costs	86,162	22.0	70,624	EURk
of which total remuneration	70,697	21.9	58,003	EURk
of which fixed remuneration	52,179	19.7	43,577	EURk
of which variable remuneration	18,518	28.4	14,426	EURk

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

40 YEARS GRENKE

This Annual Report is a very special one. We can look back on 40 years of history with pride. Because of our success these past four decades, we are today one of the fastest-growing financial service providers in Europe. After its founding in 1978, the first branch outside Baden-Baden was established twelve years later. With the founding of GRENKELEASING AG in 1997, the Company picked up speed and opened its first location outside of Germany, in Austria. The IPO took place at the turn of the millennium. We had our credit standing assessed by independent rating agencies for the first time in 2003, and investment grade has been our standard ever since. In 2005 we started our factoring business and went on to create GRENKE BANK AG in 2009. Since 2012, our international business has been growing rapidly. The milestones in the reporting year include the first stages of diversifying our small-ticket leasing business outside of the traditional IT area, our entry into the Australian market with our leasing products and the founding of GRENKE digital GmbH. In these 40 years, the number of leases has increased from 198 when we started to more than 650,000 today. Our stock market valuation has risen steadily since our IPO in April 2000, reaching more than EUR 3.5 billion at the end of 2017. This is equivalent to an annual growth rate of approximately 16 percent. This is how we intend to continue.

GRENKE AT A GLANCE

Our business model promotes sustainable, profitable growth and solid financing

HIGH GROWTH

NEW LOCATIONS IN 2017

9

:: MARKET ENTRY LEASING Australia

:: MARKET ENTRY FACTORING Italy

:: CELL DIVISIONS Denmark, Germany, France, Italy, the Netherlands, United Arab Emirates

GRENKE GROUP NEW BUSINESS

+24 %

Volume incl. franchise partners reaches EUR 2,449.2 million (previous year: EUR 1,974.0 million)

NUMBER OF EMPLOYEES

1,229

19 percent year-on-year increase (GRENKE Consolidated Group; previous year: 1,031)

LONG-TERM SUCCESS

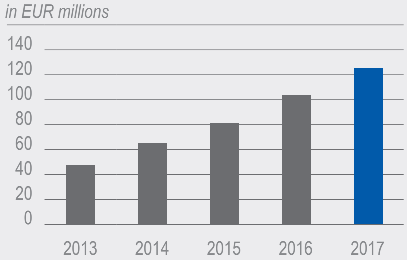
EQUITY RATIO

17.7 %

GRENKE Consolidated Group continued to have a solid equity base in the 2017 fiscal year. Despite strong growth, the equity ratio increased versus the prior year (17.4 percent).

CONSOLIDATED GROUP NET PROFIT

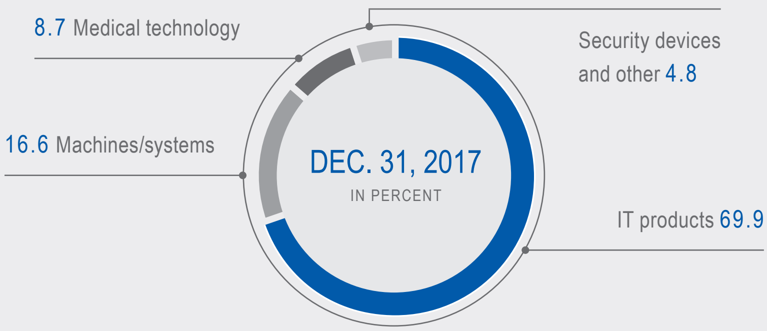
in EUR millions



Consolidated Group net profit reached EUR 125.0 million in 2017, slightly exceeding the fine tuned forecast of EUR 118 million to EUR 124 million.

BROADLY DIVERSIFIED

LEASING NEW BUSINESS PORTFOLIO



CONTENT

LETTER TO THE SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Record-breaking – that's the headline for 2017. New business and net profit clearly surpass the prior year's level. And the performance of GRENKE shares shows the trust in the sustainability of this success.

The Board of Directors of GRENKE AG (from left to right)

GILLES CHRIST
Member of the Board of Directors

MARK KINDERMANN
Member of the Board of Directors

WOLFGANG GRENKE
Chairman of the Board of Directors
Chief Executive Officer (CEO)

ANTJE LEMINSKY
Deputy Chair of the Board of Directors

SEBASTIAN HIRSCH
Member of the Board of Directors

Dear Shareholders,
Ladies and Gentlemen,

I am very pleased to report another successful fiscal year in 2017! The GRENKE Group exceeded its own new business expectations, significantly expanded its product range, further increased its market presence through numerous cell divisions and entered the Australian market – an entirely new continent. Despite this strong growth, we were still able to achieve a substantial improvement in our profitability and financial strength and set new records in terms of our contribution margins, equity and net profit.

Investors have taken notice of this success by strong demand for our shares and bonds. As a result, we were able to fully cover our refinancing requirements at very attractive terms in the 2017 fiscal year, while at the same time watching the GRENKE share price rise by almost 60 percent.

In 2017, new business at the GRENKE Group grew 24 percent to almost EUR 2.5 billion. This rate was seven percentage points higher than the strong average growth already recorded over the past decade. The international markets again contributed significantly to this growth, which further underscores the sustained success of our value-oriented business model in our leasing, banking and factoring businesses. GRENKE Bank is also increasingly being seen as a strong financial partner for self-employed professionals, start-ups and SMEs.

This dynamic growth is reflected, above all, in the development of our net profit, which increased an impressive 21 percent to EUR 125.0 million in 2017. We were able to keep our cost-income ratio stable by taking full advantage of the economies of scale available. Because we believe GRENKE AG shareholders should profit from this performance, the Board of Directors and the Supervisory Board are proposing an increase in the dividend of 21 percent to EUR 0.70 per share for the 2017 fiscal year.

My message in last year's letter was even more valid in 2017: „Our growth is primarily generated from our demand-oriented and ever-evolving product range.“ And, since 2017, we have been financing an ever-growing number of medical devices, small machinery and systems. Our strategic goal has been and still is to strengthen the GRENKE brand globally and consolidate its presence throughout the market. Not only have we entered the Australian market with two new locations, but we have opened a total of seven new locations under our cell division strategy in 2017 in addition to setting up our factoring business in Italy. This expansion put us in close proximity to our customers with 132 locations in 31 countries.

On behalf of the entire Board of Directors, I would like to thank all of our employees for their outstanding ongoing commitment in 2017. I would also like to extend my appreciation to the Supervisory Board and our shareholders for the trust and loyalty they have placed in the Company.

This year, I would like to end my message on a personal note. At the end of February 2018, when my tenure ends, I will be leaving the Board of Directors and, after forty magnificent years, placing the Company's management in younger hands. Something I am sure will not change is GRENKE's dynamic growth both in terms of its business and its value.

WOLFGANG GRENKE
Chairman of the Board of Directors

FISCAL YEAR 2012

1 BILLION EUROS IN NEW BUSINESS IN OUR 35th YEAR

FISCAL YEAR 2017

2.4 BILLION EUROS IN NEW BUSINESS IN OUR 40th YEAR

GRENKE'S PRINCIPLE: SIMPLE, FAST, PERSONAL.

Being able to offer small and medium-sized financing volumes at attractive conditions while also being tailor-made requires maximum efficiency. This is where our years of operating experience, our use of standardised digital processes and our lean organisation come into play. Speed, safety, maximum cost efficiency and customer value: all unique features of the GRENKE Group. For 40 years, these have been high barriers to entry for our competitors and drivers of our company's value at the same time.

40 YEARS GRENKE

40 years of dynamic growth: From a start-up with a handful of customers to the globally active GRENKE Group today – with hundreds of thousands of customers worldwide. The business concept of giving smaller companies access to state-of-the-art IT while conserving their capital at the same time has proven to be a sustainable, dynamic growth engine. Today, GRENKE offers attractive leasing solutions beyond IT, as well as numerous other tailor-made financial services.

LEASING

BANKING

FACTORING

GRENKE®

WOLFGANG GRENKE

FROM A SUMMER JOB TO GLOBAL CORPORATION. THIS IS THE PROVERBIAL CAREER OF A SELF-MADE MAN OR „START-UP ENTREPRENEUR", AS IT IS KNOWN TODAY, BUT SLIGHTLY DIFFERENT. SIMPLY SAID: THIS IS THE SUCCESS STORY OF ENTREPRENEUR WOLFGANG GRENKE.

It started with a business idea to finance his math and business studies and, over the last forty years, has evolved into a global corporation that now operates in 31 countries across five continents. From a handful of customers to many hundreds of thousands. The success of the globally active GRENKE Group today, as it was forty years ago, is based on three very simple business maxims: focus on the benefit for the customer, create competitive advantages and apply them relentlessly.

Wolfgang Grenke was aided by his talent for numbers – he had already taken over the bookkeeping at his parents' company as a student – and his passion for chess. A game he believed trained essential entrepreneurial qualities such as analytically thinking, recognising and evaluating situations, developing alternative courses of action and decision-making. Fast, consistent and efficient. These capabilities can also help overcome times of economic difficultly. Especially when economic fluctuations have little impact on the business model. Small ticket leasing as defined by GRENKE had this feature right from the very start. After all, most medium-sized companies cannot afford to tie up additional capital in recessionary times but still require sensible business equipment.

The entrepreneurial maxims and qualities recognised by Wolfgang Grenke forty years ago continue to represent the core values of the GRENKE Group, including the newly added business units Banking and Factoring: SIMPLE – FAST – PERSONAL.

DESPITE ALL THE GLOBAL SUCCESS OF THE COMPANY HE FOUNDED AND CONTINUES TO LEAD AS A MAJOR SHAREHOLDER TO THIS DAY, WOLFGANG GRENKE HAS ALWAYS REMAINED FAITHFUL AS A PATRON OF HIS HOMETOWN OF BADEN-BADEN.

The passionate chess player, art and music lover is deeply rooted in his region. Here he makes every effort to promote numerous cultural activities and works for the continued vitality of not only the city but also of the region. As the longtime President of the Karlsruhe Chamber of Industry and Commerce and President of the Association of the Baden-Württemberg Chambers of Industry and Commerce, he is particularly interested in promoting young companies and in the coming generational change at many medium-sized companies. The „Mittelstand“, as the engine driving the Baden-Württemberg economy and the source of its prosperity, has always been his „target group“.

Wolfgang Grenke and the GRENKE Foundation, which he founded, have been promoting the legendary world of chess in his hometown for decades. This includes the Baden-Baden Chess Centre, the world-famous chess society Ooser Schachgesellschaft Baden-Baden and other chess activities, especially for the youth. Because he has a particular passion for promoting the interests of young people.

In 2009, the LA8 opened, one of the defining highlights of the Baden-Baden Museum Mile. Financed by the GRENKE Foundation, this cultural centre and museum of 19th-century art and technology is unique in Germany’s museum landscape. And last but not least, he is one of the main sponsors of the internationally acclaimed Baden-Baden Festival Theatre.

BÖRSENGANG 4. APRIL 2000

MARKET CAPITALISATION AT IPO IN 2000:

281 EUR MILLION

31. DEZEMBER 2017

MARKET CAPITALISATION AT END OF 2017:

3,508 EUR MILLION

40 YEARS GRENKE

OFFERING SHAREHOLDERS EXTRAORDINARY VALUE APPRECIATION FOR THE PAST 17 YEARS.

Since its first listing in the year 2000, GRENKE shares have increased in value at an average of 16 percent each year. In 2000, GRENKE shares started at EUR 6.33, climbing to a level of EUR 79.16 at the end of 2017. But that is not all: GRENKE has continuously paid and regularly raised its annual dividend since 2002. Based on the proposed dividend of EUR 0.70 per share for the 2017 fiscal year, this represents an average annual growth rate in the dividend of 15 percent.

GRENKE®

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders, GRENKE AG and the GRENKE Consolidated Group are going into the 2018 anniversary year with new records: New business and earnings both reached new highs in the 2017 fiscal year and, following GRENKE's market entry in Australia, we are now present for our customer in five continents. Our trusted business model has once again proven to be very successful with its very broad diversification of risk, high financial strength and advanced process and product digitisation and standardisation in the areas Leasing, Banking and Factoring. Your company is well prepared for the future.

The stock market also paid tribute to this track record. With a share price increase of 60 percent in 2017, your GRENKE shares once more significantly outperformed the SDAX benchmark index to which they belong.

At the Supervisory Board meeting on February 1, 2018, Wolfgang Grenke, the founder of GRENKE AG and chairman of its Board of Directors, informed the Supervisory Board that he would not be standing for reappointment to the Company's Board of Directors. Although we were already aware of his desire to pass on the management of the company into younger hands in the near future, we accept his decision with great regret. We would like to sincerely thank Wolfgang Grenke for what this great entrepreneur has achieved for his company and life's work over the past forty years. As a visionary, he has not only shaped GRENKE the company, but the entire industry. We wish him all the best in the future.

At this same meeting and as a consequence of Wolfgang Grenke's announced resignation, the Supervisory Board appointed Ms Antje Leminsky as the new Chair of the Board of Directors. Ms Leminsky's strategic and operational IT expertise and her international experience were the key considerations in her appointment. The former deputy chair will take up her new position effective March 1, 2018 and will be responsible in her new role for the Consolidated Group's strategy, risk controlling and the credit centre in addition to her previous responsibilities for IT and the personnel strategy. Sebastian Hirsch, as a member of the Board of Directors responsible for the areas of controlling, M&A and treasury since January 1, 2017, will also assume responsibility for the legal, tax and investor relations departments, and thereby for the capital market communications of the GRENKE Consolidated Group. A new member to the Board of Directors was not appointed.

Together with my colleagues, we present the following formal mandatory information from the Supervisory Board for the 2017 fiscal year.

In the 2017 fiscal year, the Supervisory Board of GRENKE AG performed the duties assigned to it by the Articles of Association and the law. The Supervisory Board worked together constructively and faithfully with the Board of Directors at all times, overseeing the management of business affairs and providing regular advice. The Board of Directors informed the Supervisory Board promptly and fully of all important issues and included the Supervisory Board in all decisions of fundamental significance to the Company.

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

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

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

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

GRENKE Consolidated Group's liquidity and refinancing situation were regular topics of discussion for the Supervisory Board. The Consolidated Group's refinancing was secured throughout the 2017 fiscal year.

Prior to the Annual General Meeting on May 11, 2017, the Supervisory Board and the Board of Directors specifically discussed the proposal to shareholders to increase and redivide the share capital from company funds. GRENKE's share price has appreciated considerably in recent years, reaching a very high price level. The capital increase from company funds presented us with an opportunity to redivide the Company's share capital at a ratio of 1:3 and triple the number of shares via a stock split in order to make them even more appealing, particularly to private and small investors, and to increase the shares' trading volume. You, our shareholders, approved this proposal and the corresponding amendment to the Articles of Association by a large majority.

Other common issues discussed by the Supervisory Board included the Company's current business performance, the monitoring of international entities, sales development, management issues, the state of the Company's planning and personnel development issues. In the discussion on personnel issues, special importance was given once again to the issue of placing women in management positions because of the lasting benefit for both the Company and the employees. The goal of the GRENKE Consolidated Group is to have one-quarter of its management positions held by women. GRENKE is a recognised leader among the major listed companies in Germany with regard to the representation of women on the Supervisory Board and Board of Directors.

The digitisation of the business model, offering a digital product range and employing digital processes are fundamental prerequisites for maximising customer value, cost leadership, international success and, above all, ensuring the future viability of the Consolidated Group. For this reason, the Supervisory Board focussed again in this reporting year on issues relating to IT, the status and progress of ongoing IT projects and digital forms of distribution (specifically eSignature) and the medium-term IT strategy of the GRENKE Consolidated Group and its digital renewal.

The strategic development of the Consolidated Group was discussed, particularly in the context of the digital revolution ("digilution") in the financial industry, because GRENKE also intends to play a leading role in this area in the future. Special attention was given to the establishment of the subsidiary GRENKE digital GmbH, located in the technology hub of Karlsruhe, where members of our IT team, in particular, had transferred. The Supervisory Board held a related extraordinary telephone conference. Since that time, the GRENKE Technology Center, founded in 2015, operates under this name.

The Supervisory Board also discussed and approved GRENKE AG's interest in TechnologieregionKarlsruhe GmbH. In doing so, GRENKE AG, together with four other companies and numerous municipalities, chambers and scientific associations in the region, is demonstrating its interest in the further development of one of the most important technology centres in Europe.

The Supervisory Board also addressed the GRENKE Consolidated Group's further strategic development, particularly the progress of the franchise companies as a whole and the decision to acquire franchises in Brazil and Malta, as well as GRENKE's market entry in Australia.

On February 1, 2018, the Board of Directors together with the Supervisory Board submitted GRENKE AG's Declaration of Conformity with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act. Barring the exceptions contained in the Declaration, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code". In this 2017 annual report, the Board of Directors' report on corporate governance at GRENKE AG was also submitted on behalf of the Supervisory Board.

The Supervisory Board met on five occasions in the 2017 fiscal year. The meetings took place on February 1, May 5 (extraordinary meeting), May 10, July 22 - 24 and November 20. The only item on the agenda for the meeting on May 5 was the resolution on the establishment of GRENKE digital GmbH. All members were present at all Supervisory Board meetings.

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In the 2017 fiscal year, the Supervisory Board consisted of the following members:

- Prof. Dr. Ernst-Moritz Lipp, Chairman
- Gerhard E. Witt, Deputy Chairman
- Tanja Dreilich
- Dr. Ljiljana Mitic
- Florian Schulte
- Erwin Staudt

In accordance with its Rules of Procedure, the Supervisory Board formed two committees to allow it to perform its duties efficiently: the Audit Committee and the Personnel Committee (Executive Committee). At the Supervisory Board's meetings, the chairpersons of the committees reported to the Supervisory Board plenum on the committees' work.

The Audit Committee consists of the following members:

- Gerhard E. Witt, Chairman
- Prof. Dr. Ernst-Moritz Lipp
- Tanja Dreilich

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

The Audit Committee prepared the Supervisory Board meeting for the adoption of the annual financial statements and the approval of the consolidated financial statements. In the presence of the auditor, the 2016 annual financial statements were addressed in depth. The Audit Committee and the Board of Directors also thoroughly discussed the quarterly financial statements to be published in the reporting year.

The Personnel Committee (Executive Committee) consists of the following three members:

- Prof. Dr. Ernst-Moritz Lipp, Chairman
- Erwin Staudt
- Gerhard E. Witt

The Personnel Committee primarily deals with personnel decisions made by the Supervisory Board but is also responsible for proposals on the conclusion, amendment and termination of employment agreements with the members of the Board of Directors.

The annual financial statements and the consolidated financial statements of GRENKE AG prepared by the Board of Directors as per December 31, 2017, the combined presentation of the management reports of GRENKE AG and of the GRENKE Consolidated Group for the 2017 fiscal year in accordance with Section 315 (3) and Section 298 (3) HGB, and the Board of Directors' proposal on the appropriation of GRENKE AG's unappropriated surplus were all submitted to the Supervisory Board in a timely manner.

The annual financial statements, as well as the condensed financial statements and interim management report for the first six months of the 2017 fiscal year, were reviewed and audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The accounting of the separate financial statements of GRENKE AG was in accordance with the provisions of the German Commercial Code (HGB), taking into consideration the regulations for bank accounting. The HGB annual financial statements as per December 31, 2016, were audited in accordance with the rules and regulations of Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

The consolidated financial statements and the group management report for the January 1 through December 31, 2017 fiscal year were prepared in accordance with Section 315 a (1) HGB on the basis of the International Reporting Standards as adopted in the EU and in accordance with German Accounting Standard No. 20. The consolidated financial statements were audited in accordance with the rules and regulations of Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW (IDW PS 200). Unqualified audit opinions were issued for both the annual financial statements of GRENKE AG and the consolidated financial statements of the GRENKE Consolidated Group.

The Supervisory Board thoroughly reviewed the financial statements submitted to it by the Board of Directors and the auditor and discussed the result at its meeting on February 1, 2018. The Supervisory Board also reviewed the non-financial statement, which was required under the CSR Directive for the first time starting with the 2017 fiscal year. The auditor responsible took part and reported on the audit's key findings and the confirmed the timely submission of the non-financial statement as required by law. After completing its own review, the Supervisory Board did not raise any objections to the result of the audit of the annual financial statements by the auditor and therefore adopted GRENKE AG's annual financial statements and approved GRENKE AG's consolidated financial statements. The Supervisory Board endorsed the Board of Directors' proposal on the appropriation of GRENKE AG's unappropriated surplus.

At the same meeting on February 1, 2018, the Supervisory Board dealt with the mandatory disclosures in accordance with Section 289 (4) and Section 315 (4) HGB and the related report. The Supervisory Board has reviewed these disclosures and explanations, which it believes are presented in full in the combined management report, and has thereby adopted them.

The Supervisory Board would like to extend its sincere appreciation to all employees of the GRENKE Group and its franchise businesses, which now represent GRENKE at 132 locations in 31 countries worldwide. The Supervisory Board would also like to thank the members of the Board of Directors for their strong dedication and service. Once again, they have all made it possible to achieve outstanding success in the 2017 fiscal year. Their willingness to reinforce the worldwide success of the GRENKE brand with their strong commitment gives the Supervisory Board tremendous confidence in the future of the GRENKE Consolidated Group.

The Supervisory Board would also like to thank the shareholders of GRENKE AG for their loyalty to the Company and looks forward with them to the Company's promising future. We would also like to wish the Board of Directors in its new constellation continued success.

Baden-Baden, February 1, 2018
On behalf of the Supervisory Board

Prof. Dr. Ernst-Moritz Lipp
Chairman

CORPORATE GOVERNANCE REPORT

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

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

CONSOLIDATED GROUP MANAGEMENT AND MONITORING

The Board of Directors of GRENKE AG currently consists of five members (will consist of four members after the departure of Wolfgang Grenke effective February 28, 2017). The Supervisory Board is comprised of six members. The target set by the Supervisory Board for female representation of at least 20 percent on the Board of Directors and 33 percent on the Supervisory Board has been met. About half of all Consolidated Group's employees are women The Supervisory Board therefore considers the current target for female representation as a minimum target that should move higher over the long term.

SUPERVISORY BOARD

During the 2017 fiscal year, the Board of Directors provided the Supervisory Board with regular, detailed and extensive information on the Company's economic situation, the status of corporate planning and current events. In this context, a regular and key component of these reports was information on new business, sales, digitisation and the refinancing situation. The Supervisory Board closely coordinated strategic developments with the Board of Directors and discussed issues related to risk management, compliance, risk provisioning and the internal control and internal audit systems.

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

AUDIT COMMITTEE

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

Furthermore, it prepares the Supervisory Board's decision on the adoption of the annual financial statements and the approval of the consolidated financial statements. In the context of the tasks of the Supervisory Board under the GCGC, the Audit Committee also deals with compliance and compliance management issues. The Board of Directors regularly reports to the Audit Committee on the Company's compliance situation, including compliance with the KWG.

REMUNERATION OF THE BOARD OF DIRECTORS

	Fixed remuneration components		Variable remuneration components				
			Annual remuneration components		Long-term remuneration components	Total	Total
EUR	Fixed salary and allowances	Fringe benefits	Performance bonus	Bonus	Share-based compensation	2017	2016
Christ	189,736.70	15,774.63	100,282.96	67,999.97	242,739.00	**616,533.26**	**375,481.26**
Eicker (until Dec. 31, 2016)	0.00	0.00	0.00	0.00	0.00	**0.00**	**671,723.04***
Grenke	300,000.00	54,733.05	176,970.00	120,000.00	0.00	**651,703.05**	**646,602.42**
Hirsch (since Jan. 1, 2017)	178,333.40	14,654.52	52,586.60	71,333.36	0.00	**316,907.88**	**0.00**
Kindermann	169,999.92	36,356.58	100,282.96	67,999.97	150,000.00	**524,639.43**	**374,123.74**
Leminsky	305,000.04	17,666.76	75,212.28	102,000.00	0.00	**499,879.08**	**502,486.73**
Total	**1,143,070.06**	**139,185.54**	**505,334.80**	**429,333.30**	**392,739.00**	**2,609,662.70**	**2,570,417.19**

* Includes a severance payment of EUR 300k as per December 31, 2016

PERSONNEL COMMITTEE (EXECUTIVE COMMITTEE)

The Personnel Committee consists of three members. The main task of the Committee is to prepare the Supervisory Board's personnel decisions and submit proposals for concluding, amending, and terminating employment agreements with members of the Board of Directors.

BOARD OF DIRECTORS

The Board of Directors autonomously manages the GRENKE Consolidated Group and is responsible for its operating management, implementing its strategic direction and compliance with the principles of corporate policy. The Board of Directors also prepares the annual financial statements of GRENKE AG, as well as the Consolidated Group's quarterly statements, half-year and annual financial statements. The Board of Directors reports to the Supervisory Board about the Company as a whole regularly and comprehensively through reports and meeting documents. Issues relating to strategy and its implementation, planning, business development, risk situation, compliance, financial and earnings situations, strategic and operational business risks and their management are the topic of Supervisory Board meetings and individual discussions with the Chairman of the Supervisory Board. Key decisions made by the Board of Directors, such as those on acquisitions and financing, require the approval of the Supervisory Board. The Board of Directors' rules of procedure contains a list of transactions requiring approval. The Board of Directors and the Supervisory Board are liable to pay damages to the Company in the event of culpable neglect.

REMUNERATION REPORT (PART OF THE COMBINED MANAGEMENT REPORT)

REMUNERATION OF THE BOARD OF DIRECTORS

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

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

The criteria for the variable remuneration components are defined annually in advance. These criteria are based on the increase in the GRENKE Consolidated Group's operating result ("EBT" – Earnings Before Taxes) and the development of the key performance indicators forming part of the GRENKE Balanced Scorecard (BSC). The attainment of the EBT growth target is measured retrospectively on an annual basis. Failure to achieve the targets means that no EBT-based remuneration will be paid.

REMUNERATION OF THE SUPERVISORY BOARD

Name	Function	Basic remuneration 2017	Audit Committee	Personnel Committee	Variable remuneration	Travel expenses	Total 2017*	Total 2016*
EUR								
Prof. Dr. Lipp	Chairman	22,500.00	2,000.00	1,500.00	26,000.00	262.80	52,262.80	53,217.35
Witt	Deputy Chairman	15,000.00	3,000.00	1,000.00	19,000.00	915.60	38,915.60	38,604.96
Dreilich	Supervisory Board member	15,000.00	2,000.00	0.00	17,000.00	2,064.85	36,064.85	38,128.39
Dr. Mitic	Supervisory Board member	15,000.00	0.00	0.00	15,000.00	2,493.97	32,493.97	30,594.00
Münch	Supervisory Board member (until May 12, 2015)	--	--	--	--	--	--	136.20
Schulte	Supervisory Board member	15,000.00	0.00	0.00	15,000.00	525.60	30,525.60	30,629.01
Staudt	Supervisory Board member	15,000.00	0.00	1,000.00	16,000.00	538.60	32,538.60	32,604.96
Total		**97,500.00**	**7,000.00**	**3,500.00**	**108,000.00**	**6,801.42**	**222,801.42**	**223,914.87**

* Fixed remuneration (basic remuneration, Audit and Personnel Committee), variable remuneration and travel expenses

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

The Supervisory Board of GRENKE AG has concluded phantom stock agreements with several members of the Board of Directors.

As per December 31, 2017, such agreements were in place with all current members of the Board of Directors with the exception of Mr. Grenke. The value of these phantom stock agreements at the end of the fiscal year was EUR 393k (December 31, 2016: EUR 0k). There were no payments made in the reporting year due to the lack of payment entitlements achieved in the prior year (December 31, 2016: EUR 139k).

While the agreement with Ms. Leminsky applies to fiscal years 2015 through 2017, the agreements with Mr. Christ and Mr. Kindermann apply to fiscal years 2016 through 2018. Under these agreements, the Board members are each entitled to payments (tranches) for the respective fiscal years equal to the increase in the value of 60,000 GRENKE AG shares each, equal to 20,000 shares prior to the stock split, (18,000 shares in the case of Mr. Kindermann, equal to 6,000 shares before the stock split) in relation to a set basic share price. The basic share price is the arithmetic mean of the XETRA closing prices on all trading days from December 1 to December 23 of the respective prior year. The basic share price for the 2017 fiscal year is EUR 48.08.

The payment entitlement is limited in its amount and subject to the statutory provisions for appropriate remuneration, the statutory maximum level of variable remuneration components and especially the rules of the German Banking Act. The maximum payment under these agreements is limited to EUR 400,000 (EUR 150,000 in the case of Mr. Kindermann) for the three tranches. This maximum payment applies to the respective agreement in its entirety, i.e. the total payment for the three tranches may not exceed the maximum payment amount. If an annual tranche exceeds the maximum total entitlement and the agreement is still in force for several more years (tranches), then no further claims may be acquired in the future. The participants in the programme are required to invest the respective net amount paid plus a personal contribution of 25 percent of that amount in GRENKE AG shares. The Company is entitled, but not required, to render the payment in whole or in part in the form of shares instead of cash for one or more tranches. In this case, a personal contribution is not required. The shares are subject to a vesting period of four years for Ms. Leminsky and Mr. Kindermann and three years for Mr. Christ. Given the sharp increase in the share price in 2015, Ms. Leminsky already reached the maximum payment amount in the 2015 fiscal year. She was not able to acquire any additional entitlements under this agreement in the 2016 and 2017 fiscal years. Mr. Kindermann has already reached the maximum payout amount in the 2017 fiscal year and can no longer acquire any further entitlements under the agreement.

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

REMUNERATION OF THE SUPERVISORY BOARD

GRENKE AG's Articles of Association govern the remuneration of Supervisory Board members. For each full fiscal year, members of the Supervisory Board are to receive fixed remuneration of EUR 15,000 and the chairperson is to receive EUR 22,500. Members of the Audit Committee receive an additional EUR 2,000, and the Committee chairpersons receive an additional EUR 3,000. The fixed remuneration of Supervisory Board members who are also members of the Personnel Committee increases by EUR 1,000 and the chairperson's fixed compensation increases by EUR 1,500. The fixed remuneration and the compensation for committee memberships and chairmanships are calculated on a pro rata basis for members who serve on the Supervisory Board for only part of a fiscal year.

The Supervisory Board members also receive a variable component when shareholders are paid a dividend of more than EUR 0.25 per share. In this case, remuneration is increased by the percentage by which the dividend per share exceeds EUR 0.25, whereby the variable component cannot exceed 100 percent of the Supervisory Board members' fixed remuneration. The Annual General Meeting on May 16, 2017, amended the provisions on the variable compensation of Supervisory Board members as part of the resolution for the new division of share capital.

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

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

ACCOUNTING, FINANCIAL STATEMENT AUDITS AND FINANCIAL REPORTING

GRENKE Consolidated Group's management report and the management report for the separate financial statements of GRENKE AG are prepared in accordance with Section 315 (3) and Section 298 (3) HGB and summarised in a combined section. Any substantial differences arising between the corporate entities are discussed in a separate section. The annual financial statements of GRENKE AG and the financial statements of the GRENKE Consolidated Group for the 2017 fiscal year are published in the Federal Gazette (Bundesanzeiger).

The accounting policies applied to the consolidated financial statements for the January 1 to December 31, 2017 fiscal year were applied in accordance with the rules and regulations of International Financial Reporting Standards as adopted in the European Union. In preparing the consolidated financial statements and the group management report, the Company was also subject to and applied the provisions of German commercial law under Section 315 a (1) HGB. The consolidated financial statements were audited in accordance with the rules and regulations of Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW (IDW PS 200). The Audit Committee ensures the independence of the auditor and recommends an auditor for election to the Annual General Meeting. The election of the auditor is carried out at the Annual General Meeting in accordance with statutory provisions.

TRANSPARENCY AND REPORTING TO SHAREHOLDERS

GRENKE uses the internet to promptly, impartially, and thoroughly report to shareholders and the public. All press releases, financial reports and quarterly statements, as well as notifications under the Market Abuse Regulation (MAR) and the German Securities Trading Act (WpHG) are published in German and English. The Declaration of Conformity under the GCGC is available on GRENKE's website (www.grenke.de/en/investor-relations). The Company's website also provides information to shareholders and the public on the GRENKE Consolidated Group, its organisational structure and management members. Company notifications are published in the Federal Gazette (Bundesanzeiger).

During the Annual General Meeting, the report of the Board of Directors and the general discussion are streamed live on the internet. Proxies appointed by the Company can be entrusted to exercise voting rights, even in absentia. The dates of regular financial reporting are shown in the financial calendar and on GRENKE's website. Information on GRENKE's shares can be found in the section "Shares and Investor Relations".

COMPLIANCE

With regard to compliance, please refer the explanations in the non-financial statement. :: ► SEE NON-FINANCIAL STATEMENT ON PAGE 39 FF.

CONTROLLING AND RISK MANAGEMENT

All employees involved and the Board of Directors should be in the position to consciously control risks and seize available opportunities. At GRENKE Consolidated Group, risk management includes not only a method for ascertaining and securing risk-bearing capacity but also includes the definition of strategies as well as risk controlling and an iterative risk management process. We consider our risk management to be appropriate and effective.

The Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) published by the Deutsche Bundesbank and the German Federal Office for Supervision of Financial Services must be complied with. Therefore, GRENKE has implemented the risk management and risk controlling processes currently required for key risk types such as counterparty, market price, liquidity, strategic and operational risks across the Consolidated Group. The functionality of the risk management system and the impact of any actions initiated are monitored by the Risk Controlling and the Internal Audit departments, which report directly to the Board of Directors. Details on risk management are presented in the management report.

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

The Board of Directors and the Supervisory Board of GRENKE AG issued the following Declaration of Conformity on February 1, 2018:

"The Board of Directors and the Supervisory Board of GRENKE AG hereby declare, in accordance with Section 161 of the German Stock Corporation Act, that since the issue of the last Declaration of Conformity dated February 1, 2017, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" set forth in the GCGC, initially in the version dated May 5, 2015 and then in the applicable revised version dated February 7, 2017 and will continue to comply with these in the future with the following exceptions:

In determining the Board of Directors individual members' total compensation, the Supervisory Board ensures that compensation is commensurate with the performance and tasks of the individual Directors and the Company's situation. The Supervisory Board reviews the appropriateness of the Board of Director' compensation on a regular basis. Nevertheless, by derogation from **Article 4.2.2 (2) of the GCGC**, when assessing the compensation of the Board of Directors, the assessment currently does not explicitly take into consideration the relationship of the compensation of the Board of Directors, senior management and the staff overall nor its development over time. GRENKE AG is a medium-sized company that pays its Board of Directors a moderate level of compensation, both in relation to the staff overall and the development over time. The GCGC's recommendation is aimed at large enterprises that pay their Board of Directors high compensation and is, therefore, unsuitable for GRENKE AG.

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

By derogation from the recommendation in Art**icle 4.2.3 (4) of the GCGC**, the Board of Directors' service contracts for the Board of Directors' members in office do not stipulate a settlement cap because the Board of Directors' service contracts are usually concluded for the length of the term of appointment only and cannot be terminated with a notice period. Therefore, a Board of Directors' service contract cannot be unilaterally terminated prematurely without good cause but only by means of a mutual resolution. The Board of Directors' service contracts contain no regulations on severance linked to events at the Company, especially a change of control.

The recommendation set forth in Article **4.2.5 (3) and (4) of the GCGC** was not complied with. Specifically, the "model tables" of the "German Corporate Governance Code" for reporting the remuneration of the Board of Directors have not been used. The individualised remuneration for each member of the Board of Directors is presented in a transparent manner and pursuant to statutory provisions in the remuneration report, which forms part of the combined management report for the 2017 fiscal year. The Supervisory Board and the Board of Directors are of the opinion that an additional or alternate presentation of the remuneration components of the individual members of the Board of Directors is not necessary for the interests of shareholders or reasons of transparency.

Various aspects are to be observed in accordance with the recommendations given in **Article 5.1.2 and 5.4.1 of the GCGC**, including the determination of an age limit as well as diversity, both in terms of the composition of the Board of Directors and with regard to persons nominated for election to the Supervisory Board. The Company is of the opinion that the knowledge, skill and experience required for the respective division or area of responsibility should, in fact, be the decisive factor when selecting suitable candidates, both in terms of the composition of the Board of Directors and when nominating persons to be elected to the Supervisory Board. The above-mentioned recommendations of the **GCGC** are considered with regard to the composition of the Board of Directors and the nominations for elections to the Supervisory Board.

In accordance with **Article 5.3.3 of the GCGC**, the Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives who propose suitable candidates to the Supervisory Board for the nominations to be proposed to the Annual General Meeting. Currently, the Supervisory Board of GRENKE AG consists of a total of six members, who are to be elected exclusively by shareholders. The Board of Directors and the Supervisory Board do not consider it necessary to create an additional committee. The Company believes that the transparency of the selection procedure desired by the Commission in Article 5.3.3 of the GCGC is ensured even without a corresponding committee. For this reason, the recommendation of Article 5.3.3 has not been satisfied.

In accordance with **Article 5.4.1 of the GCGC**, a limit for the regular length of membership shall be specified for members of the Supervisory Board. As mentioned above, the individual knowledge, skill and experience of Supervisory Board members are crucial for the composition of the Board. The expertise necessary to properly fulfil the Supervisory Board tasks and important for GRENKE AG should be ensured in its entirety. Therefore, we refrain from setting a limit for the regular length of Supervisory Board membership.

The Company currently does not comply with the recommendation of **Article 5.4.6 (2) Sentence 2 of the GCGC**. In accordance with Article 10 (3) of the current version of the Articles of Association, each member of the Supervisory Board is granted variable remuneration in addition to fixed remuneration provided a certain minimum dividend is distributed to shareholders. However, the variable remuneration component must not exceed a maximum level of 100% of the Supervisory Board member's fixed remuneration. The applicable provision of the Articles of Association including the variable compensation component, therefore, does not formally conform to the Code's recommendation, which is focused on the sustainable development of the company, for example, by basing variable compensation components on the average dividend over several years. "The Board of Directors and the Supervisory Board point out that GRENKE AG's business model, EBT and dividend reflect the earnings capacity of the entire lease portfolio across all incoming lease receivables over the past four years and their respective contribution margins. In contrast to dividends at manufacturing or service companies, GRENKE's dividend is not affected by any short-term fluctuations in yearly new business or contributions margins".

Baden-Baden, February 1, 2018

GRENKE AG

On behalf of the Board of Directors	On behalf of the Supervisory Board
Wolfgang Grenke	Prof. Dr. Ernst-Moritz Lipp"

SHARES AND INVESTOR RELATIONS

INVESTOR RELATIONS

Open and continuous communication with all capital market participants and the public is a matter of course at GRENKE AG, which is why we place significant value on maintaining direct contact to our analysts, investors, private shareholders and representatives of the media. We maintain frequent contact with institutional investors by means of conference calls and individual meetings and regularly present at roadshows and capital market conferences. The main communication venue for our private shareholders is the Annual General Meeting. We offer those shareholders who cannot attend the meeting personally and the public the option to view the Chairman of the Board of Directors' address and the general discussion via a live stream on our website. All current investor relations' news, press releases, and financial reports are also permanently available on our website. We also offer a tailored news service.

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

GRENKE's share price has appreciated considerably in recent years. In order to make our shares even more appealing, particularly to private and small investors, and to increase the shares' trading volume, the 2017 Annual General Meeting resolved to increase the share capital from company funds and redivide it at a ratio of 1:3 (stock split). SEE DIAGRAM "GRENKE'S SHARE PRICE PERFORMANCE" FOR THE PERFORMANCE IN THE REPORTING YEAR

INVESTMENT CASE

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

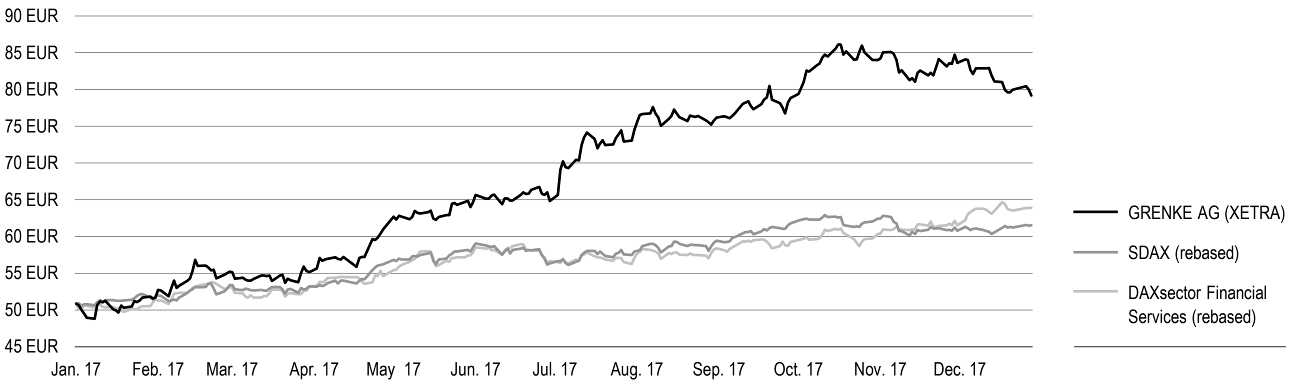
- our competitive advantage and high barriers to entry based on our high level of standardisation and digitisation resulting in speed at the Point of Sale (POS);
- the international roll-out of our unique selling points as a success factor for our growth strategy;
- broadly diversified financial solutions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

Our strategic goal remains sustainable expansion in order to generate dynamic profit growth. The focus of our international growth is on the countries and products that offer a favourable competitive environment and an attractive risk-reward profile. In doing so, it is important that we do not make it a rule to avoid risk but assess it as correctly as possible and enforce adequate margins. A key prerequisite for this – the ability to effectively control costs and risks – is fulfilled by our proven and continually updated proprietary IT-based scoring model for forecasting losses.

DIVIDEND POLICY

Continuity, return and the security of the capital base for future expansion are the central criteria of our long-term dividend policy. This is one reason why GRENKE shares are considered a good investment with attractive growth prospects in addition to their high intrinsic value and recurring stream of current income. GRENKE has traditionally had a strong equity base that secures favourable refinancing opportunities. Our consistently good ratings are based not only on our strong equity base but also the high return on equity, even in times of strong growth. These factors give us access to a variety of refinancing alternatives at attractive conditions. At the end of the 2017 fiscal year, the GRENKE Consolidated Group's equity ratio was 17.7 percent following 17.4 percent in the previous year. Based on the ongoing solid business development in the 2017 fiscal year, the Board of Directors and the Supervisory Board will propose a dividend of EUR 0.70 per share at the Annual General Meeting on May 3, 2018. This would mark the eighth consecutive year the Company has increased its dividend per share.

GRENKE'S SHARE PRICE PERFORMANCE (JANUARY 1 THROUGH DECEMBER 31, 2017)



REFERENCE DATA

Symbol / Bloomberg / Reuters	GLJ / GLJ_GR / GLJn.DE
ISIN	DE000A161N30
Market segment	Regulated Market (Prime Standard)
Index	SDAX
Designated sponsors	ODDO BHF AG; HSBC Trinkaus und Burkhardt AG
Total number of registered shares outstanding	44,313,102
Class	No-par-value shares (registered shares)
Notional nominal value per share (rounded)	EUR 1.00
Shareholder structure: Freefloat according to Section 1.9 of the current "Deutsche Börse Stock Indices Guideline“ Grenke Beteiligung GmbH & Co. KG*	 57.3 % 42.7 %

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

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

	2017	2016	2015	2014	2013
Closing price on last day of fiscal year	EUR 79.16	EUR 49.67	EUR 61.53	EUR 29.66	EUR 22.67
Highest share price	EUR 86.12	EUR 66.00	EUR 62.52	EUR 30.50	EUR 25.00
Lowest share price	EUR 48.80	EUR 45.52	EUR 30.00	EUR 22.67	EUR 16.80
Market capitalisation	EUR 3,508 million	EUR 2,201 million	EUR 2,724 million	EUR 1,313 million	EUR 1,000 million
Earnings per share	EUR 2.74	EUR 2.29	EUR 1.81	EUR 1.47	EUR 1.08
Dividend per share*	EUR 0.70	EUR 0.58	EUR 0.50	EUR 0.37	EUR 0.33
Price-earnings ratio	28.9	21.7	34.0	20.2	21.1

Share prices based on XETRA closing prices.
* 2017: Proposal to the Annual General Meeting.

SECTION 1

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF GRENKE AG

SALES MARKETS

LOCAL PRESENCE

COMBINED GROUP MANAGEMENT REPORT

GRENKE GROUP LOCATIONS
AS PER DECEMBER 31, 2017

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:: CELL DIVISIONS Denmark, Germany, France, Italy, the Netherlands and United Arab Emirates

:: ACQUISITION OF FRANCHISEES Brazil and Malta

Customer proximity continues to be very important in the digital age. This is the reason we are steadily consolidating our network through cell divisions and the acquisition of franchise companies in existing markets. At the end of 2017, we were present in 31 countries and on 5 continents.

SECTION 1

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF GRENKE AG

The following presents the combined management report for the GRENKE Consolidated Group (the "Consolidated Group") and the Consolidated Group's parent company GRENKE AG (the "Company") for the 2017 fiscal year (January 1 to December 31). Any material differences between the Company and the Consolidated Group are discussed in the section entitled "Management Report of GRENKE AG". The Consolidated Group continues to report in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The Company reports in accordance with the German Commercial Code (HGB). On May 11, 2016, the Company's name was changed from GRENKELEASING AG to GRENKE AG with the registration in the commercial register. The Company's consolidated financial statements and annual financial statements for the 2017 fiscal year are published in the Federal Gazette (Bundesanzeiger). The fiscal year 2017 Annual Report is also available online as a PDF document at http://www.grenke.de/en/investor-relations/financial-reports.

For many years, the internationally operating Consolidated Group has employed an internationally successful franchise model for developing new regional markets and expanding its range of financing products. The Company does not own interests in the legally independent companies of its franchisees. Therefore, the combined management report distinguishes between the GRENKE Consolidated Group; namely, the Company and all of its consolidated subsidiaries and structured entities in accordance with IFRS; and the GRENKE Group, which refers to the GRENKE Consolidated Group including its legally independent franchise partners.

The GRENKE Consolidated Group is present in nearly the whole of Europe through its subsidiaries. The most important markets for the Consolidated Group are Germany, France and Italy. Outside of Europe, the GRENKE Consolidated Group has subsidiaries in Brazil and Turkey. The GRENKE Group also has franchisees in the Leasing segment in Australia, Chile, Canada, Croatia, Singapore and the United Arab Emirates (UAE).

CONSOLIDATED GROUP PRINCIPLES

CONSOLIDATED GROUP BUSINESS MODEL

ORGANISATIONAL STRUCTURE

As the parent company, GRENKE AG assumes the management role for the Consolidated Group, which is represented internationally by subsidiaries located in several countries, from its headquarters in Baden-Baden. In some cases, the subsidiaries have their own branch offices in their respective local markets. The management of the Company is performed by a Board of Directors based at the Company's headquarters in Baden-Baden. The Board of Directors consisted of five members in the reporting year, and the Company's Supervisory Board consisted of six members.

As a financial services provider, we are specialised in financing solutions for small to medium-sized volumes. A prerequisite for processing this size of contracts profitably is the ability to maintain very low unit costs. For this reason, GRENKE's business model is geared towards the primary goals of optimising the benefit to the customer, expanding our competitive advantage and maximising the efficiency of all Consolidated Group's processes. This cost efficiency, which has evolved from many years of operational experience, is the result of our standardisation, comprehensive IT-based automation, speed and our lean organisation. It is also the key to what makes the GRENKE Consolidated Group unique and represents a high barrier to entry for potential competitors.

We have spent decades creating a broad international customer base, and today it represents one of our key competitive advantages. Our international presence has also given us extensive experience in opening up new markets and leveraging their potential.

Under the franchise model, GRENKE AG provides its partners expertise, an operating infrastructure, numerous services and permission to use the Company's name. At the same time, the Company retains the right to acquire the respective franchise company based on a pre-arranged time frame of typically four to six years. The purchase price for a franchise company is based on a formula determined at the time the contract is signed and takes market parameters and the company's individual performance into account. GRENKE AG usually refinances the operating business from the rental, lease and factoring contracts between franchisees and their customers.

SEGMENTS

The three business segments – Leasing, Banking and Factoring – are organised along the same lines as the Consolidated Group's organisational structure. The Leasing segment continues to represent the Consolidated Group's most important segment and includes all processes relevant to its role as lessor. The Leasing segment also contains Europa Leasing GmbH, which was fully acquired at the beginning of the fiscal year and is specialised in the sale of leasing solutions for medical devices in the target markets of Germany, Austria and Switzerland.

The Banking segment includes the activities of GRENKE BANK AG ("GRENKE Bank"), which acts as a financial partner mainly for small and medium-sized companies (SMEs). It also cooperates with a variety of federal government and state development banks to provide business start-up financing and development loans to SMEs and self-employed professionals who want to finance new business purchases with lease financing. GRENKE Bank also continues to offer straightforward investment alternatives such as fixed deposit products to private and business customers via its website. The Factoring segment includes traditional factoring services with small-sum contractual receivables. This segment is currently focused on the German and Swiss markets.

BUSINESS PROCESSES AND SERVICES

We offer lease financing at commercially reasonable terms, even for smaller IT and communication products, such as software, with a net purchase price as low as EUR 500. We have defined and developed a market that is still only selectively addressed today by most lease providers. Our business model is also transferrable and scalable to other areas. In addition to financing IT products, we also finance small machinery and systems and medical devices.

As a result, the markets we address are only loosely correlated with economic investment overall and much less affected by economic fluctuations. Because of the type, scope and nature of office products used by European SMEs, there has not been much change in the structure of the lease portfolio in recent years. In the reporting year, the mean acquisition value per lease contract for GRENKE Group's new business was roughly EUR 8,658 compared to EUR 8,719 in the previous year.

In the area of business start-up and credit financing, we are systematically expanding our activities in cooperation with German development banks as well as through our programmes such as "Mikrokreditfonds Deutschland" sponsored by the Federal Ministry of Labour and Social Affairs. We also intensified our collaboration with NRW.BANK in the reporting year through our seventh global loan for lease financing at a volume of EUR 40 million for the issue of promotional vouchers for SMEs. Over 17,000 sponsored lease contracts have been concluded so far as a result of the successful collaboration with NRW.BANK. The total number of leases signed under collaborations with development banks has reached almost 35,000. Our collaboration with Investitionsbank des Landes Brandenburg (ILB) was expanded via a new global loan. For the second time, small and medium-sized companies and members of self-employees professions in Brandenburg have access to EUR 5 million at very favourable conditions to finance new business purchases through leasing. Over 700 sponsored lease contracts have been concluded with ILB since the programme's launch in 2015. The global loan signed with KfW at the end of 2016 was successfully used to support lease financings in the reporting year leading to a total of 9,800 lease contracts from this programme.

In addition, we have been operating an intuitive online platform together with our partners (state and federal government [KfW] development banks) since September 2017 that gives small and medium-sized companies easy access to promotional vouchers for new business purchases financed with leasing. The platform offers interested parties a wide range of information about respective funding opportunities and calculates the optimal amount of funding possible. We also offer various time deposits at attractive terms through our cooperation with the "WeltSparen" portal and have diversified our product range by expanding our factoring services.

In our leasing business, we use multiple approaches to economically cover all sales channels. One example is financing contracts with end customers that are brokered through our specialist reseller partners who are supported by our own employees based in local sales offices. The same is true for IT product manufacturers, whom we support using key account management. As part of our successful direct sales activities, we also approach select business customers directly offering them attractive framework contracts with competitive conditions and flexible access to lease financing. Meanwhile, our online activities have grown to represent an important and thriving distribution channel.

This is not only true for our traditional business in small-ticket leasing but also other financial products. Thus, we operate the deposit business solely as an online bank and have developed an innovative

Internet platform for the processing of start-up financing. Even the purchase of receivables (factoring) is carried out using an IT-supported, automated process. As opposed to our other activities, customers in this area are only acquired directly.

Centralised data storage and largely automated contract processing enable us to centrally manage our business. Risk and loss rates for financings are calculated and measured using our continuously updated proprietary IT-based scoring model for forecasting losses. This model allows us to limit the cost of credit checks and issue contracts and payment approvals in the shortest possible time.

SALES MARKETS

Our strategic goal is to position GRENKE as a comprehensive small-ticket financial services provider for European and international SMEs. Sustainable, diligent and, at the same time, rapid geographic expansion is at the top of our agenda. Over the past few years, we have penetrated new markets outside of Europe such as Brazil, Chile, Dubai, Canada, Singapore and Turkey. During the reporting year, we added a new continent by entering the Australian market and opening branches in Melbourne and Sydney. We serve our international markets with financial products, contract arrangements and contribution margin requirements that are tailored to the local legal and market environments. In order to do so, we enter into contracts with entrepreneurial-minded franchisees with extensive knowledge of the local market.

Customer proximity, even in the digital age, is very important, which is why we are steadily densifying our network within the Consolidated Group through cell divisions and acquisitions of franchise companies in existing markets. In the reporting year, we acquired the companies of our former franchisees in Brazil and Malta.

As part of our cell division strategy, we have opened a total of seven new locations in Denmark, Germany, France, Italy (two locations), the Netherlands and the United Arab Emirates. We also made our first purchase of receivables in the fast-growing Italian market in October 2017, thereby launching our factoring business. The GRENKE Group currently operates 132 locations in 31 countries. A total of 31 of those locations are in Germany, 18 are in France and 16 are in Italy.

Our strategic goal: To position the GRENKE Group as a comprehensive small-ticket financial services provider for European and international SMEs. This places global expansion at the top of our agenda.

EXTERNAL INFLUENTIAL FACTORS AFFECTING OUR BUSINESS

Macroeconomic cycles have relatively little impact on the GRENKE Consolidated Group’s business performance. This allowed us to continue to consistently expand our business, even in economically challenging times. Macroeconomic developments are of much less importance than industry trends, such as the policies of commercial banks and financial service providers in the leasing, factoring and deposit businesses, and the sector’s rising regulatory requirements. Other external factors affecting our business include insolvency rates and the impact on refinancing costs from changes in the capital market and central bank interest rates. These factors are presented in the section "Macroeconomic and Industry-Specific Environment" and in the Risk Report.

TARGETS AND STRATEGIES

We are one of the leading international providers of financial services for SMEs that is focused on lease financing for low individual contract volumes. We are already the market leader in small-ticket leasing in Germany, Switzerland and Italy and one of the primary providers of financial services for SMEs on a European level. Meanwhile, outside of Europe, we have successfully entered several countries in Asia, Australia and North and South America.

As a growth company, we pursue a long-term strategy clearly focused on becoming the market leader in small-ticket leasing – but not necessarily in each individual local market. Instead, we focus our growth on markets that have attractive risk/reward profiles. In this way, we consistently exploit market opportunities as competitors reduce their exposure to this sector or even withdraw completely, as some did following the financial and sovereign debt crisis. Providers from the banking sector are also faced with increasing regulatory requirements leading to higher underlying capital needs and thereby are under more pressure to achieve better returns from their business activities. In small-ticket leasing, satisfactory returns can only be achieved with highly efficient processes and effective online risk assessment. This requires upfront investments and long-standing process experience, both of which under more stringent requirements represent an even higher barrier to entry.

GRENKE Consolidated Group's business model has proven that it harbours great potential for generating growth and earnings, particularly in terms of its internal financing capabilities. Therefore, the regulatory changes mentioned present us with attractive medium-term opportunities to continue to consistently expand our position as a leading provider of financial services for SMEs.

Beyond our leasing business, the purchase of lower-volume receivables (factoring) in various European countries is also a permanent and steadily growing component of our extensive product range, which we believe has high long-term growth potential. With factoring, we offer an additional financing alternative that is especially suited to our leasing customers who are offered only a few alternatives from our competitors because of the low contract volumes – similar to the case with small-ticket leasing. Our long-term goal is to continue to expand in this area through the increase in market share and achieve adequate returns.

Over the last ten years, GRENKE Group's new business growth has averaged 17 percent and underscores our ability to profit equally in times of economic strength and weakness. During the reporting year, we were again successful in achieving new business growth of roughly 24 percent. Detailed information on GRENKE Group's new business is presented in the section on our business performance.

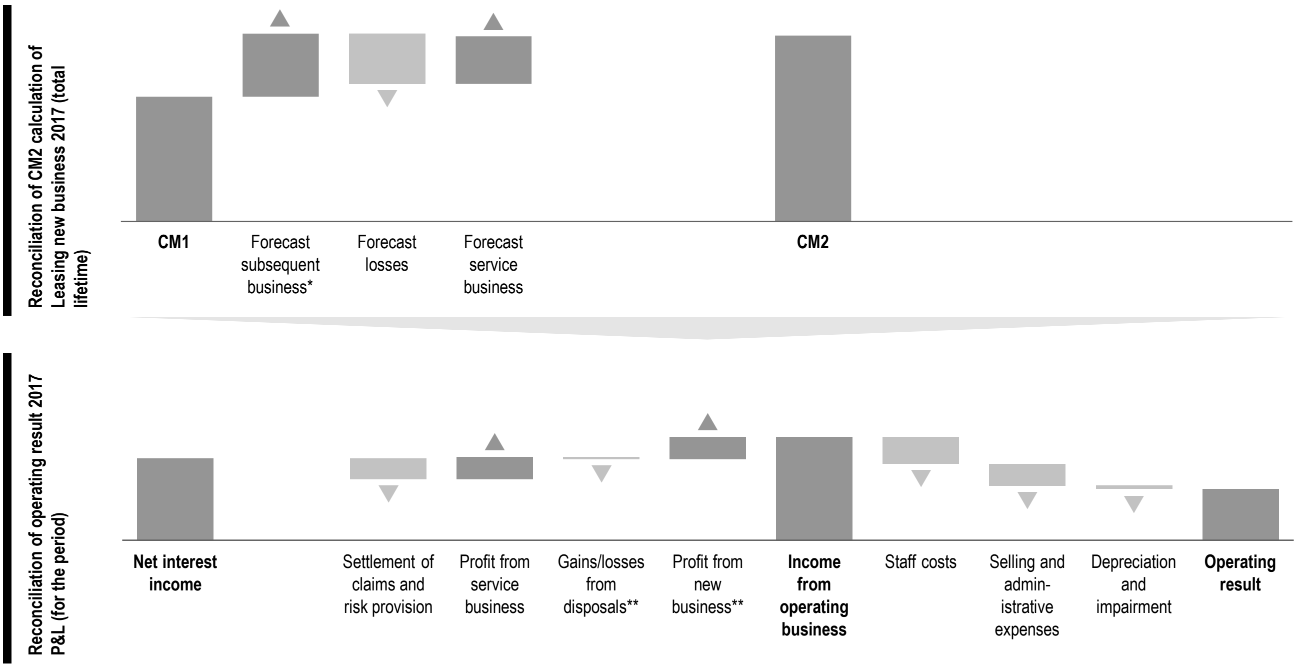
Our business model is as straightforward as it is value-oriented. Strategically, we rely on diversification to limit risk. Our business is characterised by comparably low average contract volumes and the broadest portfolio diversification possible in terms of customers, industries, leased assets and countries. As a result, in the 2017 fiscal year, no single lessee accounted for more 1 percent of the GRENKE Group's new business. Additionally, the GRENKE Consolidated Group's total exposure to any one customer did not exceed 2 percent of the Consolidated Group's equity. We avoid cluster risks of all types in all of our segments and are independent of any single manufacturer especially with respect to leased assets.

Solvency and creditworthiness: The keys to our success and the reason we have our capital market status assessed regularly by independent rating agencies. We received an investment grade rating with a stable outlook again in 2017.

We also rely on the continued expansion of our already broad range of refinancing instruments so that we can finance our growth flexibly at all times. We have earned this flexibility because of our history of economic success and especially our reputation as a reliable business partner. We, therefore, pay close attention to maintaining our reputation on the equity and debt capital markets. We undergo regular assessments by the leading international rating agency Standard & Poor's and the credit rating agency Gesellschaft für Bonitätsbeurteilung ("GBB"). We recently received very good ratings from both agencies certifying our solid "investment grade" status, thereby allowing us to maintain a high credit rating.

In its most recent analysis in May 2017, Standard & Poor's confirmed our Counterparty Credit Rating of BBB+/A-2 each with a stable outlook. GBB also awarded us a stable outlook and confirmed our "A" rating based on our strong equity base, a clear strategy that has proven successful for many years and our sustainably positive new business development accompanied by high profitability. GBB also highlighted our efficient processes and excellent cost structure, which has resulted from our high level of automation and standardisation and our ability to transfer our successful business model to other product groups.

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



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

MANAGEMENT SYSTEM

Our management focus is on creating more customer value and building our competitive edge. We strive to win market share wherever we operate. The GRENKE Group aims to generate long-term new business growth – defined as the total of the acquisition costs of newly acquired lease assets, factoring volumes and start-up financing (including the microcredit business) – of a minimum of 12 percent annually.

Or goal in following this growth strategy is to assess risks as correctly as possible while still obtaining adequate contribution margins. Our long-proven and continually fine-tuned IT-based model for forecasting losses plays a key role in achieving this goal and has greatly contributed to our successful track record.

GRENKE Group Leasing's new business is governed by our contribution margin 2 (CM2), which corresponds to the calculation of the Consolidated Group's operating result. This is illustrated in the above diagram, which shows the reconciliation of the operating result and net profit for the period as well as the reconciliation of the CM2 calculation for leasing new business based on the total term of the contracts (total period). SEE DIAGRAM "CORRELATION BETWEEN CM2 (NEW BUSINESS) AND RESULT FOR THE PERIOD (INCOME STATEMENT)"

We also use an earnings-oriented approach with key performance indicators, such as gross margins and the length of a factoring transaction measured in days, to oversee new business at GRENKE Group Factoring. Over the long term, however, we focus primarily on factoring volumes because increases in these volumes usually coincide with increases in our number of customers. Approvals of financing applications are staggered according to their risk classification, both in terms of the absolute number of approvals and according to a risk-weighted margin. This also enables us to achieve our goal of steady profitability. The key performance indicators for GRENKE Bank's business are deposit volumes and maintaining an adequate equity base. Most importantly, GRENKE Bank should make a significant contribution to the refinancing of the GRENKE Consolidated Group. A total of 20 percent of the Consolidated Group's financial liabilities as per December 31, 2017 was provided via GRENKE Bank. This level is well within our target corridor, which is between 15 and 30 percent. We use this option based on our needs and market opportunities. At the same time, we pay close attention to our refinancing costs and ensuring that we have a balanced mix of financing.

In implementing our refinancing strategy, we rely on a broad range of instruments and try to secure the most attractive refinancing conditions possible. At the same time, we pay attention to diversification by taking advantage of the range of instruments offered in the market.

This provides us with our own picture of the current state of the market and opens up flexible areas for action.

Value-based management at the Consolidated Group level is performed based on the contribution margin 2, which cumulates the periodic operating income over the total period and provides a balance between the generated contribution margin/income from operating business and the costs incurred (cost-income ratio) accompanied by a solid equity base. While the contribution margin is largely dependent on the new business in the most recent reporting period, the income from operating business and net profit are also affected by prior fiscal years. The benchmark for the equity ratio has been 16 percent for many years. We believe this target is crucial for ensuring our continued good ratings.

Our cost-income ratio in the past fiscal year was 52.4 percent. Our target is not to exceed a level of 55 percent, even though temporary expenses may lead to a higher ratio in individual years, especially when we continue our expansion. Embedded value (based on the calculation of net asset value) is another one of our key performance indicators because expenditures incurred from our expansion into new markets, cell divisions and opening new offices in existing markets are not immediately covered by income but usually funded only after the completion of the start-up phase. Embedded value represents the present value of all remaining outstanding instalments and gains from disposals after costs and risk provisioning. A positive difference in embedded value when comparing the beginning and end of a fiscal year represents an increase in the Company’s enterprise value. Contribution margin 2 represents the embedded value of a period’s new business before costs and taxes. We use these indicators to carry out active and growth-oriented value management approach.

RESEARCH AND DEVELOPMENT

The GRENKE Consolidated Group’s core capabilities include efficient risk management and suitable leasing logistics based on centralised, standardised and highly digitised processes. To achieve efficient risk management, we continuously optimise our standard software products and our individually developed applications. Our activities are not only focused on modernising our infrastructure but also on further developing our portals and processing systems for sales and administration. Development costs amounting to EUR 5.1 million were capitalised in the reporting year compared to EUR 4.9 million in the previous year. The amortisation of internally generated software amounted to EUR 2.4 million compared with EUR 0.7 million in the previous year.

Our GRENKE Technology Centre founded in 2015 at "Kreativpark" in Karlsruhe – one of the most important technology hubs in Europe – is our proprietary centre for software and business process development and was created to provide GRENKE and our partners with state-of-the-art system solutions based on the latest standards in technology. The GRENKE Technology Centre is part of GRENKE digital GmbH, which was established in the reporting year and houses all of the Consolidated Group’s combined digital expertise.

REPORT ON BUSINESS DEVELOPMENT

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

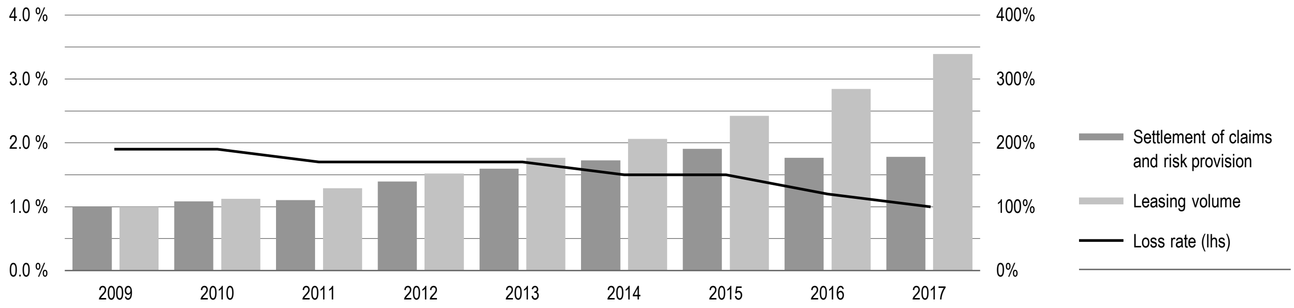
The 2017 fiscal year was another year of accelerating growth for the GRENKE Consolidated Group. The sustained positive growth momentum signals a strong outlook ahead. This is impressively underscored by our achievement of more than 2 billion euros in new business volume. Consolidated Group net profit has grown significantly setting a new record.

In addition to volume and scale effects resulting from the growth in business volume, the increased earnings level is also the result of our sustained and consistent efforts to reduce our costs. This has allowed us to maintain a stable cost-income ratio and even stronger overall equity. At the same time, it was possible for us again with the help of our various refinancing options to take advantage of the continued favourable capital market environment as necessary. The key transactions in the reporting year are presented in the section on the Consolidated Group’s net assets.

We also continued our geographic growth with seven new cell divisions and our entry into the Australian market with our leasing products. The acquisition of Europa Leasing GmbH, effective January 1, 2017, substantially reinforces our market position in the small-ticket leasing of medical equipment.

At the time of preparing this combined management report, the GRENKE Consolidated Group possessed very strong earnings, financial position and net assets. Therefore, we believe the Consolidated Group is in an excellent position to continue expanding internationally, grow new business and further increase profits.

DEVELOPMENT OF GRENKE CONSOLIDATED GROUP LOSS RATE



MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The GRENKE Consolidated Group enjoys success worldwide. In the interest of materiality, the following comments on the macroeconomic and industry-specific conditions focus on the three most important markets for the Consolidated Group – Germany, France and Italy. Supported by overall positive economic development, 2017 represented a second consecutive record year for the German leasing industry. According to the preliminary estimates of the Federal Association of German Leasing Companies [Bundesverband der Deutschen Leasing-unternehmen – (BDL)], new leasing business increased by a further 6 percent last year after a rise of 7 percent in the previous year. The movables leasing business rose by even 6.5 percent. At a solid 8 percent, the increase in business at bank-like and medium-sized leasing companies in the reporting year was noticeably faster than the 6 percent growth attained by manufacturer leasing companies.

In comparison to the expansion of new business in leasing, total investment in equipment and machinery increased by just over 2 percent, allowing the leasing business to continue to gain market share. In 2017, the equipment leasing ratio for movables increased to over 24 percent of equipment investment for the first time, exceeding the previous high reached in 2005. Growth was again driven by vehicle leasing, which includes passenger cars and commercial vehicles and comprises 77 percent of the leasing market. New business in the leasing sector in the areas of office technology/IT, telecommunications and signalling technology stagnated in 2017.

The leasing business is also growing significantly in France and Italy. According to the French Association of Financial Companies (Association Française des Sociétés Financières "ASF"), leasing investments in France increased by 7 percent from January to September 2017 compared to the same period of the previous year. The double-digit growth rate of 12 percent achieved as a result of tax-regulatory pull-forward effects in the previous year was not repeated. Nevertheless, the increase of 7 percent represents a clear upward trend. This development was supported in particular by the increased demand in the technology sector.

According to the Italian leasing association Associazione Italiana Leasing ("Assilea"), the Italian leasing market has increased by a total of 12 percent in the first eleven months of 2017. The main driver of growth was automobile leasing, which accounted for more than 50 percent of the total market value. The capital goods sector, which contributes just under a third, also grew to the same extent as the overall market. The government programme "Piano Industria 4.0" – as a counterpart to the German "Plattform 4.0" and the French "Alliance Industrie du Futur" – to promote the digitisation of the economy is also stimulating investment in the Italian IT sector.

Our new business development is relatively unaffected by the overall economy. There is, however, some influence on our new business from general industry trends. There were no material changes in the year under review. In addition, trend changes in corporate insolvencies may affect the Consolidated Group's loss rate. However, the development of our loss rate shows that we are in a position to effectively cushion ourselves from these effects. SEE DIAGRAM "DEVELOPMENT OF GRENKE CONSOLIDATED GROUP LOSS RATE"

The deposit business of GRENKE Bank is exclusively managed based on the Consolidated Group's need for refinancing, making a sector comparison of little use in assessing the bank's business. Any impact on our refinancing costs from changes in the capital market or central bank interest rates is passed on to customers via the terms and conditions in our contracts. Existing contracts are not affected due to our matching maturity refinancing structure. Nevertheless, the time lag between changes in interest rates and an adjustment in our terms and conditions may have a temporary positive or negative impact on the profitability of our new business. Our access to a wide range of refinancing instruments, including the ability to attract bank deposits through GRENKE Bank, provide us with the flexibility necessary to utilise a wide variety of refinancing alternatives, depending on expected market conditions and interest rates. The year 2017 marked another year in which we had sufficient access to refinancing funds at attractive terms at all times.

Profitable growth is our top priority. 2017 was another year of record new business and net profit.

TARGETS EXCEEDED

CONSOLIDATED GROUP NET PROFIT
(EUR MILLIONS)

125.0

:: NET PROFIT increases 21 percent to EUR 125.0 million in 2017.

:: EARNINGS PER SHARE reaches EUR 2.74.

:: NET PROFIT FORECAST of EUR 118 million to EUR 124 million slightly exceeded.

ACCELERATED GROWTH

NEW BUSINESS VOLUME
(EUR MILLIONS)

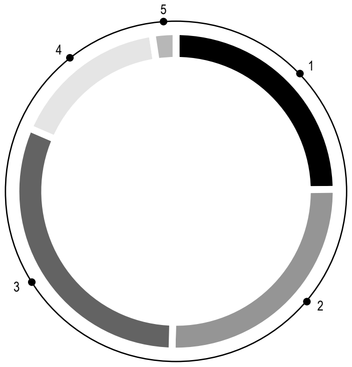
2,449

:: DYNAMIC NEW BUSINESS paves the way for future earnings growth.

:: CM2 MARGIN increases to 17.9 percent and underscores high profitability.

PAVING THE WAY FOR THE FUTURE

GRENKE GROUP LEASING'S NEW BUSINESS BY REGION



GRENKE Group Leasing (share of overall new business in percent)		2017	2016
1	DACH	24.8	28.6
2	Western Europe (without DACH)	25.6	26,6
3	Southern Europe	31.0	27,9
4	Northern/Eastern Europe	16.1	15,2
5	Other Regions	2.4	1,7

GRENKE Group (in EUR millions)	2017	2016
New business GRENKE Group Leasing	1,975.7	1,592.5
New business GRENKE Group Factoring	442.8	356.2
Business start-up financing GRENKE Bank (incl. microcredit business)	30.7	25.3

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, Norway*, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia*, Brazil, Canada*, Chile*, Dubai*, Singapore*, Turkey, UAE*

* Franchise

BUSINESS DEVELOPMENT

GRENKE GROUP'S NEW BUSINESS

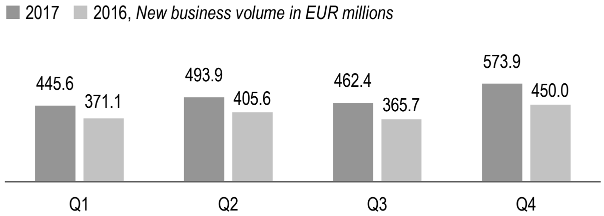
The GRENKE Group generated strong new business growth in the past fiscal year. Volume across the three business units – Leasing, Banking and Factoring – increased by 24 percent and exceeded EUR 2 billion for the first time reaching a record level of EUR 2,449.2 million. Compared to a volume of EUR 1,974.0 million in the previous year, the growth rate in new business was once again above the long-term average. The distribution of new business by segment was virtually unchanged versus the prior year. At a volume of EUR 1,975.7 million compared to EUR 1,592.5 million in the prior year, Leasing remained the most important segment, accounting for 80.7 percent of total new business in the reporting year.

GRENKE Group Leasing's new business increased 24 percent over the prior year. Once again, the international markets made a significant contribution to our positive performance.

We achieved very gratifying growth of 29 percent on an international level. The countries Italy (41 percent), Spain (35 percent) and Great Britain (28 percent), which are important to our business, particularly stood out due to their significantly higher growth rates. New business in the DACH region, which comprises Germany, Austria and Switzerland, rose by 8 percent, allowing us to gain further market share in this region.

We recorded relatively steady growth throughout the year, as can be seen by our quarterly performance in the diagram below. As usual, the third quarter was somewhat weaker than the prior quarter, mainly due to the summer holiday season.

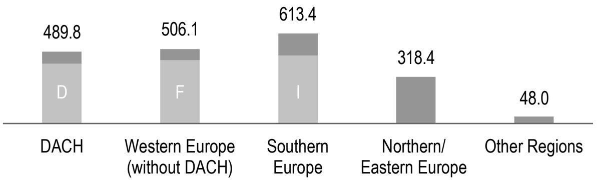
GRENKE GROUP LEASING NEW BUSINESS ON A QUARTERLY BASIS



In terms of the regional distribution, our new business in Western Europe (excluding the DACH region) increased by 19 percent in the reporting year to EUR 506.1 million (previous year: EUR 423.9 million). As in the prior year, our highest absolute growth was achieved in Southern Europe. The volume of new business in that region increased by 38 percent to EUR 613.4 million (previous year: EUR 443.6 million), making this region, which now contributes 31 percent of our total new leasing business (previous year: 28 percent), the most important region in terms of our internal regional split. In Northern / Eastern Europe, new business in the past fiscal year rose by 32 percent to EUR 318.4 million (previous year: EUR 241.5 million). Due to the low year-on-year growth comparisons, the growth recorded in Other Regions was strong, with the acquired volume rising by 73 percent to EUR 48.0 million (previous year: EUR 27.8 million). The share of new leasing business in Other Regions rose from 1.7 percent in the previous year to 2.4 percent in the reporting year. SEE DIAGRAM "GRENKE GROUP LEASING NEW BUSINESS BY REGION"

GRENKE GROUP LEASING NEW BUSINESS*

As per December 31, 2017; in EUR millions



* See previous page for regional description.

From January to December 2017, we received a total of 470,920 lease applications, which resulted in 228,199 new lease contracts. This corresponds to a conversion rate (applications into contracts) of 48 percent. In the previous year, there were 390,736 applications, resulting in 182,655 contracts for a conversion rate of 47 percent. In our international markets, we had 385,857 applications (previous year: 308,363), resulting in 182,099 new contracts (previous year: 139,542). At 47 percent, the corresponding conversion rate in our international markets was also slightly above the previous year's figure of 45 percent. In the DACH region, 54 percent (previous year: 52 percent) of the applications were converted into contracts. Overall, it is important to us that the number of contracts grows in step with the volume of new business. This allows us to strengthen our position in the small-ticket segment.

Our new business continued to be highly profitable. In order to provide a transparent view of profitability based on the Consolidated Group's operating result, the calculation of contribution margin 2 (CM2) for new business in the Leasing segment was modified beginning with the first quarter of 2017. :: ► SEE DIAGRAM AND EXPLANATIONS IN THE SECTION ON THE CONSOLIDATED GROUP'S MANAGEMENT SYSTEM. CM2 increased overall by 25 percent year-on-year, rising from EUR 281.8 million to EUR 353.0 million (calculation retrospectively adjusted accordingly). This corresponds to a CM2 margin of 17.9 percent compared to 17.7 percent in the prior year. The CM1 margin (contribution margin 1 at acquisition value) was 12.6 percent versus 12.5 percent in the previous year. CM1 in absolute terms amounted to EUR 248.8 million compared to EUR 199.1 million in the previous fiscal year.

We also posted a strong increase in our Factoring segment, where we had a rise of 24 percent in the sum of purchased receivables in the reporting period versus the previous year. Acquired volume increased to a level of EUR 442.8 million compared to EUR 356.2 million in the previous year. While new business in Germany increased by 11 percent to EUR 169.5 million (previous year: EUR 153.2 million), international volume grew by 35 percent to EUR 273.4 million (previous year: EUR 203.1 million). The gross margin on the new business volume in Germany remained at a high level of 1.70 percent compared to 1.86 percent in the previous year. The gross margin in our international markets was 1.28 percent compared to 1.24 percent in the previous year. The margin is based on an average period of a factoring transaction of approximately 28 days (previous year: approx. 26 days) in Germany and approx. 38 days (previous year: approx. 37 days) internationally. In comparison to Germany, the international business contained a higher portion of debt collection services, for which we assume no default risk.

GRENKE Bank was able to increase its new business in the area of SME lending including business start-up financing by 21 percent in the reporting year to EUR 30.7 million compared to EUR 25.3 million in the previous year. GRENKE Bank's deposit volume amounted to EUR 519.2 million as per December 31, 2017, which was 24 percent above the level of EUR 417.1 million reported at the end of the 2016 fiscal year.

BUSINESS DEVELOPMENT OF THE GRENKE CONSOLIDATED GROUP

The 2017 fiscal year was very satisfactory. The dynamic development of new business and earnings in recent years has persisted. We continued to benefit from the ongoing favourable refinancing conditions in the market and the success of our recent, profitable new business, where the income accrues to us over the life of the contracts. As a result, the Consolidated Group's net profit climbed 21 percent to EUR 125.0 million (previous year: EUR 103.2 million).

The Consolidated Group's largest and most important segment continued to be the Leasing segment, which accounted for 94 percent of the Consolidated Group's operating result in the reporting year as in the previous year. Our focus continued to be on financing IT products, which accounted for a share of roughly 75 percent (previous year: 78 percent). We significantly broadened our strategic position in the Leasing segment through our strategic acquisition of Europa Leasing GmbH at the beginning of the reporting year. We are increasingly financing medical technology products and small machinery and systems with great success. These product groups recorded particularly high growth rates in the reporting year.

Direct sales, which we have now established in a majority of our markets, has also been very well received. By having direct contact with our Sales department, customers have the opportunity to finance new purchases more easily and flexibly via leasing irrespective of the manufacturer or specialist reseller. Efficiency plays a major role in our business, which is one of the reasons why we are constantly optimising and simplifying our processes. One example of this is our innovative "eSignature" service, introduced in 2015. eSignature allows for the fully digital processing of lease contracts and has continued to gain in importance during the reporting year. Since its inception, 58,733 contracts have been concluded using this service.

Digital transformation: We are rapidly driving forward the digitisation of processes and product offers. Our new online offers are proof of the success of our digital innovations.

Next to process efficiency, our digital transformation will be the main factor determining GRENKE's future success. In order to improve our position not only within the GRENKE Group but also externally, we founded GRENKE digital GmbH – a fully owned subsidiary of GRENKE AG – in early July 2017 thereby taking an important step towards digitising our entire business.

We launched two digital product campaigns in the reporting year. One campaign, sponsored together with our partners the state and federal government (KfW) development banks, gives small and medium-sized companies access to promotional vouchers for new business purchases financed by leasing. We created an intuitive online platform for this purpose that provides interested parties information on their respective funding opportunities and allows them to independently calculate their optimum funding available.

Another campaign launched as part of a pilot project in November 2017 is the innovative "Cashflow Optimiser". This online platform will initially be tested in Switzerland and enables customers to sell individual receivables to GRENKE in a matter of hours. The factoring process is handled entirely digitally.

We were also very successful overall with our banking business and the products offered in this area. During the reporting year, we concluded new global loans which enhanced our cooperation with two state and federal development banks. At the end of the reporting year, we were working with a total of four institutions. : ► FOR MORE ABOUT GRENKE BANK'S COLLABORATIONS AND PRODUCTS, SEE "CONSOLIDATED GROUP PRINCIPLES"

During the reporting year, we won a tender from the Federal Employment Agency in a bidder consortium with the Berlin-based company Cash Payment Solutions GmbH (CPS), in which GRENKE Bank has had a strategic stake of 25.01 percent since the end of 2015, and other leading retailers. In the future, special payments to benefit recipients of the Federal Employment Agency will be made in cash via the infrastructure or the paying agent network of the "barzahlen.de" service. GRENKE and CPS act as the service's operators subject to regulatory supervision. Our GRENKE Cash App was also developed in cooperation with CPS and gives customers of GRENKE Bank the option to withdraw from or deposit cash into their account via one of currently over 8,500 partner retailer outlets in Germany.

Our cooperation with our second strategic investment – Finanzchef24 GmbH – was also strengthened during the reporting year. Because Finanzchef24 and GRENKE Bank have very similar customer target groups, business current accounts at GRENKE Bank and financing solutions from the GRENKE Group have been offered since 2017 through the online portal of Germany's first digital insurance broker for commercial customers.

Lastly, we also continued to grow geographically in the reporting year. In addition to our market entry in Australia with one location in Melbourne and one in Sydney, we have opened a total of seven new locations in Europe and the United Arab Emirates as part of our cell division strategy. In addition, we have been offering our factoring products in Italy since October 2017.

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

EURk	**Jan. 1, 2017 to Dec. 31, 2017**	**Jan. 1, 2016 to Dec. 31, 2016**
Net interest income	**246,597**	**217,790**
Settlement of claims and risk provision	55,467	55,089
Net interest income after settlement of claims and risk provision	**191,130**	**162,701**
Profit from service business*	70,562	59,279
Profit from new business	68,983	58,799
Gains (+)/losses (–) from disposals	–8,212	–5,985
Income from operating business	**322,463**	**274,794**
Staff costs	86,162	70,624
of which total remuneration	*70,697*	*58,003*
of which fixed remuneration	*52,179*	*43,577*
of which variable remuneration	*18,518*	*14,426*
Selling and administrative expenses (not including staff costs)	67,737	58,380
of which IT project costs	*6,209*	*6,207*
Earnings before taxes	**157,727**	**134,536**
Net profit	**124,982**	**103,234**
Earnings per share (basic/diluted in EUR; after stock split)	2.74	2.29

ACTUAL VERSUS FORECASTED OPERATING DEVELOPMENT

The reporting year was another year in which we achieved and even exceeded our targets. Based on the new business generated in the GRENKE Group, our new business growth in the Leasing segment reached 24 percent. After a strong fourth quarter which saw our new business increase at a better-than-expected 28 percent, we were at the upper end of our 16 to 21 percent target range, which we had raised with the publication of the half-year report (previously: 11 to 16 percent). The high level of new business in our international markets, particularly in Italy, a more broadly diversified portfolio and the well-established direct sales activities, contributed significantly to this gratifying performance. In the Factoring segment, we also exceeded our growth range forecast of between 12 and 20 percent with an increase in purchased receivables of 24 percent.

At EUR 125.0 million, the Consolidated Group’s net profit was moderately above the forecast range of EUR 118 to 124 million, which was fine-tuned and revised higher with the publication of the half-year results based on solid business performance (previously: EUR 113 to 123 million). At 17.7 percent, the Consolidated Group’s equity ratio reached the targeted level and is therefore still above our long-term target of at least 16 percent.

FINANCIAL SITUATION

RESULTS OF OPERATIONS

The Consolidated Group’s positive overall performance during the 2017 fiscal year is also reflected in the very satisfactory development of the results from operations. This is reflected, among others, in the operating result, which increased 18 percent from EUR 136.5 million in the previous year to EUR 161.3 million. The increase was mainly due to the high and profitable new business of previous years, a favourable development in losses, the persistently attractive interest rate environment, as well as some lower expense items compared to the previous year.

In the reporting year, the trend in rising interest and similar income from financing business and the simultaneous decline in expenses from interest on refinancing continued. The Consolidated Group’s net interest income increased accordingly by 13 percent compared to the prior year. Expenses for the settlement of claims and risk provision were almost unchanged rising just 1 percent versus the prior year as a result of our active and risk-oriented management of our contract conditions. We were able to increase net interest income after settlement of claims and risk provision by an encouraging 17 percent. The Consolidated Group’s loss rate was 1.0 percent compared to 1.2 percent in the previous year.

The high level of new business during the period led to a similar rise in the results from our service and new businesses with an increase of 19 percent in our service business and 17 percent in our new business. The Consolidated Group's income from operating business increased by a total of 17 percent and includes losses from disposals of EUR –8.2 million compared to EUR –6.0 million in the previous year. The losses from disposals resulted mainly from a rise in the number of contracts expiring, which at the end of the lease period causes the increasing derecognition of carrying amounts in profit and loss. The corresponding revenue from subsequent leases, in contrast, is only gradually recognised in profit and loss in later periods in accordance with the applicable accounting rules. Over the total period, the revenue still generated from subsequent leases is expected to result in a break-even result from disposals.

As in the previous year, the increase in expense items in the year under review was below the growth in income from operating business. As one of the key items, staff costs increased 22 percent due to the year-on-year increase in the number of employees and higher variable compensation components compared to the previous year, as well as a result of the Consolidated Group's geographic growth. The average number of employees in the year under review increased by 19 percent. Selling and administrative expenses, also a large expense item on the consolidated income statement, increased 16 percent. The main triggers for this increase were a growth-related rise in costs for operations, sales and administration and consulting and auditing costs. IT project costs, on the other hand, remained almost unchanged compared to the prior year.

The Consolidated Group's depreciation and amortisation exceeded the previous year's figure by 65 percent, based on recent investments in property, plant and equipment mainly for expanding our IT data centre and the dealer networks acquired from the year's acquisitions. The increase in absolute terms was from EUR 9.3 million in the previous year to EUR 15.4 million. Other operating income and expenses made a positive net contribution of EUR 8.1 million to the Consolidated Group's net profit. In the previous year, the balance of both items had no effect on net profit.

Earnings before taxes rose 17 compared to the previous year. Based on a lower tax rate of 20.8 percent (previous year: 23.3 percent), net profit increased by 21 percent in the reporting period resulting in earnings per share of EUR 2.74 compared to EUR 2.29 in the previous year.

Segment Development

BUSINESS SEGMENTS

Segment reporting is based on the organisational structure of the GRENKE Consolidated Group. Operating segments are therefore divided in accordance with the management of the business areas in the Leasing, Banking, and Factoring segments. More detailed information about the business segments can be found in the Consolidated Group's segment report, which is a part of the Notes to the consolidated financial statements.

BUSINESS DEVELOPMENT

Contributing a share of 94 percent to the Consolidated Group's operating result as in the previous year, the Leasing segment continues to be the most important segment as well as the earnings pillar of the Consolidated Group. Therefore, the statements on the results of operations also pertain to this segment. Operating segment income in the Leasing segment saw a significant increase of 17 percent from EUR 258.5 million in the previous year to EUR 302.9 million in the reporting year. The segment result also performed very well, increasing 18 percent from EUR 128.3 million in the previous year to EUR 151.5 million in the reporting year. At EUR 4.0 million, the operating segment income in the Factoring segment stayed essentially at the previous year's level. Due to an overall increase in costs, the segment result remained slightly negative at EUR –0.4 million (previous year: EUR –0.2 million). The performance of the Banking segment was thoroughly satisfactory with operating segment income rising 27 percent from EUR 12.3 million in the previous year to EUR 15.6 million. The segment result contributed EUR 10.2 million to the Consolidated Group's net profit compared to EUR 8.4 million in the prior year.

In the regions where we operate, we achieved a year-on-year increase in income from operating business in Germany of 11 percent. Once again, we posted strong growth in our core markets of France (+17 percent) and Italy (+26 percent). Income from operating business in our other countries exceeded the previous year's level by 16 percent.

SELECTED BUSINESS SEGMENT INFORMATION

	Segments					
	Leasing		Banking		Factoring	
EURk	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
New business (Leasing)/Receivables volume incl. collection services (Factoring)	1,975,713	1,592,506	--	--	442,840	356,222
Contribution margin 2 (CM2)	353,048	281,787	--	--	--	--
CM2 margin (in percent)	17.9	17.7	--	--	--	--
Deposit volume	--	--	519,208	417,088	--	--
Factoring gross margin (in percent)	--	--	--	--	1.4	1.5
Operating segment income	**302,875**	**258,514**	**15,618**	**12,294**	**3,970**	**3,986**
Staff costs	80,767	66,177	2,627	1,826	2,768	2,621
Segment result	**151,514**	**128,329**	**10,214**	**8,387**	**–381**	**–189**

FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	Jan 1, 2017 to Dec. 31, 2017	Jan 1, 2016 to Dec. 31, 2016
Cash flow from operating activities	52,580	16,779
Net cash flow from operating activities	27,953	–16,241
Cash flow from investing activities	–25,696	–14,947
Cash flow from financing activities	43,572	1,943
Total cash flow	**45,829**	**–29,245**

Cash flow from operating activities was EUR 52.6 million in the reporting year compared to EUR 16.8 million in the previous year. Based on earnings before taxes of EUR 157.7 million (previous year: EUR 134.5 million), the change in lease receivables amounted to EUR –634.0 million (previous year: EUR –409.0 million). The change in liabilities from the refinancing of leasing receivables was EUR 501.9 million after EUR 361.1 million in the previous year. Other items included the increase in liabilities from deposit business of EUR 102.1 million (previous year: EUR 67.8 million), and an increase in loans to franchisees and other assets totalling EUR –104.4 million compared to EUR –92.6 million in the previous year. Deferred lease payments increased by EUR 4.2 million in the reporting year after a decrease of EUR 51.1 million in the previous year.

After interest and taxes paid and received, net cash flow from operating activities amounted to EUR 28.0 million after EUR –16.2 million in the previous year.

Cash flow from investing activities totalled EUR –25.7 million in the reporting year (previous year: EUR –14.9 million). In addition to payments for the purchase of operating and office equipment, it included a further cash outflow for the acquisition of subsidiaries. This was offset by proceeds from the sale of property, plant and equipment and intangible assets.

Total cash flow for the reporting year amounted to EUR 45.8 million compared to EUR –29.2 million in the previous year. Total cash flow included cash flow from financing activities, consisting of the repayment of bank liabilities of EUR 0.1 million (previous year: assumption of EUR 1.6 million); net proceeds of EUR 73.7 million from the issue of a further hybrid bond (previous year: increase in an existing hybrid bond in the amount of EUR 21.6 million); interest payments on hybrid capital in excess of EUR 4.1 million (previous year: EUR 1.7 million) and a dividend payment of EUR 25.8 million (previous year: EUR 19.6 million).

As a result, cash and cash equivalents as per the 2017 balance sheet date increased compared to the previous year's figure to EUR 203.3 million after EUR 156.8 million.

NET ASSETS

The strong increases in new business and net profit were also reflected in the development of the GRENKE Consolidated Group's balance sheet in the reporting year. As per the December 31, 2017 reporting date, total assets increased strongly again rising 22 percent year-on-year to EUR 4.8 billion after EUR 4.0 billion as per the end of the previous fiscal year. While the structure of the assets has not changed significantly with dynamic new business growth leading to 21 percent higher lease receivables (representing 82 percent of total assets as in the previous year), the liabilities side of the balance sheet reflects a further increase in the GRENKE Consolidated Group's financing strength. The share of liabilities declined slightly whereas equity increased 24 percent due to the net profit generated in the reporting year and the issue of a fully allocable hybrid bond. This led to an equity ratio as per the 2017 balance sheet date of 17.7 percent, which is above the previous year's level of 17.4 percent and still well above our long-term target of at least 16 percent.

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Current assets	**1,969,693**	**1,608,963**
of which cash and cash equivalents	*203,367*	*156,896*
of which lease receivables	*1,368,121*	*1,141,000*
Non-current assets*	**2,872,512**	**2,355,605**
of which lease receivables	*2,598,614*	*2,129,110*
Total assets*	**4,842,205**	**3,964,568**
Current liabilities	**1,390,294**	**1,328,512**
of which financial liabilities	*1,261,525*	*1,227,581*
Non-current liabilities*	**2,595,342**	**1,945,636**
of which financial liabilities	*2,533,181*	*1,894,474*
Equity	**856,569**	**690,420**
Equity ratio (in percent)	17.7	17.4
Total liabilities and equity	**4,842,205**	**3,964,568**
Embedded value after taxes	1,169,452	948,322

* Previous year's amount adjusted, see Note 3.18

The other significant line items on the asset side of the balance sheet developed as follows: the proceeds from the issue of the hybrid bond in the nominal amount of EUR 75.0 million towards the end of the third quarter resulted in a 30 percent increase in cash and cash equivalents to EUR 203.4 million at the end of the reporting year (previous year: EUR 156.9 million). However, provided we are in compliance with legal and regulatory requirements (for example, in the context of the liquidity coverage ratio), we will continue to follow our strategy of using liquid assets for operating purposes only and, thereby, to finance our growth. We recorded another strong year-on-year increase of 19 percent in other current and non-current financial assets mainly as a result of higher liquidity reserves from the increase in the asset-backed commercial paper (ABCP) programme volume and the expansion in GRENKE Bank's lending business. Other current and non-current assets also rose sharply by 35 percent mainly as a result of the full consolidation of Europa Leasing GmbH as per the start of the reporting year.

The expansion in our new business could also be seen on the liabilities side of the balance sheet. Liabilities from refinancing rose slightly below average for a 21 percent year-on-year increase, while the combined current and non-current liabilities from our deposit business grew 25 percent as part of our active refinancing policy. The Consolidated Group's total financial liabilities increased by 22 percent, which was in line with the growth in lease receivables. The development of other liability items reflects the rise in business volume in the reporting year.

We continued to rely on our broad range of refinancing instruments during the past fiscal year. Eleven new bonds were issued with a volume of EUR 443.0 million and one bond with a volume of CHF 70 million. A total of three existing bonds were increased by a total of EUR 65.0 million. Total bonds outstanding as per the 2017 balance sheet totalled EUR 1,510.6 million (previous year: EUR 1,210.0 million). Five bonds with a nominal volume totalling EUR 267.2 million were repaid on schedule in the 2017 fiscal year. Further information on our bond issues is available on our website at www.grenke.de. As mentioned earlier in this section, we also issued a new hybrid bond with a volume of EUR 75 million. Further information on our hybrid capital can be found in the Notes to the consolidated financial statements under Note 5.17.8.

In 2017, a total of 6 promissory notes (PNs) were redeemed and 7 were issued and 2 were extended. In the reporting year, PNs denominated in GBP and PLN were issued for the first time. The total volume of outstanding PNs as per December 31, 2017 was EUR 307.5 million (previous year: EUR 329.5 million), CHF 41.4 million (previous year: CHF 68.4 million), GBP 15.0 million and PLN 10.0 million. We utilised EUR 655.2 million of our ABCP programmes as per the reporting date (previous year: EUR 624.6 million). The total volume of these programmes amounted to EUR 772.5 million compared to EUR 735.0 million at the end of the previous fiscal year.

EXPECTED CASH OUTFLOWS FROM CONTRACTUAL OBLIGATIONS

		Payments Due			
EURk	**Dec. 31, 2017 Total**	**1 to 3 months**	**4 months to 1 year**	**1 to 5 years**	**after 5 years**
Financial liabilities	3,491,071	467,814	819,478	2,097,944	105,835
ABCP related liabilities	*720,895*	*80,636*	*214,534*	*425,066*	*659*
Bonds, debentures, private placements (denominated in EUR)	*2,264,058*	*316,457*	*477,080*	*1,371,031*	*99,490*
Bonds, debentures, private placements (not denominated in EUR)	*125,769*	*20,895*	*20,577*	*84,297*	*0*
Sales of receivables agreements (denominated in EUR)	*20,594*	*2,760*	*6,607*	*11,227*	*0*
Sales of receivables agreements (not denominated in EUR)	*132,569*	*18,337*	*45,422*	*68,810*	*0*
Payments related to bank liabilities	*227,186*	*28,729*	*55,258*	*137,513*	*5,686*
Hybrid bond	170,411	0	6,786	83,375	80,250
Leases and rentals	41,374	3,913	10,964	23,073	3,424
Irrevocable credit commitments	3,956	3,956	0	0	0
Purchase obligations*	603,441	448,690	154,751	0	0
Obligations from onerous contracts	–1,277	–138	–593	–546	0
Total contractual commitments	**4,308,976**	**924,235**	**991,386**	**2,203,846**	**189,509**

* Legally binding obligation to purchase goods and services and trade payables. See Notes to the consolidated financial statements.

Of the available money market facilities amounting to EUR 35.0 million at various institutions, a total of EUR 25.0 million was utilised as per the reporting date (previous year: EUR 28.0 million and CHF 2.7 million). For access to short-term funds, we continue to use our commercial paper (CP) programme, which has a volume of up to EUR 500 million. As per the reporting date, we had utilised a total of EUR 313.0 million (previous year: EUR 201.0 million) of this programme. We were also very successful in taking advantage of refinancing via bank deposits from GRENKE Bank and significantly increased the liabilities from the deposit business by 24 percent from EUR 417.1 million to EUR 519.2 million.

The Consolidated Group's unutilised credit lines (bank credit lines and available bond and commercial paper volumes) amounted to EUR 803.0 million and PLN 30.0 million as per the reporting date (previous year: EUR 688.6 million and PLN 7.0 million).

We expanded our cooperation with federal (KfW) and state development banks in the reporting year. Further information on existing and new collaborations is presented in the section on the GRENKE Consolidated Group's business development and the Notes to the consolidated financial statements under Note 5.11.4. The total volume of the global loans, which was used to refinance the development loans, amounted to EUR 287.5 million as per the reporting date compared to EUR 237.5 million as per the end of the prior fiscal year. A total of EUR 152.0 million of this amount was utilised (previous year: EUR 86.3 million).

The GRENKE Consolidated Group uses a variety of instruments for refinancing and staggers their maturities over several periods. This allows us to react flexibly to changes in the refinancing markets. The following table shows the expected cash outflows resulting from contractual obligations as per December 31, 2017:

In the current 2018 fiscal year, in addition to the usual purchase obligations in the context of ordinary business activities, interest and principal payments will be due for financial liabilities. Of the total EUR 1.3 billion in financial liabilities due in 2018, a total of EUR 295.2 million are liabilities from ABCP programmes. A total of EUR 835.0 million are bonds, promissory notes and private placements. The largest single position is a bond totalling EUR 125 million and scheduled to be redeemed in December 2018. Details on the maturities of the individual instruments are present in the Notes to the consolidated financial statements.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

Financial performance indicators used by the GRENKE Consolidated Group in the 2017 fiscal year are presented in section "Management System". In addition to the key financial figures, the enterprise value of the GRENKE Consolidated Group is also determined by non-financial performance indicators

The following are the non-financial performance indicators according to German Accounting Standard No. 20:

- Workforce development: The GRENKE Consolidated Group's average number of employees throughout its locations totalled around 1,229 employees (previous year: 1,031 employees). Of these, around 502 are employed at our German locations (previous year: 428 employees) and 728 (previous year: 603) at our international locations. The Consolidated Group's workforce has increased again against the background of additional hiring and acquisitions.
- Staff turnover rate at the Consolidated Group: The percentage of employees leaving the company in relation to the total workforce was essentially unchanged averaging 7.8 percent at the Consolidated Group level (previous year: 7.3 percent). As in prior years, turnover among management and senior executives was lower than the average for the Consolidated Group.
- Gender-specific quota of GRENKE AG: The target of equal participation of women and men in management positions in the second and third management levels of 25 percent each was reached in mid-2017. In the future, we intend to maintain a gender-specific ratio of at least 25 percent in the two management levels below the Board of Directors until December 31, 2021.
- Number of trainees/Dual-study students: In the 2017 fiscal year, the number of trainees and dual-study students in Germany increased from 35 young people in the previous year to a total of 47 in the reporting year.
- Continuing education: The percentage of employees of the GRENKE Consolidated Group who took part in various training courses was 86 percent in the reporting year (previous year: 87 percent) and demonstrates the positive response of employees to the continuing education programme.

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

NON-FINANCIAL STATEMENT

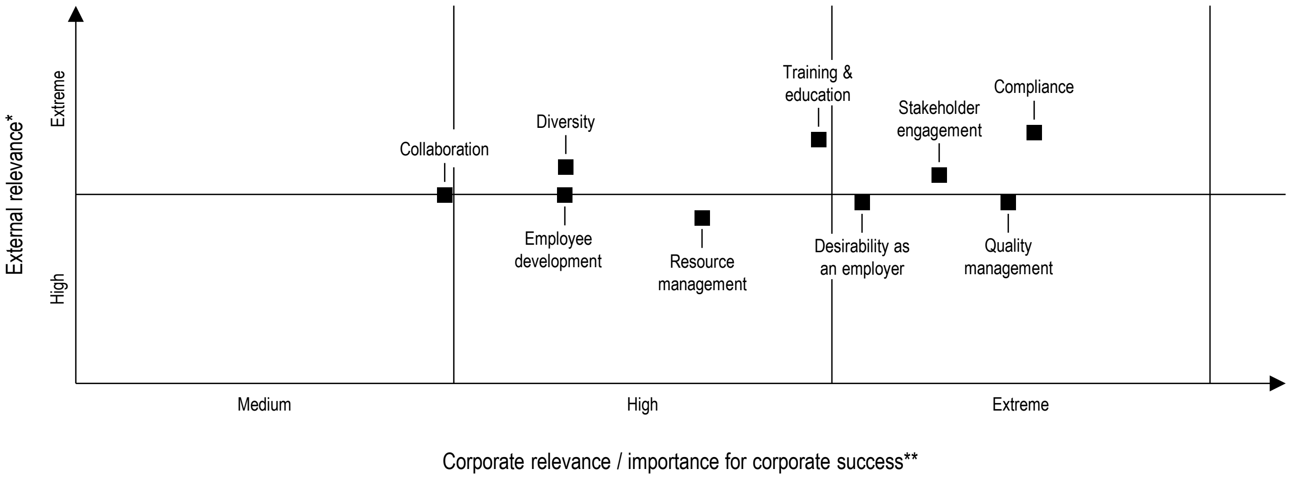
Our commitment to non-financial values extends to our business activities and the effect of our Consolidated Group activities on the ecological environment, as well as our relationship with capital market partners, employees and customers, which we believe are essential for our future competitive positioning. All Corporate Social Responsibility (CSR) issues also play an integral part in GRENKE's risk management, which we present in detail on page 50 of this report. With regard to our sustainability activities, we would like to draw particular attention to our involvement in integrating funding programmes into our financial services. These include business start-up financing as well as our new promotional voucher programmes for leases (page 24). Our business model is described in detail in the section entitled "Consolidated Group Principles" (page 23ff.).

Unless otherwise stated, the non-financial statement that follows relates solely to the GRENKE Consolidated Group. As a financing partner for small and medium-sized companies, our role comes in after the leasing object has been manufactured. We make sure that we only purchase items from suppliers and manufacturers that are brand new and comply with the applicable market standards. GRENKE is also committed to utilising and finding further economic value for used leased objects. Further information on our relationship with our business partners can be found in "Corporate Code of Conduct" on page 41.

IMPORTANT ISSUES AND STAKEHOLDER ENGAGEMENT

In 2017, in the context of a materiality analysis, we identified facts that are highly relevant from a corporate perspective and in terms of the Company's sustainable success. In doing so, GRENKE also reviewed the interests and expectations of its various stakeholders. Our most important communication partners include our employees, business partners such as customers and resellers, our shareholders, the capital market, government bodies and society. We regularly approach these stakeholders with a target-group-specific communication, which in addition to conventional forms such as letters, phone calls and e-mail, includes the following additional communication channels:

MATERIALITY MATRIX



* Based on the assumed expectations of the respective stakeholders, e.g. the customers, the Supervisory Board, investors, rating agencies
** Based on the management's and the departments' assessment

COMMUNICATION WITH OUR STAKEHOLDERS

Stakeholders	Communication Channels
Shareholders/Capital market :: Investors (debt and equity) :: Analysts :: Rating agencies	Financial reports, Annual General Meetings, analyst and investor conferences, roadshows and capital market conference, rating reports (S&P, GBB)
Employees :: Management :: Employees	Consolidated Group-wide management forum, periodic information for employees, employee surveys, occupational safety and health awareness campaigns
Partners :: Customers/dealers from the three business segments Leasing, Banking and Factoring	Customer visits and workshops, welcome calls, participation in trade fairs, publication of "Mittelpunkt" employee magazine, customer satisfaction surveys
Government Bodies :: Supervisory authorities :: Regulators :: Auditors :: National and international legislators	Supervisory discussions, notifications and reporting, financial reporting
Society :: Potential employees :: Media representatives :: Local stakeholders :: Non-profit institutions	Social media presence on XING, LinkedIn, Facebook and kununu, corporate reporting, exchanges with the media representatives, "Mittelpunkt" employee magazine, interaction in charitable projects

The suggestions, wishes and complaints of our employees, suppliers, lessees and other business partners have been systematically recorded and evaluated since 1996.

A so-called "internal satisfaction survey" related to superiors and other departments is included in the Balanced Scorecard (BSC) evaluation, which in turn is part of the variable remuneration. Depending on the degree of target achievement, this BSC accounts for a maximum of four percentage points of variable remuneration, which may amount to a maximum of 35 percent of the annual basic salary. In the case of managers, the staff turnover rate of their respective department is also included in the assessment.

Using a so-called "external satisfaction survey", suggestions and criticisms from our borrowers and specialist reseller partners are also evaluated on an ongoing basis. This ensures that the feedback we receive is part of a structured process so we can take this information into account when, among others, we expand our range of products and services.

In the course of a materiality analysis, all relevant topics and aspects were identified and discussed in internal working groups with department representatives and validated, defined and formulated as key performance indicators (labelled KPI). This was performed while keeping in mind our stakeholders' expectations. We have recorded the results in a materiality matrix that lists the main topics according to their internal and external relevance. SEE DIAGRAM "MATERIALITY MATRIX"

KEY TOPICS FOR GRENKE

These key topics were then summarised within four higher-level areas of activity:

OUR AREAS OF ACTIVITY AND RELATED KEY TOPICS

Areas of Activity	Topics
Sustainable Human Resource Management Recruiting and retaining qualified and responsible employees are one of the most important pillars of our corporate success. GRENKE is loyal to its employees and lives up to its duty of care.	Training & education Employee development Desirability as an employer Diversity
Responsible Corporate Management Ethical and legal norms define our actions. We comply with the applicable regulations and laws, internal rules and identify with the principles of transparent corporate governance.	Compliance
Resource Management We pay attention to the responsible use of all available resources.	Resource management
Community Involvement We fulfil our social responsibility to society. We support projects and organisations in the areas of social issues, youth, sports and culture.	Collaborations

* Quality management and stakeholder engagement are topics that affect all areas of activity and are explained in the respective sections of the Non-Financial Statement.

The following pages detail our areas of activity which are "Sustainable Human Resource Management", "Responsible Corporate Management", "Resource Management" and "Community Involvement". We cover the five aspects (environmental, employee and social issues, respect for human rights and the fight against corruption and bribery) from the CSR Directive Implementation Act in accordance with Section 289c (2) HGB and report both on the status of our CSR strategy process over the past fiscal year and on the KPIs assigned to the key topics. GRENKE is also reviewing the option of implementing an overall reporting standard that would serve as a framework for explicit CSR reporting in the future and complement the existing reports in each area.

CORPORATE CODE OF CONDUCT

We strive to act responsibly in our economic environment and towards our employees and society. For this reason, our Corporate Code of Conduct goes beyond the legal and regulatory requirements of our international markets and gives our actions an ethical framework. It is in this manner that we hope to ensure that the underlying values supporting our Company are adhered to and practised, regardless of the diversity that distinguishes our international organisation. This Code, therefore, forms the foundation for the ongoing continued development of our CSR strategy.

Companies around the world are increasingly applying their own codes, including codes of conduct, corporate codes and compliance codes. We undertake to take appropriate measures to ensure that our own Code of Conduct is adhered to within our mutual business relationships.

QUALITY MANAGEMENT

Based on the guidelines of the Corporate Code of Conduct, we have a quality management system that sets the guidelines for almost all activities of the GRENKE Consolidated Group and therefore also shapes our CSR strategy. Almost all business and work processes Consolidated Group-wide are scalable and customer-oriented as part of our quality management. This ensures that our domestic and international customers receive simple, flexible and cost-efficient financing solutions on-site. All employees have access to our quality management system, which enables us to respond to requests quickly and confidently and use resources efficiently.

We see our certification, issued in June 1998, as not only an incentive but also a commitment to continually improving our products and services. After this year’s surveillance audit, TÜV SÜD Management Service GmbH once again confirmed that we have a well-functioning and effective quality management system that fully complies with the requirements of the ISO 9001:2015 standard. Our current certificate is valid until October 24, 2019. Our certified locations and businesses can be found on our website.

:: ► SEE WEBSITE WWW.GRENKE.DE/EN/COMPANY/QUALITY.HTML

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

QUALITY MANAGEMENT CYCLE

As part of this quality management cycle, and in addition to the recertification audits and TÜV monitoring mentioned, we carry out internal audits and continuously record quality-relevant documents, which are updated annually or every six months. This is how we ensure that our quality management reflects both current legislative changes and any recent product or process modifications. Equally important is that an internal audit, or certification, is a prerequisite for the acquisition of franchise companies and integrated into the takeover process. This allows us to identify any deviations in the process early enough to make any necessary adjustments. In the past fiscal year, KPI 16 locations were audited by TÜV SÜD as part of the random sample certification (previous year: 15). In addition, 112 internal audits took place (previous year: 97).

SUSTAINABLE HUMAN RESOURCE MANAGEMENT

The success of the GRENKE Consolidated Group rests on the skills and dedication of its employees. Hiring, retaining and developing our employees accordingly is at the core of our HR strategy. As a family business, we are loyal to our employees and take our duty of care seriously.

Beyond the legal and regulatory requirements, employee concerns are of utmost importance to us in terms of our corporate identity. The way we work and interact internally is set out in our Corporate Code of Conduct. This code clearly defines both the obligations of the employees towards the Company and those of the Consolidated Group towards the employees. We focus, in particular, on mutual appreciation, fairness and respect. We encourage personal responsibility and equal opportunity, promote our employees' individual strengths and consider their requests when it comes to optimising the work environment.

Our human resource management focuses on training and education, employee development, our desirability as an employer and employee recruitment. In keeping with due diligence, HR topics are recorded based on key performance indicators and regularly evaluated and discussed at Board of Directors' meetings.

TRAINING

A qualified, autonomous workforce is one of the GRENKE Consolidated Group's greatest assets, especially when there is a shortage of skilled workers. We want to tie young talent and potential managers to our Company at an early stage. To do this, we rely on a host of supplementary activities including training management, partnerships with schools as part of the "Business provides education" campaign and internships.

Training Management and Education

Providing our employees the skills they need for their careers is a key issue at GRENKE. Our training guidelines come into play when educating our trainees. In addition to the orientation days provided at the beginning of training, the guidelines also include work planning according to personal development, as well as a defined feedback process (see also "Employee Qualification and Development" on page 44).

The goal of training management at the GRENKE Consolidated Group is to attract more specialists to the Company. In Germany, we offer training in the following fields in cooperation with the Chamber of Industry and Commerce:

- Office manager
- Dialogue marketing specialist
- IT specialist application development and system integration

We also sponsor dual Bachelor's programmes for young talent at various universities. Since 2004, GRENKE AG has been an established partner of the Baden-Wuerttemberg Cooperative University where candidates can choose from the following programmes:

- International Business/International Business Management (tri-national)
- Business Administration German/French Management
- Business Administration/Financial Services
- Accounting & Controlling
- Business informatics
- Applied Computer Sciences

In the 2017 fiscal year, 47 trainees (previous year: 35) participated in either vocational training or a dual-study programme in Germany. In addition, we hired every 5 out of 7 trainees, corresponding to a hiring ratio of KPI 71 percent (previous year: 83 percent). The GRENKE Consolidated Group was also able to increase the number of trainees at its international locations. At our French subsidiary, GRENKE Location S.A.S, the number of trainees increased significantly from 5 to 16 in 2017. In addition, 1 trainee completed vocational training and was subsequently hired. In Italy and Switzerland, GRENKE will be supported by junior staff. The training ratio at the GRENKE Consolidated Group entities' offering training is KPI 6.2 percent compared to 5.8 percent in the previous year.

School Partnerships and Corporate Internships

As part of the "Business provides education" campaign sponsored by the Chamber of Commerce and Industry (CCI), GRENKE has signed cooperation agreements with the Markgraf-Ludwig High School and the Richard-Wagner High School, both located in Baden-Baden, and with the Lothar von Kübel Secondary School in Sinzheim. The aim is to provide students with a better understanding of economics, facilitate career guidance and strengthen the counselling skills of the teachers. In 2017, we were involved in workshops, sponsorships and trade fairs such as the Karlsruhe education fair "Career Start". We also regularly offer our students' activities such as job application training and the opportunity to participate in our Annual General Meeting.

Junior staff from our own workforce are given the opportunity to be trained by the CCI as "training ambassadors". In taking on this role, our trainees support the CCI at vocational orientation events, among others, and present their job descriptions and our Company to schools.

In 2017, we introduced two student internship programmes at our Consolidated Group's headquarters in Baden-Baden. These programmes combine and replace the individual internships offered in the past and are intended to give more students the opportunity to take part in job orientation. The participants can become more familiar with the various areas of responsibility and complete job application training. Since launching these internships, the number of interns in 2017 has increased to a total of 29 (previous year: 12).

EMPLOYEE QUALIFICATION AND DEVELOPMENT

Business and work processes are changing in the global economy and so is the legal framework. In a continually evolving market environment, the knowledge and motivation of the workforce and its ongoing further education become strategic corporate resources that increasingly gain importance. Actively accompanying and shaping these change processes is an ambition that is firmly anchored in our human resource development concept. The GRENKE Academy and our orientation processes form the core of this concept.

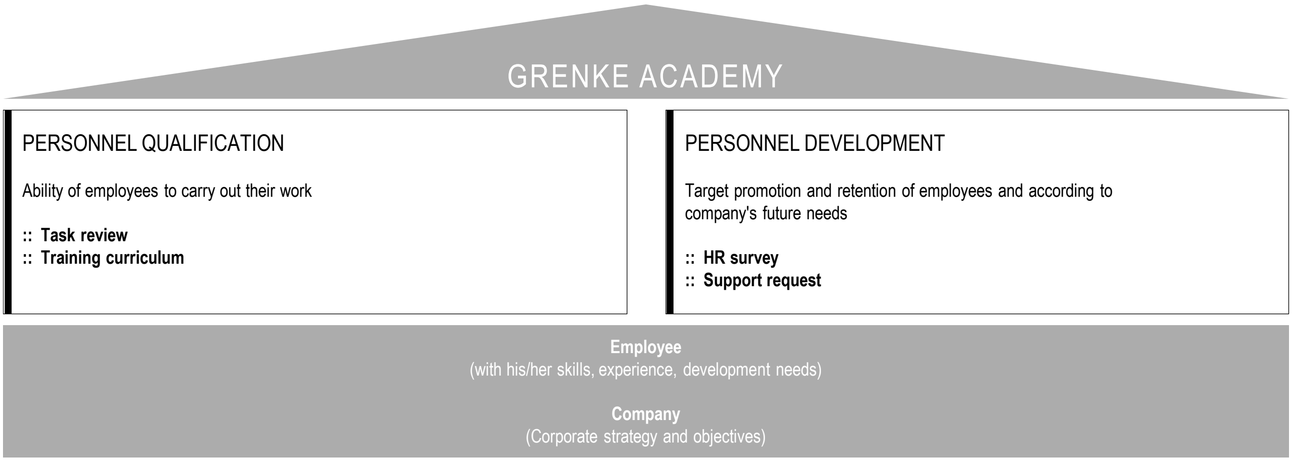
Introduction and Initial Training

We want each and every employee to get off to a good start in the Company. This is why potential new colleagues are taken care of by a personal mentor during the application process who explains every step. They also have the opportunity to meet everyone on the team personally before getting started.

New employees are then introduced to the Company through a familiarisation process. An important part of this process is "Join GRENKE", a new programme that presents the individual departments in the form of webinars. These seminars via the Internet present the respective area of responsibility as well as the interaction of the individual departments during the familiarisation phase. These introductory dates are offered at regular intervals by the Human Resources (HR) department and coordinated individually with the responsible manager.

In their first year of employment, all new employees also attend a three-day introductory event at the Consolidated Group's headquarters in Baden-Baden. The concept for the event is reviewed and revised in close cooperation with the speakers. An example of this is the addition of the presentation of GRENKE digital GmbH, which has been part of the event since 2017 (see page 28 in the "Management Report").

STRUCTURE OF THE GRENKE ACADEMY



The GRENKE Academy

The GRENKE Academy offers practical, instructive and methodically structured continuing education at all locations. Using modern e-learning programmes and an ongoing evaluation process, we ensure quality and the effective transfer of knowledge within the Company.

The Academy is subdivided into the two areas of personnel qualification and personnel development. Training courses are developed and tailored for the different business areas. The diagram below shows the GRENKE Academy and its two subareas: SEE DIAGRAM "STRUCTURE OF THE GRENKE ACADEMY"

In the area of personnel qualification, our goal is to support all employees in their daily work by offering high-quality, practice-oriented continuing education and ensuring that they remain qualified for their areas of responsibility. When putting together the annual training programme, we pay particular attention to offering a mix of internal and external training as well as complementary individual training on special topics. Internal training is provided by GRENKE instructors and accompanied and supported by the HR department. For external training, we hire qualified trainers for the respective topics. The HR department uses an evaluation model to select and evaluate external trainers and coaches.

A job evaluation meeting is held once annually between the employee and his or her manager. In this meeting, among others, they discuss the job description and assess the employee's performance and individual skills. If we discover an additional training need, we take this into account when creating our annual training programme.

Personnel development is dedicated to individually supporting and further developing our employees. We use the following two instruments to accomplish this:

- Once a year, we conduct the "HR survey on personal development" at GRENKE AG. In this survey, employees can let us know privately what they would like to have in terms of personal development within the Company. The survey is conducted online through the employee portal. The aim of this survey is to give employees a way in which to express their professional development wishes and personal goals to the Company. GRENKE is thereby able to obtain information on its employees' capabilities, performance and character potential, their individual willingness to learn and change and their untapped potential in a respectful, non-discriminating and objective way.
- Employees also have the opportunity to apply for specific training or a grant for training outside of the annual training programme. After the application is approved, an individual grant agreement is drawn up in cooperation with the HR department.

The GRENKE Academy's continuing education programme regularly sees strong demand. In the reporting year, KPI 86 percent of GRENKE Consolidated Group employees participated in the Academy's training courses (previous year: 87 percent).

We plan to expand our personnel development concept in 2018. As part of a junior staff development programme, our employees will have the opportunity in the future to receive specific training to become managers, project managers or specialists.

A DESIRABLE EMPLOYER

Positioning ourselves as an attractive and promising employer is very important to the GRENKE Consolidated Group. We accomplish this by offering employees an attractive and secure work environment, flexible work schedules and a fair salary.

Health and Safety

Our health management plan is based on our Corporate Code of Conduct. Our goal is to sustainably promote the health of our workforce and provide safe jobs. To do this, we have complied with the legal requirements for occupational safety and health protection and regularly offer our employees medical check-ups, for example, for preventative health care.

In the past financial year, health management was expanded to include the following offers:

- In September 2017, the health platform "GRENKEmachtfit" was introduced. It initially offers employees in Germany a wide range of courses and tips on nutrition, fitness and health.
- In cooperation with an external provider, we initiated a customised pilot seminar focusing on leadership and mental health.

In Germany, we identify potential health risks for each workplace and determine suitable actions. The focus is on the ergonomic design of workplaces and general instructions on the potential dangers that exist in the individual work environment. In 2018, we will also hold a health day featuring various stands focusing on stress and relaxation.

There is also a variety of team sport offers that promote health maintenance and further build team spirit:

- Since 2006, the Company football team has been meeting in Baden-Baden once a week for training and has also been taking part in recreational tournaments.
- In 2014, a group of GRENKE employees ran for the first time in the corporate run B2RUN. Since that time, the number of participants has risen continuously and, in 2017, 100 GRENKE employees participated in the run in nine cities.

Employment Models and Remuneration

We provide a work environment that offers the best possible balance between work and family life. GRENKE employees benefit from individual, lifecycle-oriented work schedules and workplace models. Our digital infrastructure also facilitates flexible work arrangements such as home offices. Remuneration is performance-oriented and based on the GRENKE Balanced Scorecard (BSC). For more information on the BSC concept, see page 40.

EMPLOYEE RECRUITMENT

We continually strive to make our employer brand known both regionally and nationally in order to attract new employees to the Company. In 2017, GRENKE participated once again in numerous recruiting trade fairs such as the Karlsruhe CareerContacts and KIT career fairs and the cooperative event "Catch-the-Job". We have also been using a newly designed exhibition stand at events since October 2017.

The GRENKE Consolidated Group cooperates closely with selected universities and initiatives. Our activities this past year include our participation in Career Leasing Day 2017 sponsored by the University of Cologne, where we made a short presentation to the general audience and had a GRENKE information stand for students and interested parties. We also sponsored the education campaign Tradity. Under the motto "gamifying education", the campaign's aim is to make the future exchange of knowledge more digital and individual. As part of the national scholarship programme "Deutschlandstipendium", we are also currently funding five scholarship recipients at the Karlsruhe University of Applied Sciences in the fields of Computer Science, International Management and Business Informatics.

In an effort to strengthen its employer brand, GRENKE uses selected social media sites to adequately address new target groups and increase the reach of job advertisements and recruiting initiatives. Since 2017, the Company has had a uniform presence on XING, kununu, LinkedIn and Facebook. These sites offer potential applicants tremendous insight into the Company and give them an opportunity to talk to employees.

Diversity

To promote the equal participation of men and women in management positions, we achieved our 25 percent target for women in each of the second and third management levels as per June 30, 2017. We also intend to maintain a gender-specific ratio of at least KPI 25 percent in each of the two management levels below the Board of Directors until December 31, 2021.

When selecting new employees, we will continue to adhere to the principle of equal treatment. If recruitment agencies are involved, they are encouraged to include an equal number of male and female profiles in their selection in order to find the most qualified candidate for the position.

Qualified training enables us to prepare our employees to meet the demands placed on them. In the future, we will focus even more heavily on supporting and qualifying our female workforce.

Workforce Development

The Consolidated Group's workforce increased again in the reporting year due to further hiring and acquisitions. On average, GRENKE employed around 1,229 people in the past year (previous year: 1,031). An average of around 502 employees were employed at our German locations (previous year: 428), while our international locations employed 728 people (previous year: 603).

Employee Turnover

The Consolidated Group's employee turnover rate averaged KPI 7.8 percent (previous year: 7.3 percent), whereby the rate declined in GRENKE's three most important markets of Germany, France and Italy. The employee turnover rate was 7.4 percent versus 8.2 percent in the prior year in Germany, where the turnover rate for managers and executive employees was again significantly lower than the average for the Consolidated Group.

RESPONSIBLE CORPORATE MANAGEMENT

GRENKE AG broadly complies with the German Corporate Governance Code (GCGC) and is committed to the topic of compliance. In addition to respecting human rights and complying with ethical standards, GRENKE, as a financial services institution, views legal compliance as a mandatory fundamental requirement and therefore a top priority. We comply with legal requirements and take the appropriate actions to counteract any potential risks for GRENKE.

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

COMPLIANCE MANAGEMENT

Compliance at GRENKE covers all business activities and processes. We believe acting in accordance with relevant laws and supervisory and internal regulations is a matter of course. Based on our Corporate Code of Conduct, the respectful treatment of customers, employees and other stakeholders is just as important to us as equality, anti-discrimination and respect for human rights. All corporate bodies and employees are kept informed by e-mail and in training courses via the company's intranet of mandatory laws, internal regulations, as well as any reforms or changes.

In our international business operations, the different legal systems and laws in the 31 countries where the GRENKE Group operates represent a key challenge. To meet this challenge we have created a Group-wide Compliance Management System (CMS) that aims to meet the diverse requirements to mitigate operational risks and uncertainties. Our CMS is based on international compliance standards, relevant legal requirements and the outcomes from discussions with specialised departments. GRENKE increases the effectiveness and efficiency of CMS by continuously reviewing and adapting to risks, laws and the industry's development.

Compliance and money laundering risks are analysed yearly by GRENKE's local foreign subsidiaries, and the results of these analyses form the foundation for the Consolidated Group's risk management system. Risks associated with company acquisitions are minimised by carrying out a due diligence process prior to the acquisition. Local compliance officers in the respective countries ensure that our standards are adhered to both domestically and internationally. At the Group level, GRENKE regularly monitors its subsidiaries via compliance and money laundering audits.

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

We vigorously combat potential money laundering and terrorist financing, as well as other offences through a variety of operating procedures and policies. The appointment of national anti-money laundering officers forms the basis for the Consolidated Group-wide compliance with the law. To ensure this, we have opted for a system-based process. The Supervisory Board is kept informed through the annual report provided by the anti-money laundering officer.

Our employees have a variety of ways and means to report possible rule violations. Naturally, this information is treated confidentially and fairly. GRENKE takes adequate steps to discourage violations of the applicable laws.

COMPLIANCE TRAINING AND AUDITS

Our employees' solid understanding of compliance is the key to achieving our targets. Therefore, all new employees throughout the Consolidated Group receive a comprehensive introduction to the topics of compliance, money laundering, corruption and bribery. Another essential part of the training is the correct handling of gifts and invitations.

In 2017, as part of the three-day introductory event, 222 of the 424 newly hired employees, including franchisee employees and apprentices, received training on the above topics at our headquarters in Baden-Baden. This number is equivalent to a training ratio of KPI 52.4 percent (previous year: 41.1 percent). In the years ahead, we intend to increase the proportion of compliance training seminars that take place at our corporate headquarters. By providing additional online training, as well as training from our national compliance and anti-money laundering officers, we ensure that compliance-related information is continuously communicated to throughout GRENKE.

During the past fiscal year, we also carried out KPI 11 scheduled compliance and money laundering prevention audits on-site at our subsidiaries (previous year: 7 audits). These audits, performed every three years, examine the existence, adequacy and effectiveness of our CMS and anti-money laundering activities.

DATA PROTECTION

The secure handling of data is the basis for a faithful business relationship. That is why data protection is an important concern of the GRENKE Consolidated Group. Because we have international business operations, the different legal systems and their national legal requirements pose a data protection challenge for GRENKE. This will change somewhat starting in May 2018 as a result of the European Data Protection General Regulation, which harmonises the laws within the European Union. Because of the numerous new requirements, we have launched a project to help us implement the European General Data Protection Regulation throughout the Consolidated Group.

Since 2004, GRENKE AG, as the parent company, has also had a data protection officer who trains employees on data protection and is available as a contact person for customers, business partners and employees. We also continuously develop our existing data protection management system to identify potential breaches at an early state and take the appropriate counteractions.

RESOURCE MANAGEMENT

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

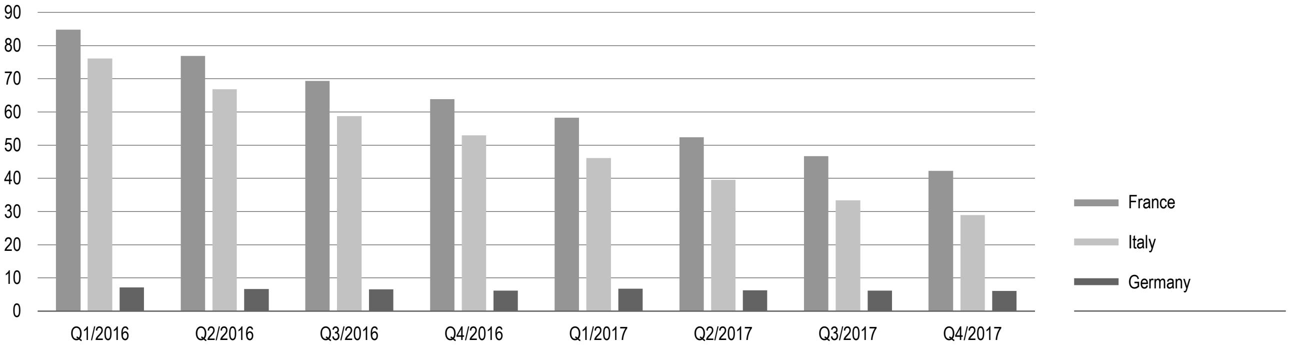
THE "PAPERLESS OFFICE" CONCEPT

As an internationally established provider of lease finance, our business traditionally involves a very high volume of documentation. For this reason, our goal is to sustainably reduce paper consumption. Three digitisation initiatives supporting this are summarised in our "paperless office" concept:

- By having digital personnel files, we enable our employees to handle and process important formalities such as vacation requests and payroll statements without paper.
- Using the customer portal, our customers are able to manage their contracts, invoices and data online at any time. This has also reduced the level of documents sent by post. In our core markets, only 6 percent (previous year: 6 percent) of the invoices generated in Germany were sent by post. In France, this quota was 42 percent (previous year: 64 percent) and in Italy 29 percent (previous year: 53 percent). This portal was made available to customers in 21 countries by the end of the 2017 fiscal year. This year, the system is being implemented in our subsidiaries in Slovakia, Czechia and Hungary. SEE DIAGRAM "PORTION OF PRINTED INVOICES IN CORE MARKETS"

PORTION OF PRINTED INVOICES IN CORE MARKETS

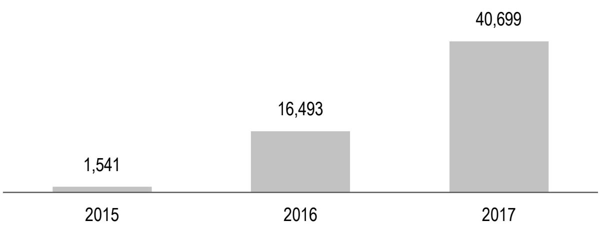
Percent



:: We also introduced our electronic signature solution "eSignature" in 2015, which has since gained increasing acceptance. This free service for specialist reseller partners and customers makes it easier to conclude financing contracts by sending the electronic documents with a legally valid signature. This can save paper needed for printouts and posting letters. eSignature was initially introduced in Germany and France in 2015. As per December 31, 2017, is has been implemented in eleven markets and will be rolled out gradually. GRENKE Quality Management's aim is to continue increasing the proportion of leases concluded using eSignature (see page 41, "Quality Management"). In the reporting year, this amounted to 18 percent (previous year: 9 percent). SEE DIAGRAM "LEASE CONTRACTS CONCLUDED USING ELECTRONIC SIGNATURE". Electronic signatures are also becoming increasingly important within the Consolidated Group, for example when signing protocols or contracts between Consolidated Group companies.

LEASE CONTRACTS CONCLUDED USING ELECTRONIC SIGNATURE

No. of lease contracts



LOCATION MODERNISATION AND ENERGY AUDITS

All company buildings that are rented by the GRENKE Consolidated Group have energy certificates documenting their respective energy status. We also continually modernise the technical facilities in our buildings in order to reduce our electricity consumption. In the years 2013-2014, we converted the exterior lighting at our head office in Baden-Baden to LED technology, as well as parts of our underground car park lighting in 2014-2015. In November 2017, we insulated a section of the ceiling in our underground car park with mineral wool to gain additional warmth and energy.

We consider energy audits to be a very important tool for evaluating the Company's energy efficiency and, based on the results, to initiate measures to improve it. The audits according to DIN EN 16247 are conducted every four years at our headquarters in Baden-Baden and in selected branches. TÜV SÜD has been commissioned to conduct regular recertification. The next recertification is scheduled for January 2020.

TRAVEL COST POLICY

The GRENKE Consolidated Group strives to keep the number of business trips as low as possible and favours the use of more cost-effective forms of communication such as video and telephone conferences. For required business trips, we have an internal travel cost policy that recommends using public transportation, particularly trains. Since June 2017, we have also been testing the use of e-mobility in Germany in a pilot project.

COMMUNITY INVOLVEMENT

Getting involved in the community is an integral part of the GRENKE Consolidated Group's corporate culture and engagement with stakeholders. Our funding priorities are influenced by the Company's roots in the Mittelbaden ("Middle Baden") region and on the cultural and social issues defined by our Board of Directors.

SPORTS, CULTURE AND EDUCATION

Since founding the Company, we have focused on the game of chess as a mental exercise. We see the skills necessary, such as analytical thinking, strategic action and decision-making, as cornerstones of responsible corporate management and core skills in times of digital transformation.

Since 1997, the GRENKE Consolidated Group has been a sponsor of the chess centre and the Ooser Chess Society in Baden-Baden. During this sponsorship, the teams have won numerous national and international competitions. In 2013, for the first time, we assumed the principal sponsorship of the GRENKE Chess Classic in Baden-Baden, which regularly features high-ranking players such as the Norwegian world chess champion Magnus Carlsen. We also sponsor the GRENKE Chess Open, the world's largest open chess tournament, which has taken place in Karlsruhe since 2016 and had around 1,200 participants from all over the world last year.

In the fields of music and education, we support the school project called "Columbus: Discovering the Classics!" Through a grant, we offer students discounted access to the events of the festival theatre in Baden-Baden. In the accompanying lessons, students discuss the content of the performance and are allowed to take part in orchestra rehearsals. More than 42,000 students have taken advantage of this educational offer since 2001. Further information on GRENKE's school project can be found at www.festspielhaus.de/en/programme.

GRENKE AG has also been supporting the university SRH Hochschule Berlin since 2016, as part of an endowed professorship for entrepreneurship that includes two part-time PhD positions until 2022 and the establishment of the research institute GRENKE Centre for Entrepreneurial Studies. The aim of this institute is to academically analyse business start-ups and determine the factors that lead to practical success. As founder and CEO of GRENKE AG, Mr Wolfgang Grenke also contributes his expertise and network to this sponsorship project.

Under the patronage of GRENKE AG, the GRENKE Cup, an indoor football tournament supporting youth, was held for the first time in 2017 together with the SV Sinzheim sponsorship association. The common objective is to link sports with school, vocational training and university degrees. All those involved aim to firmly establish the tournament in the years ahead.

CHARITABLE PROJECTS

In addition to sponsoring the above institutions, we also support regional and national charitable organisations. Examples of this are the foundation Stiftung Ordnungspolitik, which is developing policy options through regulatory discussions; and SOS-Kinderdörfer, which promotes the well-being of children, young people and families worldwide.

REMUNERATION REPORT

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

CHANGES IN THE GOVERNING BODIES

The Supervisory Board appointed Mr Sebastian Hirsch to the Board of Directors taking effect as per January 1, 2017. He is responsible for Controlling, M & A and Treasury. Mr Hirsch was previously a general representative of the Company. At the same time, Wolfgang Grenke (Chairman of the Board of Directors) took over responsibility for Investor Relations in addition to his responsibility for the area of Corporate Strategy.

REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

OPPORTUNITIES REPORT

The GRENKE Group has been operating a dense and growing network in the area of small-ticket leasing for many years. Business activities in recent years have been extended to non-European countries, and today GRENKE operates outside of Europe in Australia, Brazil, Chile, Canada, Singapore, Turkey and the United Arab Emirates. Going forward, we will continue to work towards our strategic goal of firmly establishing the GRENKE brand and our successful business model on a global scale. At the beginning of 2017, Europa Leasing GmbH, which mainly operates in the area of finance leases for medical devices, joined the Consolidated Group as part of the strategic expansion of our range of services beyond the classic IT area.

At a global level, we continue to use our proven franchise model that is also used in our Factoring segment. In addition to our factoring offers in Germany and Switzerland, we also offer solutions in cooperation with partners in the United Kingdom, Ireland, Hungary and Poland. We have also been offering factoring services in Italy since the fourth quarter of the reporting year.

Next to entering new markets, we also take advantage of opportunities in the markets where we have already successfully established ourselves. Over the medium term, we want to profit from the consistent expansion of our market share in our existing markets. The potential in these markets can increase, for example, when competitors withdraw due to regulation or limit some of their offers.

We see further growth potential coming from our new online sales channels and additional leased assets such as small machinery in the area of Industry 4.0 and 3D printers and from increasing our activities in medical technology. The expansion of our financial solutions will enable us to generate more business in the future with our established customers. Economies of scale should allow us to maintain below-average increases in selling and administrative expenses while generating this type of growth, at least over the medium term. In the 2017 financial year, we have had some notable successes, particularly in this area.

Taking advantage of these opportunities will continue to boost new business and strengthen our market position in the years ahead. We do not, however, expect to see a significant impact on the GRENKE Consolidate Group's earnings much beyond our current expectations because the nature of our business dictates that income from new contracts accumulates successively throughout the contract's term.

RISK REPORT

RISK MANAGEMENT

The risk management of the GRENKE Consolidated Group takes place in a clearly defined and coordinated process. It covers all relevant levels of the Consolidated Group's organisation and is closely coordinated with the activities of the individual divisions. We have also implemented Consolidated Group-wide risk controlling, which independently assesses, evaluates, monitors, communicates and controls risks in order to comply with regulatory requirements. An audit to control and confirm whether the regulatory requirements for risk management have been correctly and completely implemented is performed annually by the Internal Audit department. There were no material deficiencies in the reporting year.

The Risk Task Force (AK Risk) is at the centre of the GRENKE Consolidated Group's risk management process. The task force consists of the chairperson of the Board of Directors (optional), the Board of Director members responsible for Finance, IT and Operations, as well as representatives from all relevant divisions to ensure the comprehensive flow of information. The Chief Information Security Officer (CISO) monitors IT security and is responsible for protecting the Consolidated Group's proprietary intangible assets. In this staff position, the CISO reports directly to the member of the Board of Directors responsible for IT. The Board of Directors bears the overall responsibility for monitoring the risk management system and its Consolidated Group-wide compliance.

Our proven risk management system is developed systematically in order to precisely measure any possible new risks or areas of risk and to assume these risks at reasonable terms. In doing so, we pay close attention to individual risks and especially to possible risk concentrations and overall interdependencies.

Risk management's strategic and risk policy framework is defined by the Consolidated Group's risk strategy. The overall risk targets and the use of consistent standards, methods, procedures and instruments to achieve these targets are defined within this framework. Clearly specified requirements help to ensure high-quality standards, consistency and the recognition of strategic risk objectives. Compliance with legally required capital and liquidity ratios at all times has also been operationally and strategically implemented. The risk strategy is derived from the business strategy and specifies the following strategic business targets:

- diversifying risk to avoid cluster risk
- streamlining and standardising processes to reduce operational risk and complexity
- reducing market price risk to the lowest level necessary for the operating business

- effectively measuring and managing risks and forecasting losses at an early stage
- a sufficiently strong equity structure according to Tier I and Tier II in order to comply with regulatory requirements

We are not exposed to material individual risks because of the broad and increasing diversification of our business. This largely helps us to avoid any concentration of risk. Our core business of small-ticket leasing typically involves relatively small acquisition values. GRENKE Consolidated Group's total exposure to any single lessee does not exceed one percent of the Consolidated Group's equity. At the end of 2017, there were fewer than twenty borrowers in the Leasing segment that exceeded the limit of EUR 1 million. In total, these lease contracts comprised significantly less than 1 percent of the total commitments. Commitments above a certain amount are carefully monitored. We act accordingly with our business partners. GRENKE's largest reseller accounted for only 0.69 percent of the total new business volume in 2017. The twenty largest dealers combined accounted for 5.84 percent of the new business. We manage our factoring business and banking services in a similar manner.

Our leasing business model does not involve material residual value risks because our leasing portfolio primarily consists of full payout leases. Although we include residual values in the calculation for the recognition of lease receivables on a portfolio basis under IFRS accounting in accordance with IAS 17, this calculation leads to only negligible gains and losses from disposals over the entire lease period. Strong growth generated in earlier periods, however, meant that expiring contracts resulted in increasingly higher expenses due to the elimination of carrying amounts at the end of the basic lease period. The corresponding revenue from subsequent leases, in contrast, is only recognised gradually in profit and loss in later periods. Under the current provisions of IAS 17, the accounting of the corresponding assets during the subsequent lease phase does not allow to offset the relevant income and expenses in the same period so as to reflect the actual economic situation. This can lead to a temporary negative result in gains/losses from disposals (loss from disposals). Over the total period, the revenue still generated from subsequent leases is expected to result in a break-even result from disposals.

RISK MANAGEMENT PROCESS

The risk management process is based on the risk strategy and includes the identification, assessment, control, monitoring and reporting cycle. This process succeeds in systematically and structurally recognising, disclosing, evaluating and documenting internal and external risks and opportunities within the Consolidated Group. This enables employees and the Board of Directors to handle risks responsibly under the risk policy guidelines and to make specific use of recognised opportunities.

The best prerequisites:
Managing risk effectively requires top quality instruments and processes, data and reliable business relationships. This is why we have our quality management certified regularly.

Comprehensive quality management is an important component of our risk management process, and its consistent and continual improvement is part of the Company's philosophy. Quality management includes an assessment of our reseller relationships based on the counterparty default risk, the documentation of our business processes and the creation of a software system tailor-made to our requirements for processing the contractual relationships with our lessees and franchise partners. For information on the renewed certification of our quality management in the reporting year, please see the separate section on page 64. Another integral part of our risk management system is our method of assessing credit risks associated with lease contracts as well as lending and factoring agreements.

As part of risk identification, an evaluation of the risk inventory by employees of the Consolidated Group is carried out annually and when necessary. To be able to better assess individual risks, the Company has set up task forces to deal with counterparty default, market price and liquidity risk as well as strategic and operational risks. The speakers for the task forces report directly to the Risk Task Force. The Risk Task Force meets at least once per year to discuss items such as the results of the risk survey, task force reports on risk types, the risk inventory, ad hoc risk notifications and, especially, other legal and regulatory challenges, as well as new developments in relation to risk management. When the Risk Task Force deems a risk to be material, then the risk owner proposes countermeasures to the Board of Directors, which reviews these measures and considers them if necessary.

The Risk Control business unit uses a period-based, risk-bearing capacity model that assesses all identified risks deemed to be material and controls and monitors the overall risk profile and economic capital throughout the Consolidated Group. The defined areas and types of risks are to be limited and covered by risk coverage when contemplating risk-bearing capacity. An assessment of risk-bearing capacity includes adequate consideration given to the findings of the stress test to detect material risks. The Risk Control unit prepares a quarterly risk report which presents and explains the current risk situation. The Risk Control unit also takes an inventory of all of the relevant risks (a risk inventory) at least once annually and as necessary. In addition to the risk reports, risk inventory, risk survey and ad hoc risk reporting, other instruments are also used to control risks. Risk positions, market price risks and liquidity positions are calculated regularly and presented and explained to the Board of Directors.

The Consolidated Group also defines the independent functions of the Compliance Office, the anti-money laundering officer and the data protection officer. The Compliance Office oversees the handling of insider information and the compliance with the rules of good conduct. It identifies and controls potentially risky conflicts of interest throughout the GRENKE Group. The data protection officer monitors the compliance and implementation of data protection laws. The anti-money laundering officer monitors compliance with the duty of care under the Prevention of Money Laundering Act and takes appropriate risk-based measures to combat legal and reputation risks using a current risk analysis of the Consolidated Group, monitoring and research tools and policies in compliance with regulatory requirements. These special officers report directly to the relevant member of the Board of Directors. This structure ensures the legally required adequate and effective control mechanisms with respect to structure and process organisation for managing and monitoring the risks specified. As explained in the section entitled "Risk Management", these risks are assessed and evaluated by the Risk Control department and independently monitored, managed and communicated.

IMPLEMENTATION OF REGULATORY REQUIREMENTS

In accordance with Section 10a (1) KWG, the GRENKE Consolidated Group is considered a banking group with GRENKE AG as the primary institution. GRENKE BANK AG, a credit institution, is a subsidiary of GRENKE AG. Both the GRENKE Consolidated Group and GRENKE BANK AG are subject, among others, to the regulatory provisions of the Capital Requirement Regulation (CRR) and the KWG. The GRENKE Consolidated Group and GRENKE BANK AG must comply with the Minimum Requirements for Risk Management (MaRisk) and the Banking Supervisory Requirements for IT (BAIT) published by the German Federal Financial Supervisory Authority (BaFin). These requirements contain qualitative and quantitative requirements for risk management that are to be implemented by financial institutions according to the scale, nature, extent, complexity and riskiness of their business. The GRENKE Consolidated Group will fully implement the requirements of the updated MaRisk from the version dated October 27, 2017 within the foreseen implementation period until October 31, 2018. The Banking Supervisory Requirements for IT (BAIT) in the version dated November 3, 2017 are taken into full consideration in formulating the IT strategy.

Additionally, the financial services institutions GRENKEFACTORING GmbH, Grenke Investitionen Verwaltungs KGaA and Europa Leasing GmbH are also subject to the KWG and supervision of BaFin and the Deutsche Bundesbank at the individual institution level. GRENKE AG made use of the waiver rules according to Section 2a (1 and 2) KWG in combination with Section 2a (5) KWG for the first two listed Group companies. The subordinate institutions have notified BaFin and the Bundesbank that certain regulatory provisions have been applied and incorporated at a Group level rather than being applied at the individual institution level because the necessary organisational requirements have been fully met by the primary institution.

Our application to BaFin for its recognition that the regulatory Consolidated Group is identical to the consolidated accounting group was approved in 2009. Thus, all Group companies of the GRENKE Consolidated Group are included in the regulatory scope of consolidated companies.

RISK-BEARING CAPACITY

	Credit Risk	Potential losses that may result from the default or deterioration in the creditworthiness of borrowers or debtors
	Market Price Risk	Potential losses that may result from uncertainty about the future development (degree and volatility) of market risk factors (e.g. interest rates and foreign exchange rates)
	Liquidity Risk	Potential losses that may arise from a lack of liquid funds or are more expensive to attain than expected to meet payment obligations when they become due
	Operational Risk	Potential losses that may result from inadequate or failed internal processes, errors performed by people or systems or from externally driven events
Strategic risks	Business Risk	Risk of loss arising from the Company’s general business operations
	Reputation Risk	Risk of loss from the possible damage to the Company’s reputation or brand (image damage)
	Other Risks	Includes residual value risk, sales risk and inventory risk

RISK-BEARING CAPACITY

To monitor risk-bearing capacity and ensure the Company’s viability (going-concern approach), the GRENKE Consolidated Group uses an internal risk-bearing capacity model that contains all risks types identified as being material.

This model is based on a future-oriented rolling twelve-month view of the income statement and balance sheet. The defined areas and types of risks are to be limited and covered by risk coverage when contemplating risk-bearing capacity. The fundamental aim of measuring risk-bearing capacity is to quantify existing risk to identify potential burdens on equity early on and take the appropriate measures.

The combination of risk cover (capital provided to cover risk), risk limitation and quantified risk capital requirements (risk) compose the risk-bearing capacity system and forms an integral part of the Consolidated Group’s strategy, planning and control. Risk coverage is the maximum amount of financial resources available to cover risk and is primarily equity. According to the logic of the going-concern approach, some risk coverage should be reserved to meet minimum regulatory capital requirements and other deductions and is, therefore, unavailable to cover the risk.

One aspect of the risk-bearing capacity system is the appropriate consideration of stress test findings for risks from extraordinary and extreme events. Risk Control unit creates classic scenarios and compiles the related actions to be taken and proposes these to the Board of Directors. The following stress test scenarios are currently computed as part of the quarterly ascertainment of risk-bearing capacity:

- Severe economic downturn: This scenario assumes a severe economic downturn and stagnation in the years that follow, caused, for example, the financial difficulties of a major banking or financial services institution. It also assumes that growing financial market uncertainty is accompanied by higher risk premiums in the money and capital markets, rating downgrades, an implosion in exports and investment in both Germany and Europe. Fraud would become more prevalent due to rage and desperation. Ultimately, the poor outlook and growing strong insecurity would lead to a drop in new business.
- Serious EU currency crises after Italexit: This scenario assumes a partial collapse of the euro area after Italy’s exit from the EU/euro area. It also assumed that receivables against this country would need to be impaired to a large extent and followed by higher risk premiums in the money and capital markets, rating downgrades for Italian companies, banks and the government and a massive decline in the euro following the accompanying loss of confidence. The new Italian currency would depreciate significantly versus the euro. The increasing uncertainty leads to a decline in new business.
- Slowdown in the IT sector: An unexpected change in the IT industry (e.g. cloud computing) worldwide leads to a global decline in demand for IT products. This causes a decline in domestic prices that then leads to a temporary decline in new business and low revenues for the Company.
- Loss of investment grade status: Even more stringent regulatory requirements cause equity requirements to increase. This results in a downgrade in the Consolidated Group’s rating and qualitative deterioration of the risk profile under SREP. Correspondingly, this leads to higher refinancing costs.

- Inflation: This scenario assumes higher inflation in the euro area following drastic monetary and fiscal policy action and increased investment in fixed assets. Inflation fears would precipitate a drop in the savings rate and an accompanying rise in the consumption rate. Rising investment in the euro area goes hand in hand with an appreciation in the euro. The ECB would react by raising key interest rates to drain excess liquidity from the markets. European central banks increase the country-specific ratios for determining the anti-cyclical capital buffers in order to restrict higher bank lending.

In addition to the stress test, a reverse stress test is also conducted annually as per the reporting date. This test assumes the business is unviable. The test is conducted in the reverse order to see at which stress scenario level the business failure occurs. This is first and foremost the case when the aggregate risk cover is no longer sufficient to cover the risks involved.

The Consolidated Group's calculation of risk-bearing capacity and integrated stress tests conform to the requirements set out in AT 4.1 and AT 4.3.3 MaRisk. The regulatory requirements have also been met for the integration of a forward-looking capital planning process under AT 4.1 Article 11 MaRisk.

CREDIT VOLUME – GRENKE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Current receivables		
Cash and cash equivalents	205,367	156,896
Lease receivables	1,368,121	1,141,000
Financial instruments with positive fair value	2,161	3,688
Other current financial assets	116,509	93,090
Trade receivables	5,935	4,474
Total current receivables	**1,698,093**	**1,399,148**
Non-current receivables		
Lease receivables	2,598,614	2,129,110
Other non-current financial assets	82,047	73,643
Financial instruments with positive fair value	1,344	29
Total non-current receivables	**2,682,005**	**2,202,782**
Total receivables volume	**4,380,098**	**3,601,930**

COUNTERPARTY DEFAULT RISK

Risk Definition

Counterparty default risk in a broader sense can be defined as the potential loss that can occur from a default or deterioration in the solvency of borrowers or debtors. The aim is to achieve an adequate risk premium for the given amount of risk so that it can be assumed. The GRENKE Consolidated Group considers counterparty default risk as a material risk. This risk arises with on-balance sheet and off-balance sheet customers and proprietary businesses but predominantly in the on-balance sheet leasing business.

To manage our business, we place a high value on the measurement and expectation of losses due to default or credit deterioration of our customers. We see the risk of counterparty default in a narrower sense in terms of the potential difference between losses expected and those that actually occur. Therefore, our strategic goal is to keep the gap between expected and actual losses from counterparty default risks close to zero.

Credit Volume – GRENKE Consolidated Statement of Financial Position

In accordance with IFRS, GRENKE Consolidated Group's receivables are comprised as follows: SEE TABLE "CREDIT VOLUME – GRENKE CONSOLIDATED STATEMENT OF FINANCIAL POSITION"

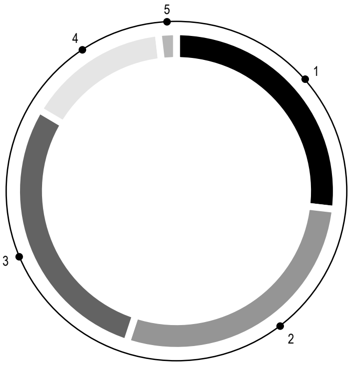
As per December 31, 2017, cash and cash equivalents include central bank balances of EUR 120,825k (previous year: EUR 92,441k). The other cash and cash equivalents consist of balances at domestic and international banks (with the exception of cash in hand of EUR 12k; previous year: EUR 16k). Financial instruments with positive fair values represent the derivatives of the GRENKE Consolidated Group carried at their fair value as per the reporting date.

Leasing Business

Since 1994, we have assessed the creditworthiness of our clients based on the expected value of payment defaults. The development of losses has consistently demonstrated the quality and reliability of this system, even during the global financial market crisis. This applies to our domestic and international businesses. SEE DIAGRAM "CURRENT LEASE CONTRACTS BASED ON LEASING VOLUME CATEGORISED BY REGION"

Our business is concentrated mainly in Germany, France, Italy and the United Kingdom. The Euler Hermes country risk rating for Germany, France and the United Kingdom is "1", while Italy is rated "2". This illustrates the particularly important role legal certainty in the individual countries plays for GRENKE Group's business model. Nevertheless, the imminent Brexit increases the focus on the political developments in the eurozone. Currently, there is no reason to believe that the expected losses in our portfolio and particularly in the four most important countries would tend to be more negative than in the past. Our diversification across several countries aims at reducing the country-specific risk.

CURRENT LEASE CONTRACTS BY REGION BASED ON LEASING VOLUME



GRENKE Group Leasing (in percent)		**Dec. 31, 2017**	**Dec. 31, 2016**
1	DACH	26.8	29.7
2	Western Europe (without DACH)	28.2	29.0
3	Southern Europe	28.5	25.9
4	Northern/Eastern Europe	14.6	14.0
5	Other Regions	1.8	1.4

GRENKE Group Leasing (in EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**
Current lease receivables	3,685.4	3,222.3

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, Norway*, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia, Brazil, Canada*, Chile*, Dubai*, Singapore*, Turkey, UAE*

* Franchise

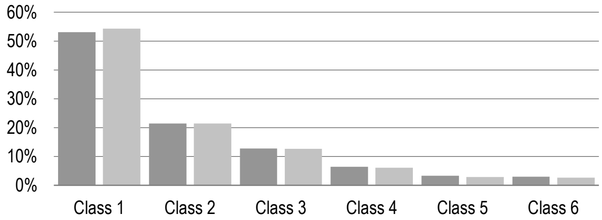
A review of counterparty default risk is performed regularly and at least once per quarter on the basis of actual loss figures using database reports containing both publicly available data and internally generated historical data. This system is continually enhanced by in-house specialists.

The counterparty default risk of the lessees is seen as our main business risk and is evaluated and controlled with the help of statistical models. Decision-making powers in the form of powers of attorney when concluding new contracts are set up gradually by the sales staff up to the Board of Directors and are an additional instrument to limit our risks. Our statistical models lead to an expected value of future credit losses, which we take into account as an imputed cost of risk in our contribution margin calculation. The expected credit losses for the new business portfolio in 2017 averaged 5.6 percent (previous year: 5.7 percent) based on the acquisition costs of the leased assets for the entire contract term, which averages 48.6 months.

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

All lessees are classified in terms of their credit creditworthiness in classes ranging from 1 to 6 – similar to Germany's grading system in schools – whereby risk class "1" represents the best possible classification and risk class "6" represents the worst classification.

GRENKE GROUP LEASING: CURRENT LEASE CONTRACTS BASED ON LEASING VOLUME (CATEGORISED BY RISK CLASS)

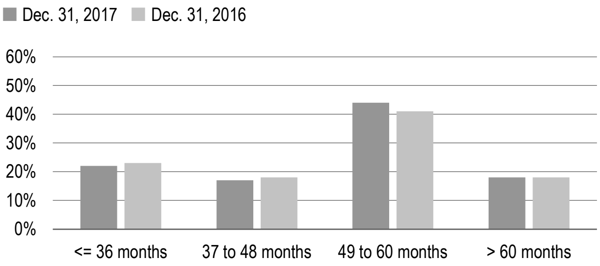


The average risk class of the portfolio of lease contracts is 1.94 (GRENKE Consolidated Group, on the basis of all current contracts as per the December 31, 2017 reporting date) after 1.90 in the prior year.

GRENKE GROUP LEASING: CURRENT LEASE CONTRACTS BASED ON LEASING VOLUME (CATEGORISED BY SIZE)

In percent	**Dec. 31, 2017**	**Dec. 31, 2016**
< EURk 2.5	4.43	4.54
EURk 2.5 – 5	12.54	12.64
EURk 5 – 12.5	25.67	26.44
EURk 12.5 – 25	20.00	20.24
EURk 25 – 50	17.34	17.08
EURk 50 – 100	11.32	10.76
EURk 100 – 250	6.72	6.32
> EURk 250	1.98	1.98

GRENKE GROUP LEASING: CURRENT LEASE CONTRACTS BASED ON LEASING VOLUME (CATEGORISED BY TERM)



A portfolio approach for contracting lease agreements is employed throughout the Consolidated Group. Differentiation is made according to the following criteria:

:: Lessees: Highly diversified portfolio of lessees consisting of business and corporate clients
:: 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 our customer's value chain
:: 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 (61 percent of all leases)
:: Sales channels: Represented in virtually all sales channels
:: Geographic presence: The GRENKE Consolidated Group is represented in all major European economies with locations in 26 countries (in the GRENKE Group: 31)

Nearly all 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.

Risks that could arise due to different legal systems in the respective countries are discussed with local legal and tax experts prior to market entry and taken into account in the lease agreements. The business model is adjusted as necessary.

Adequate allowances are recognised for receivables from terminated lease contracts and those in arrears. The amount of the necessary allowances is always determined on the basis of percentages and processing categories of the lease contracts. Percentages are calculated using statistical methods. As per the reporting date, the amount of allowances totalled EUR 149.2 million (previous year: EUR 129.7 million). Expenses for risk provision for the leasing business increased year-on-year by EUR 1.0 million to EUR 54.1 million.

Lending Business

GRENKE BANK AG's main financial risk is counterparty default risk. Loans to GRENKE Bank customers consist of purchased lease receivables, portfolios acquired from Consolidated Group companies consisting of start-up financing, microcredit financing, project financing, SME loans and the gradual decline in the legacy portfolio of personal loans.

Since 2015, GRENKE Bank, in cooperation with Mikrokreditfonds Deutschland and selected microcredit institutions, provides microloans up to EUR 25k to business start-ups and established companies. The administration and refinancing are carried out under a contract of the Federal Republic of Germany. The counterparty default risk is assumed entirely by Mikrokreditfonds Deutschland.

GRENKE BANK AG's orientation as a provider of financing to small and medium-sized companies led to its collaboration with development banks in as early as 2010. The specific aim of these collaborations was to provide smaller business start-ups with funds for their business plans. GRENKE BANK AG's associated credit risk is reduced by an 80 percent indemnification provided by the development bank or guarantee bank. In addition, financing for business start-up plans is generally limited to a maximum credit exposure of EUR 100k per borrower unit so that credit risks in this area can be broadly diversified. In the field of small-scale business start-up financing, we introduced our own version of this product (GRENKE starter loan) in 2014, which is based on the conditions of the development loans but does not include indemnification by development banks.

The legacy portfolio, which mainly includes small-scale equity financing for private individuals, is being liquidated according to plan. As a result of ongoing repayments and loan clearance, this part of the loan portfolio has dropped to under EUR 0.1 million (previous year: EUR 0.2 million).

In the context of risk provisions for GRENKE Bank's loan business, allowances are recognised according to the level of creditworthiness or the processing class. In addition, a measurement of the securities to be pledged at their probable realisation value is carried out in individual cases. The expenses for risk provision for the traditional lending business of GRENKE BANK AG amounted to EUR 1.1 million as per the reporting date (previous year: EUR 1.8 million).

Factoring Business

The factoring business is also focused on the small-ticket segment. Our factoring entities located in Germany, Switzerland and Italy mainly offer what is known as "notification factoring". The advantage for the Company and its factoring customers is that the invoice recipient (debtor) is notified of the assignment of existing receivables. This provides an opportunity to address the recipient directly with the customer's consent in the event of default, unburdens the factoring customer and provides transparent monitoring of the outstanding receivables. Under certain conditions, we also offer non-notification factoring contracts. As opposed to notification factoring, the debtor is not notified of the outstanding receivables being assigned to the factoring company. In addition, we also offer collection services.

Adequate allowances are recognised for factoring receivables in arrears based on percentages and the processing categories of customer receivables. Percentages are calculated using statistical methods and based on past experience. As per the reporting date, the amount of allowances in the factoring business totalled EUR 0.5 million (previous year: EUR 0.8 million) and expenses for risk provisions for the factoring business continued to be insignificant.

The main selection criteria in the factoring business include the potential factoring client's creditworthiness, average annual revenues, industry affiliation and the accounts receivables reference list. Ongoing monitoring of factoring customers allows for risk-adjusted pricing. When making the loan decision, a credit check of the factoring client's accounts receivable is conducted on the basis of data from external credit reporting agencies, which is evaluated by the Consolidated Group's credit support centre. Most of the contracts are made with domestic debtors. An ongoing review and evaluation of the debtors and customers is made within the contract period on the basis of payment history.

Investments

In 2015, an interest of 25.01 percent was acquired in Cash Payment Solution GmbH in Berlin through the GRENKE BANK AG subsidiary. Therefore, investment risks are also included under counterparty default risk when quantifying risk-bearing capacity. In 2016, the Consolidated Group's diversification was expanded through GRENKE BANK AG's strategic investment in Finanzchef24 GmbH.

Financing of Franchise Companies

The GRENKE Group's franchise companies operate as lessors in their respective markets in the small-ticket segment. The Group also offers factoring as part of its franchise model in the United Kingdom, Ireland, Poland and Hungary. Leases contracted by the franchise companies are predominantly refinanced by the Consolidated Group. Such financing arrangements are based on the refinancing framework agreement concluded between the respective franchisee and the Consolidated Group. When refinancing is provided, it is in the form of either loans or forfeiting. Future lease instalments are thereby discounted at the refinancing rate. In addition, GRENKE AG acts as guarantor for individual franchise companies, which amounted to EUR 38.4 million as per the reporting date compared to EUR 70.6 million in the prior year.

MARKET PRICE RISK

Risk Definition

Market price risk is defined as potential losses that may result from uncertainty about the future development (amount and volatility) of market prices. Market price risks at the GRENKE Consolidated Group are considered material. The strategic objective is to only assume market risk in conjunction with the operating business and to reduce it to an appropriate minimum.

Financial market price fluctuations can have a significant effect on the Consolidated Group's cash flow and net profit. Of particular importance are changes in interest rate markets and certain currencies. We actively manage holdings and risks as part of our ordinary business based on our ongoing risk management and monitoring of interest rate and currency positions.

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

	Net profit before income taxes		Equity before income taxes	
EURk	**+100 Bps**	**–100 Bps**	**+100 Bps**	**–100 Bps**
December 31, 2017				
Variable-rate instruments	–644	644	--	--
Fair value measurement of interest rate swaps	--	--	933	–956
December 31, 2016				
Variable-rate instruments	–692	692	--	--
Fair value measurement of interest rate swaps	--	--	2,385	–2,205

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

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

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

The predominant market price risks and the outstanding interest rate and currency risk positions are discussed at least once monthly with the responsible member of the Board of Directors in the Market Price Risk Task Force and on the basis of ongoing analyses. The Consolidated Group is not exposed to the risk of changes in equity or raw material prices.

Derivatives for Hedging Purposes

The Consolidated Group uses exclusively derivative financial instruments and only when ordinary business activities involve risks that can be minimised or eliminated through the appropriate derivatives. The sole instruments used are interest rate swaps and forward exchange contracts. Each derivative contract relates to an underlying economic transaction with a corresponding opposing risk position. Our contract partners are only those banks with impeccable credit ratings. Counterparty default risk plays a limited role because of this factor and the diversification of our contract partners.

Interest Rate Risk

The Consolidated Group's interest rate risk mainly results from the sensitivity of future interest expenses on financial liabilities to changes in market interest rates. Financial liabilities primarily consist of floating-rate debentures and ABCP programmes. Further details on these risks and the management of interest rate and currency risks can be found in the Notes to the consolidated financial statements in section 7.3 "Derivative Financial Instruments".

Sensitivity to economic success is crucial in identifying open risk positions that can be feasibly and economically hedged using derivative instruments. This demonstrates our overall aim to generate net interest income that has a low sensitivity to interest rates.

The potential impact on equity and net profit (each before income taxes) from a change in interest rates of 100 basis points (bps) in the reporting year is shown in the table above. Because the majority of relevant interest rates in the euro area were negative in the reporting period, a drop in interest rates is now also expected to result in a parallel reduction of 100 basis points. In previous years, we had limited this scenario. Furthermore, it is assumed that all other influential factors, especially exchange rates, will remain constant. SEE TABLE "INTEREST RATE RISK AND THE ASSOCIATED IMPACT ON NET PROFIT AND EQUITY BEFORE INCOME TAXES"

Issuing bonds and contracting interest rate swaps are elements of a financing strategy that separate liquidity generation from interest rate hedging and increase our ability to optimise our refinancing. The risks that could possibly result (variable interest-related cash flows) are hedged using the appropriate interest rate derivatives. Because designated hedging transactions have proven to be almost 100 percent effective, any changes in the fair value of interest rate derivatives as hedging transactions were recognised directly in equity based on their clean value (excluding accrued interest).

Under the ABCP programmes with Helaba (Opusalpha Purchaser II), DZ-Bank (CORAL), Hypo-Vereinsbank/UniCredit Bank AG (Elektra) and HSBC France (Regency) the respective structured entity or the GRENKE Consolidated Group is responsible for interest rate hedging and, therefore, interest rate risk management. The ABCP transaction serves as the underlying floating-rate transaction, whereas cash flows are hedged using interest rate swaps. Under the ABCP programmes with SEB AG (Kebnekaise Funding Limited), interest rate swaps are used to limit the risk of changes in interest rates. GRENKE AG is not the counterpart in these swaps.

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

Using an interest rate tool, the Market Price Risk Task Force assesses open interest rate positions each month according to the internal definition and initiates action required. Refinancing is then completed by the team using the hedging transactions decided by the Board of Directors.

Interest rate risk is quantified on a quarterly basis using the Value-at-Risk approach as part of the calculation of risk-bearing capacity. To quantify the interest rate risk, the effects of changes in the respective risk parameters (Euribor reference interest rates) on positions in the interest ledger, which includes all interest-bearing assets and liabilities, are simulated taking new business assumptions into account, and deriving the effect on the net interest income. The change in the respective risk parameter (respective reference interest rate) is determined using historical simulations at a confidence level of 99.0 percent and a specified holding period of 240 days and shown as an absolute base point shift. With a risk horizon of one year, the estimated maximum loss at a confidence level of 99.0 percent (equivalent to a shift of 81 bps) is EUR 4,602k.

Currency Risk

The Consolidated Group is exposed to currency risks as a result of its broad international activities. Derivatives are used to mitigate or eliminate these risks. These derivatives are accounted for as financial assets or financial liabilities at their fair value as per the reporting date. In our large regional markets such as Great Britain, we refinance the new business we acquire in local currencies and thereby exclude currency risk almost entirely. This, in combination with the fact that our local subsidiaries generally conclude their business locally and not across borders, has only led to immaterial effects on our business from currency fluctuations due to the upcoming Brexit.

Foreign currency risk is quantified on a quarterly basis using the Value-at-Risk approach as part of the calculation of risk-bearing capacity. To identify open currency positions that are subject to foreign currency risk, the cash flows in foreign currency are compared to the forward exchange contracts concluded. A corresponding confidence level is calculated for each currency position based on the historical currency fluctuation over the previous ten-year period. Several extreme scenarios are also simulated. At a confidence level of 99.0 percent and a one-year risk horizon, the VaR calculation derives an estimated currency risk for the various currencies of EUR 994k.

Currency risk currently exists mainly in the context of financing provided to Consolidated Group companies or franchisees operating outside of the eurozone. Hedging of outstanding foreign currency cash flows is carried out on the basis of defined hedging limits, which take effect as of a holding of EUR 500k per converted currency based on the day’s spot rate. This amount was exceeded for the first time in Romania, Denmark, Canada, United Arab Emirates, Brazil, the United Kingdom, Sweden, the Czech Republic, Turkey and Hungary. Nevertheless, the exchange rate is widely known and contractually set for financing provided in the Australian dollar, Canadian dollar, United Arab Emirates dirham, Brazilian real, British pound sterling, Hungarian forint, Romanian leu, Singapore dollar, Turkish lira, Danish krone, Swedish krona and Czech koruna for lease receivables held at the respective subsidiaries and franchise companies. However, there are still risks with respect to open tranches.

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

	2017		2016	
EURk	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
GBP	–255	259	–1,054	1,060
HUF	–743	746	–445	447
CHF	–2	2	–362	362
BRL	205	–205	n.a.	n.a.

Currency risks impact the direct lease refinancing operations in Switzerland, Brazil, Chile, Poland and Croatia to only a limited extent because the lease refinancing agreements in those countries are based on the local currencies. In addition, cash flows are also hedged in the context of economic hedging.

In general, risks arise from currency fluctuations relate to financial assets and receivables, onerous contracts denominated in foreign currency and from the translation of the Consolidated Group companies' financial statements. The use of derivatives (only forward exchange contracts are used for currency risk) lessens the market sensitivity of the underlying transaction, i.e. cash flows from financial assets and receivables. Ideally, the instruments are offset almost entirely. Hedge accounting will not be used for currency positions for the foreseeable future.

Foreign Currency Sensitivity Analysis

Management has concluded that in material terms the Consolidated Group is exposed mainly to foreign exchange risk related to the British pound (GBP), Hungarian forint (HUF), Swiss franc (CHF) and the Brazilian real (BRL). The impact on net profit before income taxes 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 under the condition that all other influencing factors remain unchanged, particularly interest rates. A direct impact on equity does not occur because foreign currency derivatives are not recognised as hedging transactions. The influence of projected sales and purchase transactions is not considered.

The table above shows the Consolidated Group's sensitivity to a 10 percent appreciation or depreciation in the euro against the respective other currencies as per December 31 and during the reporting period, as well as their impact on the net profit before income taxes. SEE TABLE "FOREIGN CURRENCY SENSITIVITIES AND THEIR IMPACT ON THE NET PROFIT BEFORE INCOME TAXES"

LIQUIDITY RISK

For information about liquidity risk, please refer to the overview of the expected cash outflows from contractual obligations in the section entitled "Net Assets".

Risk Definition

Liquidity risk is defined as the potential loss that may result from a lack of liquidity or liquidity that can only be generated at higher-than-anticipated costs in order to meet payment obligations when due. The Group's liquidity risk is considered significant but well controlled by the adequate management measures of the existing systems and methods.

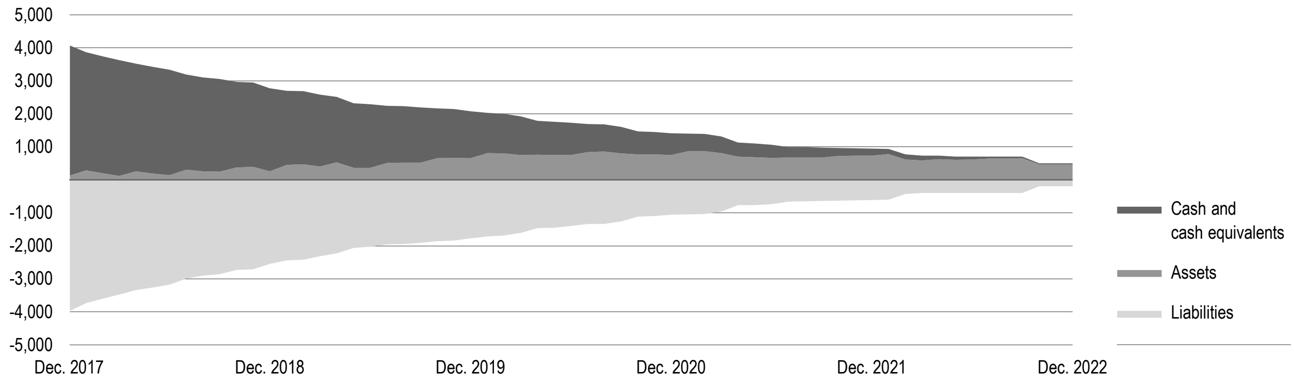
Liquidity Management

The Company's solvency is secured at all times by adequate liquidity facilities. The Company's ability to meet its financial obligations is ensured through its cash holdings, committed credit lines and long-proven money market and capital market programmes. Emissions under existing money and capital market programmes are carried out exclusively on liquid markets and in liquid currencies. Financing conditions continued to be favourable during the reporting year. Our liquidity management is based on the three pillars: money and capital market programmes, sales of receivables and financing via GRENKE Bank. Thanks to this diversified refinancing structure, we were able to raise sufficient liquidity for the Consolidated Group and our global business at all times.

A downgrade in the Company's rating by Standard & Poor's or GBB could affect our external refinancing. Market liquidity risk plays only a minor role because we do not hold any tradeable assets.

LIQUIDITY DEVELOPMENT AS PER DECEMBER 31, 2017

EUR millions



Short-term Liquidity

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

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

LIQUIDITY LEVELS

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Liquidity 1 (cash liquidity)	254,153	240,783
Liquidity 2 (up to 4 weeks)	376,002	360,711
Liquidity 3 (more than 4 weeks)	560,654	535,210

The management of short-term liquidity is conducted to meet the required liquidity coverage ratio (LCR). The LCR was 130.33 percent as per the December 31, 2017 reporting date. The minimum ratio of 80 percent in the year 2017 has been maintained at all times. In 2018, the minimum ratio will rise to 100 percent.

The main sources of refinancing to ensure the Company's short-term ability to meet its financial obligations are cash holdings, EUR and CHF money market lines, EUR and CHF revolving credit facilities and overdraft facilities in EUR and BRL. Some of these short-term refinancing facilities are firm commitments and subject to only minimal market fluctuation versus the EONIA, EURIBOR/LIBOR and CDI reference interest rates. In addition, the existing refinancing agreements do not include regular, early termination rights. The maturities of money market and overdraft facilities are unlimited, whereas the maturity of revolving credit facilities is 364 days. To bridge short-term liquidity constraints, we have contractually committed revolving credit facilities available for EUR 150 million, CHF 20 million and PLN 100 million with a variety of banks.

Medium-term and Long-term Liquidity

Monthly static liquidity planning is carried out in addition to short-term liquidity management and the weekly reporting. Dynamic liquidity planning is performed at least once a quarter and is used in cash planning to map out the liquidity status for upcoming periods. The condensed presentation is prepared on a quarterly basis. Because the duration of the portfolio's assets roughly corresponds to this period, this constitutes a significant parameter for liquidity management at the Consolidated Group. SEE DIAGRAM "LIQUIDITY DEVELOPMENT AS PER DECEMBER 31, 2017"

In the current 2018 fiscal year, bonds and promissory notes in the amount of EUR 343 million and CHF 22.8 million will be redeemed. The refinancing of these debentures may be subject to refinancing risk on their redemption date. However, we expect this refinancing risk to remain limited. The duration of the assets and liabilities is calculated on a monthly basis to provide a relevant benchmark for managing the maturities of new refinancing and the liquidity structure. As per December 31, 2017, the duration of assets was 21 months (previous year: 20 months), and the duration of liabilities stood at 26 months (previous year: 25 months). Based on this data, the maturity transformation risk can be minimised using suitable measures.

We are principally not dependent on any single bank for our refinancing and have direct access to a variety of refinancing alternatives on the capital markets. We have a very wide range of refinancing instruments available to us that 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 our business in Germany, France and Austria. We also have access to conventional bank financing, which has a similar asset-based structure, for Brazil, Chile, Germany, the United Kingdom, Poland and Switzerland.

We also, however, use refinancing instruments that are not asset-based that we can use at our discretion depending upon our business development. One example of this is our direct access to the capital markets through our debt issuance programme (DIP). We have also had a platform for issuing commercial paper (CP) since 2011, which can be used for a maximum volume of up to EUR 500 million and durations ranging from one to 364 days. This CP platform provides us with refinancing alternatives with durations starting under one year, while DIP bonds offer durations in excess of one year. We also use the financing opportunities available to us via GRENKE BANK AG's deposit business.

This broadly diversified range of instruments allows us to choose the most attractive financing channels available from a variety of alternatives at the given time. Because the sovereign debt crisis is still not entirely resolved, financial markets and especially bonds with medium to long-term durations are still subject to high risk. This is particularly true for German long-term interest rates, which are at a record low level. There is also currently increased interest rate risk from the U.S. Federal Reserve's announcement that it will continue to gradually raise short-term interest rates in the U.S., which can also affect interest rates in Europe. However, the ECB has indicated in its statements that it intends to continue to supply the market with liquidity for the foreseeable future while maintaining low interest rates.

The very low returns on government securities and the deteriorating creditworthiness of several sovereign debtors have caused investors to look for alternatives. This trend continues. As a result, refinancing is readily available for companies such as GRENKE who have a high credit standing and solid reputation on the capital market. We took full advantage of this market situation in the reporting year to meet all of our current refinancing requirements promptly and at attractive conditions and to cover a portion of the capital requirements necessary for our future growth.

OPERATIONAL RISK

Risk Definition

Operational risk is defined as potential losses that can result from inadequate or failed internal processes, structures, human or technical errors or externally driven events (e.g. fundamental hazards, forces of nature and deliberate actions). Reputation risk, according to the internal definition given, is not included in this category. Operational risk at GRENKE Consolidated Group is considered significant. The risks are quantified using the basic indicator approach according to CRR in the context of risk-bearing capacity and monitored and controlled by means of a single recognition in the risk survey.

Risk Survey

Operational risk surveys are conducted at least once annually using the Consolidated Group's intranet-based risk management tool. These surveys ask employees from all divisions about their area's risks. Another part of the survey relates to the circumstances described in the Non-Financial Statement. The results of the risk survey are used to assess the materiality of the Company's risk in the context of the risk strategy process. The results of the risk areas of legal, tax, IT, internationalisation and franchise, administration, personnel, sales and marketing, and disposals are evaluated based on the average estimated loss and the stated probability of occurrence. Based on this evaluation, the risks are assigned to one of three risk categories. The most relevant risks are analysed by the Risk Task Force. In the 2017 fiscal year, the highest ranked individual risks were related to the legacy portfolio and insufficient or faulty interest rate hedging of refinancing. Measures to manage risk are defined for individual risks. There were no operational losses during the reporting period that exceeded the EUR 2 million threshold. Most of the losses were classified in the category of external fraud. Values are estimated when individual loss amounts cannot be precisely determined.

The quantification of operational risk for the management of the Company is carried out in the context of calculating the risk-bearing capacity using the basis indicator approach according to Article 315 CRR. The estimated risk using this approach and taking growth assumptions into account amounted to EUR 61,014k as per December 31, 2017 (previous year: EUR 48,510k).

Certification of Quality Management

In 1998, TÜV SÜD Management Service GmbH certified GRENKE AG in accordance with DIN EN ISO 9001:1994. Quality management was tested and certified in 2010 by the Technical Certification Body of TÜV SÜD Management Service GmbH in accordance with the new DIN EN ISO 9001:2008 standard. In addition to the certification of the German locations, GRENKEFACTORING GmbH (Germany), Grenke Investitionen Verwaltungs KGaA, which is responsible for asset sales, other locations certified included the subsidiaries in Austria, France, the Netherlands, Switzerland, Spain, Italy, Turkey, Romania, Hungary, Portugal, Finland, Slovakia, Luxembourg, Ireland, Malta, Slovenia, Denmark, GRENKEFACTORING AG Switzerland, the United Kingdom and the franchise companies GC Locação de Equipamentos LTDA Brasil, GF Faktor Zrt Hungary, GC Leasing Middle East FZCO Dubai, and GC Renting Croatia d.o.o. TÜV SÜD Management Service GmbH recently conducted an audit of the quality management system of GRENKE AG (including the aforementioned subsidiaries and franchise partners) and, with effect from October 25, 2016, with a repeat audit in 2017 which certified that its meets the requirements of the new ISO 9001:2015 standard. The certificate is valid until October 24, 2019.

All lease contracts concluded electronically as well as scanned paper documents are in an audit-proof archive for long-term storage. The digital archive is duplicated in two data centres whereby sufficient precautions are in place in the case of any natural hazard. Contract data is stored and processed in specialised IT systems. IT systems play an important role in the processing and management of our leasing business, which is the reason the IT organisation and processes are subject to regular internal audits.

Business Process and IT Risk Management

All core business, management and support processes are aligned with the business strategy, highly standardised and digitised and are continually developed to make them simpler and faster. This is done as part of the ongoing updating of the legacy system and requires a technologically state-of-the-art and highly flexible system architecture whose changes (change management), content and methodology, are systematically recorded and subjected to periodic internal reviews. We achieve high operating reliability through the continued modernisation of the infrastructure based on completely duplicated data centre architecture and the complete virtualisation of servers, storage and networks. IT risk management involves full risk transparency across all functional areas of IT, including the administration; processes; applications; and infrastructure operations including IT security, projects and compliance.

Business Continuity Management

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

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

The Internal Control and Risk Management System (ICS) contains all principles, procedures and measures introduced to the Company by its management that are geared towards the implementation of management decisions in the organisation and ensures

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

The Board of Directors bears overall responsibility for the accounting process at the Company and the Consolidated Group. All of the companies included in the annual financial statements and the consolidated financial statements are also a part of a defined management and reporting organisation. The Consolidated Group's accounting and consolidation are organised centrally. The posting of each country's transactions is centrally recorded and processed by the responsible administrators in accordance with mandatory schedules for generating qualitative and quantitative information. The four-eye principle is applied. The principles, structures, process organisation and accounting methods used by the ICS are documented in writing and updated at regular intervals.

The electronic systems and the necessary IT infrastructure used for the Consolidated Group's accounting process are regularly reviewed by the Internal Audit department for their compliance with safety requirements. The same applies to the further development of the systems and processes of the Consolidated Group's accounting process and ensuring their effectiveness, especially in terms of new products, issues and changes in the legal regulations. Here we also use external consultants if necessary. The employees involved are trained regularly to guarantee the quality of the Consolidated Group's accounting.

We consider features of the ICS to be significant for accounting and consolidated accounting processes if they can materially influence the accounting and the overall view presented in the financial statements, including the management report. This relates to the following elements in particular:

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

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

Risk Reporting on the Use of Financial Instruments

For more information on the objectives and management procedures for the use of financial instruments and the individual types of risks covered by such instruments, please refer to the section "Derivatives Used for Hedging" and the explanations on interest rate and currency risk management in this Risk Report. No other financial instruments are used.

COMPOSITION OF CORE CAPITAL PRIOR TO ADOPTION

EURk	Dec. 31, 2017	Dec. 31, 2016
Paid-in capital instruments	44,313	18,881
Premium on capital stock	93,611	119,043
Retained earnings	471,625	348,215
Other comprehensive income	–2,261	1,147
Deductions from core capital	–118,617	–91,991
Transitional provisions pursuant to Section 478 CRR	2,373	3,410
Total Tier 1 capital pursuant to Section 26 CRR	491,044	398,704
Total additional core capital pursuant to Section 51 CRR	125,000	50,597
Total supplementary capital pursuant to Section 62 CRR	--	--
Total equity pursuant to Section 25 ff CRR	**616,044**	**449,301**

RELEVANT RISK POSITIONS

EURk	Dec. 31, 2017	Dec. 31, 2016
Equity requirements for credit risk with central governments and central banks	--	--
Equity requirements for credit risk with regional/local authorities	5,923	--
Equity requirements for credit risk with institutions/corporations with short-term rating	8,802	4,452
Equity requirements for credit risk with corporations	160,379	124,517
Equity requirements for credit risk from retail business	87,651	75,450
Equity requirements for credit risk from other positions	6,123	5,617
Equity requirements for credit risk from investments	--	976
Equity requirements for credit risk from positions associated with particularly high risks	928	--
Equity requirements for credit risk from non-performing positions	9,565	7,534
Total equity requirements for credit risk	**279,371**	**218,546**
Total equity requirements for market risk	**2,597**	**23,174**
Total equity requirements for operational risk	**48,268**	**39,971**
Total equity requirements for credit valuation adjustments	**437**	**256**
Total equity requirements	**330,673**	**281,947**

EQUITY INFORMATION

As per the reporting date for the fiscal year, the total equity pursuant to Section 25ff CRR amounted to EUR 616 million (previous year: EUR 449 million). The hybrid bond issued in 2015 was increased by an amount of EUR 20 million in 2016. In September 2017 an additional hybrid bond was issued in the amount of EUR 75 million. These bonds were allocated to additional core capital. Supplementary capital does not exist.

The Consolidated Group's equity (regulatory equity) consists of paid-in capital, the premium on capital stock, retained earnings of previous years, other accumulated income and eligible items of additional core capital. Deductions, which include the most recent amount of intangible assets and goodwill, as well transitional provisions under Section 478 CRR are taken into account.

Because GRENKE AG is the primary institution of a banking group as defined by Section 10a KWG, the Company must ensure that the Consolidated Group regularly complies with the provisions of the Capital Requirement Regulation (CRR). Under the provisions of Section 92 (1) CRR in conjunction with Section 10a KWG, GRENKE AG determines, among others, the Consolidated Group's aggregate capital ratio on the basis of IFRS accounting.

SUMMARY OVERVIEW

Controlled risk-taking forms a significant part of the GRENKE Consolidated Group's business model. To manage risk, the Consolidated Group has implemented an extensive system for risk identification, quantification, monitoring, and management, which fulfils the regulatory and all other statutory requirements. This system is appropriate and able to identify significant risks at an early stage, is very sophisticated and is enhanced on an ongoing basis.

Sufficient precautions have been taken to offset the identified counterparty default risk, market price risk, liquidity risk and operational risk arising from our leasing, banking, factoring and investment businesses. The corresponding write-downs, impairments, and provisions considered in the consolidated financial statements were recognised appropriately using objective information. Risk-bearing capacity in the reporting year was ensured entirely. GRENKE Consolidated Group's total exposure to any single lessee does not exceed one percent of the Consolidated Group's equity.

According to the regulatory standards, the regulatory minimum capital ratio must amount to 10.5 percent as per the reporting date. The Consolidated Group's overall ratio remained regularly above 13.5 percent throughout the year. As per the reporting date, the Consolidated Group's overall ratio amounted to 14.90 percent (previous year: 12.75 percent) and thereby significantly exceeded the capital requirements for the group of institutions, offering sufficient room for their planned development.

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

REPORT ON FORECASTS AND OUTLOOK

BUSINESS PERFORMANCE AND FUTURE DIRECTION

GRENKE Group's New Business Development

In light of the continued positive economic environment, our own competitive strength and recent strategic decisions, we are confident that we will be able to generate a substantial level of new business in the current 2018 fiscal year. In our dominant leasing business (GRENKE Group Leasing), we expect a growth rate of between 16 and 20 percent, based on the continued solid growth of our three most important markets – Germany, France and Italy. At the same time, our goal will continue to be to maintain our profitable and risk-adequate CM2 margins. At GRENKE Group Factoring, we expect a year-on-year increase in new business of between 15 and 20 percent. We also consider ourselves well-positioned to refinance the expected high level of new business at attractive conditions through our access to a variety of capital market instruments.

Development of the GRENKE Consolidated Group

On the basis of our plans and the opportunity and risk situation presented, we anticipate continued high growth and – on a like-for-like basis – a renewed increase in Consolidated Group net profit for the current 2018 financial year. The key drivers for this favourable performance are expected to be the high momentum of new business experienced in our Leasing segment over the past few years, continued growth in interest income and a stable cost-income ratio compared to the historical average. We will also benefit from the current, profitable new business, as well as from the growing deposit business of GRENKE Bank. With the first-time application of the accounting standard IFRS 9 "Financial Instruments" as per January 1, 2018, we expect net profit in the range of EUR 123 million to EUR 131 million. While the previous standard IAS 39 permitted recognition of impairment losses only for losses already incurred, IFRS 9 provides for a new impairment model based on expected credit losses. Nevertheless, we expect our net profit to grow in the range of 15 to 18 percent versus the prior year on a like-for-like basis. The transition to IFRS 9 and its first-time application will have no impact on our contribution margins or embedded value as the Consolidated Group's overall profitability remains unaffected. The pre-emption of expected losses only leads to a shift to a different period. This is why our emphasis in the 2018 fiscal year will be all the more focused on the importance of contribution margins and embedded value. Moreover, the transition effects of the application of IFRS 9 will be presented separately.

The projected performance is also expected to give us the leeway necessary to continue our attractive dividend policy in the current 2018 fiscal year and thereby allow shareholders to participate in the Company's success.

The main risks that may lead to deviations from the plans presented are summarised as follows:

- A dramatic reversal in capital market trends (interest rate risk): A cyclical rise in government bond yields, particularly high-grade bonds, may increase their attractiveness and cause spreads to widen on the capital markets resulting in a corresponding potential temporary bottleneck in liquidity and a change in the general refinancing situation for companies. Although we are always able to pass on higher refinancing costs in our contract conditions, this may only occur after a certain time lag.
- A substantial change in the business policies of banks and financial services units of IT manufacturers lead towards their growing return to the leasing business: This could lead to increased (margin) competition and pricing pressure. The probability of this type of development in 2018 is considered rather low because it would require relatively long lead times. The small-ticket area should be only slightly affected due to its traditionally high barriers to entry.

- A sharp rise in losses: Traditionally, rises in losses lag poor economic development. This means that even a sharp economic downturn in 2018 will not result in a sharp rise in losses until a later date. Our efficient control, which effectively keeps the development of losses in check, should also help to lessen a rise in losses. What is more, the expectation for the 2018 fiscal year is rather for an acceleration in global economic growth. Therefore, we believe it is very unlikely that there will be a sharp economic downturn in 2018.
- Changes due to legislation: Changes to the applicable tax laws and regulations in the respective countries could lead, for example, to higher tax expenses and payments. Increasing regulatory requirements in individual markets can also lead to higher administrative expenses.

Financial Position and Net Assets

The GRENKE Consolidated Group's financial position and net assets are expected to improve again in 2018 due to higher net profits. Based on the anticipated net profit, we expect the higher cash flow from operating activities to be sufficient enough to fully fund our planned investments. The application of the new impairment model under IFRS 9 will lead to a higher recognition of impairments in our portfolio (Leasing, Banking and Factoring) equal to the amount of expected future impairments. We expect a one-time transitional effect in the range of EUR 50 and 70 million, which will be recognised directly in equity.

We remain by our long-term benchmark of a balance sheet equity ratio of 16 percent.

General Statement on Future Developments

The profitable growth of the past is expected to be maintained in the coming fiscal years. The Consolidated Group's position as a globally operating financing partner for small and medium-sized companies is also expected to expand and strengthen sustainably. The GRENKE Consolidated Group is well-equipped based on its solid financial position, solid reputation on the debt and equity capital markets and the ability to enforce risk-adequate margins. Expanding into new markets is also a part of our strategy along with our aim to further penetrate our existing markets. From today's standpoint, we see no factors that could have a negative effect on the GRENKE Consolidated Group's further development.

ACQUISITION-RELATED INFORMATION

SHAREHOLDINGS AND SHARE TRANSACTIONS OF GOVERNING BODIES

Detailed information on the shareholdings of governing bodies as per December 31, 2017 is contained in the Notes to the consolidated financial statements in the section "Related Party Disclosures". Information on share transactions by governing bodies during the reporting year can be found on our homepage www.grenke.de/en under the section "Investor Relations/Corporate Governance".

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

The shares of GRENKE AG have been admitted for trading on the Frankfurt Stock Exchange in the segment of the regulated market with additional post-admission obligations defined by Deutsche Börse AG (Prime Standard segment). The Company's fully paid-up share capital amounts to EUR 44,313,102.00 and is divided into 44,313,102 registered shares each with a notional interest in the share capital of around EUR 1.00. All shares carry the same rights, and there are no restrictions on voting rights, preference shares or special control rights.

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

As per December 31, 2017, the family holding, Grenke Beteiligung GmbH & Co. KG, held 18,905,958 shares in the Company, corresponding to 42.66 percent of the share capital. Grenke Vermögensverwaltung GmbH is the general partner of Grenke Beteiligung GmbH & Co. KG. Wolfgang, Anneliese, Moritz, Roland and Oliver Grenke are limited partners. Grenke Vermögensverwaltung GmbH does not have an interest in Grenke Beteiligung GmbH & Co. KG's assets and earnings. Mr Wolfgang Grenke and Mrs Anneliese Grenke each have the right to sole representation as Executive Director. Mr Wolfgang Grenke exercises significant influence over Grenke Vermögensverwaltung GmbH and, therefore, indirectly over Grenke Beteiligung

GmbH & Co. KG. Mr Wolfgang Grenke simultaneously acts as Chairman of the Board of Directors of GRENKE AG. By decision of September 1, 2014, the German Federal Financial Supervisory Authority exempted Grenke Beteiligung GmbH & Co. KG and Grenke Vermögensverwaltung GmbH from the duties of Section 35 (1) sentence 1 and Section 35 (2) sentence 1 WpÜG according to Section 37 WpÜG (obligation to make a mandatory offer for the shares of GRENKE AG).

The Board of Directors is not aware of any other restrictions agreed on between shareholders that relate to voting rights or the transfer of shares.

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

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

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

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

Detailed information about authorised and contingent capital is presented in the Notes the consolidated financial statements in section 5.17 entitled "Equity".

CHANGES TO THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

We refer to the section "Changes in the Governing Bodies".

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

As a listed stock corporation and as a parent company, we are required to submit a Corporate Governance Statement pursuant to Sections 289f and 315d HGB that contains the Declaration of Conformity in accordance with Section 161 AktG, disclosures on corporate management practices, and a description of the working practices of the Board of Directors and the Supervisory Board.

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

LONG-TERM APPROACH

Our dividend policy is long-term oriented. Continuity, return and securing the equity base for future expansion are the key criteria.

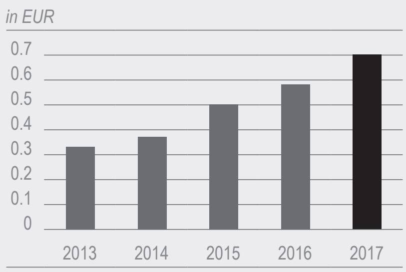
ATTRACTIVE GROWTH

DIVIDEND PROPOSAL FOR 2017 (EUR)

0.70

After another year of solid business performance, the Board of Directors and Supervisory Board will propose a dividend of EUR 0.70 per share to the Annual General Meeting of GRENKE AG.

CONTINUOUS INCREASE



Based on the proposed dividend, the distribution to shareholders will increase for the eighth consecutive year. The average dividend growth for the last 5 years has been 21 percent p.a. GRENKE shares offer not only high intrinsic value but also consistent dividend income growth.

MANAGEMENT REPORT OF GRENKE AG

In the following management report, we discuss the development of GRENKE AG (the "Company") in the 2017 fiscal year in addition to the information reported on the GRENKE Consolidated Group. The Company's financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). In terms of the economic environment and sector trends, there were no material differences to report that would have affected solely the Company's development.

CORPORATE LAW FRAMEWORK, AFFILIATION TO THE CONSOLIDATED GROUP

GRENKE AG was created in 1997 under the former name GRENKELEASING AG. Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien (the "KGaA") was also formed in the same year. Both companies represent a structural business separation with GRENKE AG serving as the operating company and the KGaA as the holding company. Using a two-level model, the operating company rents lease assets from the holding company and then leases these assets to sub-lessees. GRENKE AG holds an indirect interest of 100 percent in the KGaA, and a control and profit transfer agreement is in effect. Together with the consolidated subsidiaries and structured entities of GRENKE AG under IFRS, these form the GRENKE Consolidated Group.

Overview of Branches and Subsidiaries

The Company has branches in Berlin, Bielefeld, Bremen, Cologne, Dortmund, Dresden, Düsseldorf, Erfurt, Freiburg, Frankfurt am Main, Hamburg, Hanover, Heilbronn, Kassel, Kiel, Leipzig, Magdeburg, Mannheim, Mönchengladbach, Munich, Neu-Ulm, Nuremberg, Potsdam, Regensburg, Rostock, Saarbrücken and Stuttgart. It also holds 100 percent of the shares in GRENKE SERVICE AG, Baden-Baden, GRENKEFACTORING GmbH, Baden-Baden, GRENKE BANK AG, Baden-Baden, and GRENKE digital GmbH, Karlsruhe, and Europa Leasing GmbH, Kieselbronn, via its investment in Grenke Investitionen Verwaltungs KGaA.

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

INVESTMENTS OUTSIDE OF GERMANY

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

FINANCIAL SITUATION

The annual financial statements of GRENKE AG as per December 31, 2017 were prepared in accordance with the provisions of the German Commercial Code, the German Stock Corporation Act and the German Ordinance Regulating the Accounting Requirements for Financial Institutions.

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

EURk	**2017**	**2016**
Income from leases	559,627	529,662
Expenses from leases	410,349	392,147
Profit from leases	**149,278**	**137,515**
Net interest income	–4,853	–4,010
Other operating income	85,864	26,122
General and administrative expenses	71,621	60,348
Staff costs	*30,116*	*28,788*
Depreciation and impairment	111,099	95,403
Net profit	**34,793**	**34,077**

	Dec. 31, 2017	**Dec. 31, 2016**
Investments in associated companies	373,044	297,834
Leased assets	320,806	267,343
Property, plant and equipment	22,775	24,687
Other assets	28,543	52,007
Receivables	46,701	52,099
Equity	272,373	263,429
Bank liabilities	10	4
Payables	38,301	46,811
Accruals and deferrals	333,448	285,634
Total assets	**982,163**	**862,284**

RESULTS OF OPERATIONS

The profit from leases increased 9 percent to EUR 149.3 million in the reporting year (previous year: EUR 137.5 million). Net interest income amounted to EUR –4.9 million after EUR –4.0 million in the previous year. In addition to the interest portions included in the lease-purchase contracts, which are forwarded to the KGaA in the context of the two-level model, interest expenses also include expenses relating to prior periods which are likely to be determined as a result of a tax audit and accrued interest from outstanding hybrid bonds.

Other operating income rose from EUR 26.1 million in the previous year to EUR 85.9 million in the reporting year. The reason for this sharp increase was intra-group licence and warranty fees. These were invoiced to foreign subsidiaries in the reporting year following an agreement with the tax authorities as well as a result from a current tax audit. The intra-group invoices were mainly for the use of the GRENKE AG business model and for granting guarantees.

Commission expenses and other operating expenses continued to have little effect on the Company's earnings. While commission expenses increased by EUR 1.0 million in the reporting year from EUR 5.5 million in the previous year to EUR 6.5 million, other operating expenses fell from EUR 4.9 million in the previous year to EUR 0.3 million in the reporting year. General and administrative expenses, which also include staff costs, rose from their level of EUR 60.3 million in the previous year to EUR 71.6 million in the reporting year as a result of the Company's growth and continued expansion and optimisation of its IT systems.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment rose from EUR 95.4 million in the previous year to EUR 111.1 million resulting from a higher level of leased assets. Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business fell slightly in the reporting year and amounted to EUR 8.2 million (previous year: EUR 8.9 million).

The result from normal business activity in the reporting year amounted to EUR 45.9 million compared to EUR 40.1 million in the previous year. After-tax expenses of EUR 11.1 million (previous year: EUR 6.0 million), net profit grew from EUR 34.1 million in the prior year to EUR 34.8 million.

REPORT ON FINANCIAL POSITION AND NET ASSETS

GRENKE AG's total assets increased significantly again in 2017, climbing nearly 14 percent to EUR 982.2 million as per December 31, 2017 after EUR 862.3 million in the previous year. This increase resulted from various factors, including an increase in cash reserves from EUR 77.0 million to EUR 90.0 million, which stemmed primarily from a cash deposit at the Deutsche Bundesbank. These reserves are held in order to meet the regulatory minimum liquidity ratio at the Consolidated Group level. Cash on hand, on the other hand, remained at a non-material level. Receivables from credit institutions increased slightly from EUR 76.8 million in the previous year to EUR 81.4 million as per December 31, 2017, while receivables from customers decreased from EUR 52.1 million to EUR 46.7 million.

Investments in associated companies increased by 25 percent to EUR 373.0 million compared to EUR 297.8 million in the previous year mainly as a result of the acquisitions completed during the reporting year. Lease assets also increased in the reporting year by 20 percent to EUR 320.8 million compared to EUR 267.3 million in the prior year, mainly as a result of contracts concluded under collaborations with development banks. The Company also repurchased leased assets in several tranches from the KGaA in the year under review, which serve as collateral for the sold lease receivables. Property, plant and equipment declined slightly from EUR 24.7 million in the previous year to EUR 22.8 million in the reporting year. Other assets declined significantly from EUR 52.0 million in the previous year to EUR 28.6 million. The main decline was in the receivables due the internal transfers account with KGaA.

As in the previous year, the largest item listed on the liabilities side of the balance sheet is accruals and deferrals, which increased 17 percent from EUR 285.6 million to EUR 333.4 million. The majority of accruals and deferrals continued to relate to deferrals from forfaiting instalments of lease contracts. While liabilities to banks in their absolute amount continued to be insignificant for the Company's financial position at the end of the reporting year, liabilities to customers decreased by 18 percent to EUR 38.3 million compared to EUR 46.8 million at the end of the previous fiscal year. The Company's other liabilities fell by 7 percent to EUR 192.1 million (previous year: EUR 206.9 million). This position mainly includes liabilities to associated companies. An increase of EUR 75.0 million resulted from the issue of a new subordinated hybrid bond in September 2017 leading to a rise in this item from EUR 50.0 million in the previous year to EUR 125.0 million as per the year-end reporting date.

The company's equity increased to EUR 272.4 million (previous year: EUR 263.4 million). Based on total assets, which rose more sharply, the equity ratio as per the reporting date amounted to 27.7 percent (previous year: 30.6 percent).

LIQUIDITY AND REFINANCING

The financing of new business in leasing remains on very solid footing. GRENKE BANK AG is the Company's direct refinancing partner and regularly purchases lease receivables from GRENKE AG to finance its business. The deposits at GRENKE Bank used for this refinancing increased from EUR 417.1 million in the previous year to EUR 519.2 million in the reporting year. Additional financing was provided in the context of cash pooling through the Consolidated Group's internal clearing account. The net balance as per the reporting date was EUR 90.9 million (previous year: EUR 122.3 million).

Private placements can also be carried out directly or indirectly by our wholly owned subsidiary GRENKE FINANCE PLC, Dublin/Ireland. A total of 11 new bonds were issued, and 4 bonds were increased in the reporting year, two of which were increased for the first time, one for the second time and one for the third time. The nominal volume totalled EUR 508 million. In return, bonds with a volume of EUR 267.2 million were redeemed. Our Irish subsidiary also has access to six revolving loan facilities with a combined volume of EUR 150 million and money market facilities of EUR 35 million. These money market facilities and one of the revolving loan facilities can also be drawn on in Swiss francs via our Swiss subsidiary.

There are also five ABCP programmes Consolidated Group-wide with a potential total volume of EUR 772.5 million. Under these programmes, GRENKE FINANCE PLC and the KGaA have the right to sell receivables to the programmes for a specific 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 500 million with maturities between 1 and 364 days. As per the reporting date, the utilisation of the commercial paper programme amounted to EUR 313 million (previous year: EUR 201 million).

OVERALL STATEMENT ON THE COMPANY'S BUSINESS PERFORMANCE AND THE FINANCIAL SITUATION

At the time of completing the 2017 annual financial statements and management report, the Company finds itself in a very favourable economic position to continue its international expansion, increase new business and maintain net profit at the level achieved in the reporting year.

TWO-LEVEL MODEL

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

DIVIDENDS

The Board of Directors and the Supervisory Board will propose a dividend of EUR 0.70 per share for the 2017 fiscal year at the Annual General Meeting on May 3, 2018. In the previous year, the Company distributed a dividend of EUR 0.58 per share.

EMPLOYEES

In the reporting year, the number of full-time employees (excluding the Board of Directors) increased to an average of 392 (previous year: 385). The staff turnover rate was 6.0 percent (previous year: 9.3 percent). The staff turnover rate among the management and senior executives continued to be at a lower level.

REPORT ON RISKS, OPPORTUNITIES, AND FORECASTS

RISKS AND OPPORTUNITIES

The risk and opportunities described for the Consolidated Group also largely apply to the Company. However, the German domestic market continues to play a special and more important role for the Company than for the Consolidated Group as a whole. The Company is not exposed to currency risk because it does not enter into cross-border transactions with countries outside the eurozone.

REPORT ON FORECASTS AND OUTLOOK

After the solid business performance in the reporting year, we are very confident about the prospects for the current 2018 fiscal year as a whole. The Company's future results may be materially influenced by changes in the regulatory environment or in refinancing alternatives, which in turn could influence the refinancing decisions of the Board of Directors. We anticipate upper single-digit growth in our new business in Germany, and net profit for GRENKE AG to be at a similar level to the past two fiscal years, depending on the investment income and profit transfers of the subsidiaries. The key factors influencing the 2018 fiscal year's business development are expected to continue to be an influence in the years ahead. Details on the Consolidated Group development can be found in the section "Report on Forecasts and Outlook" in the combined management report.

Baden-Baden, January 31, 2018

The Board of Directors

We finance our growth using a broad range of refinancing options. And we do this successfully.

THREE PILLARS: THE GRENKE CONSOLIDATED GROUP REFINANCING MIX

RATING AND CREDITWORTHINESS: THE KEYS TO OUR SUCCESS

:: EXCELLENT REPUTATION in the equity and debt capital markets.

:: INDEPENDENT RATING AGENCIES regularly assess GRENKE as part of the rating process.

:: INVESTMENT GRADE STATUS: Renewed confirmation of our high creditworthiness and stable outlook in 2017.

STANDARD & POOR'S: COUNTERPARTY CREDIT RATING

BBB+

SECTION 2

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017

CONSOLIDATED INCOME STATEMENT

EURk	Note	Jan. 1 to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
Interest and similar income from financing business	4.1	289,404	260,958
Expenses from interest on refinancing and deposit business	4.1	42,807	43,168
Net interest income		**246,597**	**217,790**
Settlement of claims and risk provision	4.2	55,467	55,089
Net interest income after settlement of claims and risk provision		**191,130**	**162,701**
Profit from service business	4.3	70,562	59,279
Profit from new business	4.4	68,983	58,799
Gains(+) / losses (–) from disposals	4.5	–8,212	–5,985
Income from operating business		**322,463**	**274,794**
Staff costs	4.6	86,162	70,624
Depreciation and impairment	4.7	15,363	9,296
Selling and administrative expenses (not including staff costs)	4.8	67,737	58,380
Other operating expenses	4.9	4,633	4,016
Other operating income	4.10	12,779	4,049
Operating result		**161,347**	**136,527**
Result from investments accounted for using the equity method		–402	–235
Expenses / income from fair value measurement		–60	–868
Other interest income		500	532
Other interest expenses		3,658	1,420
Earnings before taxes		**157,727**	**134,536**
Income taxes	4.11	32,745	31,302
Net profit		**124,982**	**103,234**
Of which, attributable to:			
Hybrid capital holders of GRENKE AG		3,738	1,771
Shareholders of GRENKE AG		121,244	101,463
Earnings per share (in EUR, after 1:3 stock split)[1,2]	4.12	2.74	2.29
Average number of shares outstanding[2]	4.12	44,313,102	44,292,126

1 Earnings per share calculated according to IAS 33 is based on the net profit attributable to GRENKE shareholders. No convertible or option rights were outstanding during the current or comparable prior-year period. Therefore, basic and diluted earnings per share were identical.

2 Prior-year figures adjusted after the 1:3 stock split.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk	Note	Jan. 1 to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
Net profit		**124,982**	**103,234**
Items that may be reclassified to profit and loss in future periods			
Appropriation to / reduction of hedging reserve	4.13	–96	115
thereof: income tax effects		14	–10
Change in currency translation differences		–3,611	–4,281
thereof: income tax effects		0	0
		–3,707	**–4,166**
Items that will not be reclassified to profit and loss in future periods			
Appropriation to / reduction of reserve for actuarial gains and losses	5.16	298	–151
thereof: income tax effects		–84	58
Other comprehensive income		**–3,409**	**–4,317**
Total comprehensive income		**121,573**	**98,917**
Of which, attributable to:			
Hybrid capital holders of GRENKE AG		3,738	1,771
Shareholders of GRENKE AG		117,835	97,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Note	Dec. 31, 2017	Dec. 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5.2	203,367	156,896
Financial instruments that are assets	5.1	2,161	3,688
Lease receivables	5.3	1,368,121	1,141,000
Other current financial assets	5.4	116,509	93,090
Trade receivables	5.5	5,935	4,474
Lease assets for sale		7,104	5,969
Tax assets		22,671	23,555
Other current assets	5.6	243,825	180,291
Total current assets		**1,969,693**	**1,608,963**
Non-current assets			
Lease receivables	5.3	2,598,614	2,129,110
Financial instruments that are assets	5.1	1,344	29
Other non-current financial assets	5.4	82,047	73,643
Investments accounted for using the equity method		4,732	5,133
Property, plant and equipment	5.7	55,415	48,369
Goodwill	5.8	82,845	66,515
Other intangible assets	5.9	35,402	20,069
Deferred tax assets[1]	5.10	10,887	11,043
Other non-current assets		1,226	1,694
Total non-current assets[1]		**2,872,512**	**2,355,605**
Total assets[1]		**4,842,205**	**3,964,568**

1 Prior-year figures adjusted, see section 3.18 in the Notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Note	Dec. 31, 2017	Dec. 31, 2016
Liabilities and equity			
Liabilities			
Current liabilities			
Financial liabilities	5.11	1,261,525	1,227,581
Liability financial instruments	5.12	1,199	1,225
Trade payables		20,550	16,663
Tax liabilities		20,092	13,117
Deferred liabilities	5.15	25,070	15,976
Current provisions	5.14	1,627	1,646
Other current liabilities	5.13	23,810	20,396
Deferred lease payments		36,421	31,908
Total current liabilities		**1,390,294**	**1,328,512**
Non-current liabilities			
Financial liabilities	5.11	2,533,181	1,894,474
Liability financial instruments	5.12	760	1,751
Deferred tax liabilities[1]	5.10	55,932	44,630
Pensions	5.16	4,419	4,781
Other non-current liabilities		1,050	0
Total non-current liabilities[1]		**2,595,342**	**1,945,636**
Equity	5.17		
Share capital		44,313	18,881
Capital reserves		93,611	119,043
Retained earnings		592,771	498,807
Other components of equity		–2,261	1,148
Total equity attributable to shareholders of GRENKE AG		**728,434**	**637,879**
Additional equity components[2]		128,135	52,541
Total equity		**856,569**	**690,420**
Total liabilities and equity[1]		**4,842,205**	**3,964,568**

1 Prior-year figures adjusted, see section 3.18 in the Notes to the consolidated financial statements.
2 Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

CONSOLIDATED STATEMENT OF CASH FLOWS

	EURk	Jan. 1 to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
	Earnings before taxes	**157,727**	**134,536**
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	15,363	9,296
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	1	72
– / +	Net income from non-current financial assets	3,158	888
– / +	Other non-cash effective income / expenses	–89	–2,542
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	7,214	3,727
–	Additions to lease receivables	–1,998,337	–1,598,007
+	Payments by lessees	1,401,037	1,204,226
+	Disposals / reclassifications of lease receivables at residual carrying amounts	245,767	206,099
–	Interest and similar income from leasing business	–280,809	–253,892
+ / –	Decrease / increase in other receivables from lessees	–19,218	3,511
+ / –	Currency translation differences	17,594	29,084
=	Change in lease receivables	–633,966	–408,979
+	Addition to liabilities from refinancing	1,728,126	1,322,704
–	Payment of annuities to refinancers	–1,215,429	–959,057
–	Disposal of liabilities from refinancing	–42,119	–31,952
+	Expenses from interest on refinancing and on deposit business	42,807	43,168
+ / –	Currency translation differences	–11,444	–13,800
=	Change in refinancing liabilities	501,941	361,063
+ / –	Increase / decrease in liabilities from deposit business	102,118	67,785
– / +	Increase / decrease in loans to franchisees	–28,482	–1,855
	Changes in other assets / liabilities		
– / +	Increase / decrease in other assets	–75,876	–90,717
+ / –	Increase / decrease in deferred lease payments	4,199	–51,076
+ / –	Increase / decrease in other liabilities	–728	–5,419
=	**Cash flow from operating activities**	**52,580**	**16,779**

Continued on next page

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

EURk		Jan. 1 to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
– / +	Income taxes paid / received	–21,469	–32,132
–	Interest paid	–3,658	–1,420
+	Interest received	500	532
=	**Net cash flow from operating activities**	**27,953**	**–16,241**
–	Payments for the acquisition of property, plant and equipment and intangible assets	–17,167	–11,832
– / +	Payments / proceeds from acquisition of subsidiaries/associated entities and financial assets	–10,035	–3,485
+	Proceeds from the sale of property, plant and equipment and intangible assets	1,506	370
=	**Cash flow from investing activities**	**–25,696**	**–14,947**
+ / –	Borrowing / repayment of bank liabilities	–120	1,607
+	Proceeds from cash capital increase	0	0
+	Net proceeds from hybrid capital	73,666	21,604
–	Interest payments on hybrid capital	–4,125	–1,711
–	Dividend payments	–25,849	–19,557
=	**Cash flow from financing activities**	**43,572**	**1,943**
	Cash funds at beginning of period		
	Cash in hand and bank balances	156,896	186,453
–	Bank liabilities from overdrafts	–131	–875
=	**Cash and cash equivalents at beginning of period**	**156,765**	**185,578**
+ / –	Change due to currency translation	662	432
=	**Cash funds after currency translation**	**157,427**	**186,010**
	Cash funds at end of period		
	Cash in hand and bank balances	203,367	156,896
–	Bank liabilities from overdrafts	–111	–131
=	**Cash and cash equivalents at end of period**	**203,256**	**156,765**
	Change in cash and cash equivalents during the period (= total cash flow)	**45,829**	**–29,245**
	Net cash flow from operating activities	27,953	–16,241
+	Cash flow from investing activities	–25,696	–14,947
+	Cash flow from financing activities	43,572	1,943
=	**Total cash flow**	**45,829**	**–29,245**

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	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Total equity
Equity as per Jan. 1, 2017	**18,881**	**119,043**	**498,807**	**90**	**–1,556**	**2,614**	**637,879**	**52,541**	**690,420**
Total comprehensive income			121,244	–96	298	–3,611	117,835	3,738	121,573
Dividend payment in 2017 for 2016			–25,849				–25,849		–25,849
Capital increase (Conversion of capital reserves in the context of the stock split)	25,432	–25,432					0		0
Issuance of hybrid capital			–1,125				–1,125	75,000	73,875
Cost of issuance of hybrid capital			–209				–209		-209
Reversal of premium on hybrid capital			-97				–97	97	0
Interest payment on hybrid capital (net)								–3,235	–3,235
Others								–6	–6
Equity as per Dec. 31, 2017	**44,313**	**93,611**	**592,771**	**–6**	**–1,258**	**–997**	**728,434**	**128,135**	**856,569**
Equity as per Jan. 1, 2016	**18,859**	**116,491**	**419,068**	**–25**	**–1,405**	**6,895**	**559,883**	**30,771**	**590,654**
Total comprehensive income			101,463	115	–151	–4,281	97,146	1,771	98,917
Dividend payment in 2016 for 2015			–22,131				–22,131		–22,131
Capital increase (Shares issued from Scrip Dividend)	22	2,552					2,574		2,574
Issuance of hybrid capital			600				600	21,193	21,793
Cost of issuance of hybrid capital			–190				–190		–190
Reversal of premium on hybrid capital			–3				–3	3	0
Interest payment on hybrid capital (net)								–1,197	–1,197
Equity as per Dec. 31, 2016	**18,881**	**119,043**	**498,807**	**90**	**–1,556**	**2,614**	**637,879**	**52,541**	**690,420**

SECTION 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017

1 GENERAL INFORMATION

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201836. GRENKE AG is the parent company of the GRENKE AG Consolidated Group ("the GRENKE Consolidated Group"). GRENKE AG is also a listed parent company trading on an organised market as defined by Section 2 (5) WpHG.

The GRENKE Consolidated Group conducts financing business and is a partner for mainly small and medium-sized enterprises. Its products and services range from leasing to factoring and include various payment transaction services as well as a deposit business for private customers.

The consolidated financial statements of GRENKE AG as per December 31, 2017 (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 HGB.

The consolidated financial statements were prepared in euro (EUR). Unless stated otherwise, all figures are rounded and stated in thousands of euro (EURk). The accounting policies applied correspond with those of the previous year. Exceptions are listed in Note 2.1 and Note 3.18 and relate to changes resulting from the mandatory adoption of new or amended accounting standards and adjustments under IAS 8.41.

The Supervisory Board plans to adopt these consolidated financial statements prepared by the Board of Directors on January 31, 2018 and will approve them for publication at its meeting on February 1, 2018.

2 CHANGES IN ACCOUNTING

2.1 ACCOUNTING STANDARDS IMPLEMENTED IN 2017

In recent years, the International Accounting Standards Board (IASB) has published various amendments to existing IFRSs and new IFRSs as well as interpretations of the IFRS Interpretations Committee (IFRS IC). The IASB has also published amendments to existing standards as part of an annual procedure (Annual Improvements Project; AIP). The primary aim of the collective standards is to eliminate inconsistencies and clarify their wording.

Except for supplementary information explained in the Notes, the following amendments to the standards, which were first mandatory as per the reporting year, had no impact on the consolidated financial statements of GRENKE AG:

- Amendments to IAS 7 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to IAS 12 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED BUT NOT YET IMPLEMENTED

In addition to the applicable mandatory IFRSs mentioned above, the IASB has also published other amended IASs and IFRSs that will only become mandatory at a later date. Several of these standards have already received endorsement into European law by the EU. Voluntary early application of these standards is expressly permitted and/or recommended. GRENKE AG is not making use of this option. These standards will be implemented in the consolidated financial statements when their adoption becomes mandatory. In the following, a distinction is made as to whether standards have already been adopted ("endorsed") into European law (date of mandatory first-time application in parenthesis) or not:

ALREADY ADOPTED INTO EUROPEAN LAW ("ENDORSED")

- IFRS 9 "Financial Instruments" (January 1, 2018)
- IFRS 15 "Revenue from Contracts with Customers" (January 1, 2018)
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (January 1, 2018)
- IFRS 16 "Leases" (January 1, 2019)
- Amendment to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" (January 1, 2018)

NOT YET ADOPTED INTO EUROPEAN LAW ("NOT ENDORSED") (IASB DATE OF FIRST APPLICATION IN PARENTHESIS):[1]

- Amendments to IAS 40 "Transfers of Investment Property" (January 1, 2018)
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (January 1, 2019)
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (January 1, 2018)
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (January 1, 2019)
- IFRS 17 "Insurance Contracts" (January 1, 2021)

- Annual Improvements to IFRS: 2014 – 2016 Cycle (January 1, 2017 and January 1, 2018)
- Annual Improvements to IFRS: 2015 – 2017 Cycle (January 1, 2019)
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (January 1, 2018)
- IFRIC 23 "Uncertainty Over Income Tax Treatments" (January 1, 2019)

[1] The EU has decided not to endorse the interim standard IFRS 14 "Regulatory Deferral Accounts" (January 1, 2016) and not to incorporate it into European law but rather wait until the standard's final adoption.

The following explains the accounting rules that are relevant to the Consolidated Group. A material impact on the consolidated financial statements is not expected from any other new or revised standards, except for new or amended disclosures in the Notes.

IFRS 9 "FINANCIAL INSTRUMENTS"

The IASB published IFRS 9 "Financial Instruments" in July 2014. This standard contains provisions for recognition, measurement and derecognition of financial instruments as well as for the accounting of hedging relationships. The standard replaces the previous accounting regulations for financial instruments under IAS 39 "Financial Instruments: Recognition and Measurement" and the previously released versions of IFRS 9.

IFRS 9 maintains the existing measurement categories of "amortised cost" and "at fair value" when measuring financial instruments. As the basis for classification and measurement, the standard refers to the criteria of cash flow characteristics and the business model used to manage financial instruments.

IFRS 9 also introduces a new impairment model based on expected credit losses, whereas IAS 39 only allowed for the recognition of impairment for incurred losses. The new impairment model applies to financial assets that are measured at amortised cost or at FVOCI, with the exception of equity instruments held as financial assets. The new impairment model provides for three levels that will determine the amount of losses to be recognised and interest received. Accordingly, expected losses must be recognised upon acquisition in the amount of the present value of the expected 12-month loss (Level 1). If there is a significant increase in the risk of default, the impairment loss must be increased up to the amount of the expected losses during the entire residual maturity (Level 2). If there is an objective indication of impairment, interest must be recognised on the basis of the net carrying amount (carrying amount less impairment) (Level 3).

IFRS 9 also contains new provisions for the application of hedge accounting to better reflect an entity's risk management activities, especially with regard to the control of non-financial risks.

The standard is to be applied retrospectively, except in the case of hedge accounting. The provision of comparable prior-year information is not required. The regulations for hedge accounting should generally be applied prospectively with only a few exceptions. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2018.

Classification

The application of the IFRS 9 classification and measurement provisions will not have a significant effect on the Consolidated Group's financial position or equity. Loans and receivables are held in order to collect the contractual cash flows, whereby it was reviewed as to whether the contractual cash flows solely represent principal and interest payments on the outstanding amount (SPPI test). As a result of the review, loans and receivables under IFRS 9 will continue to be measured at amortised cost. For equity instruments recorded as assets, the option is used to recognise them directly in equity at their fair value (FVOCI). 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. All financial assets previously held at fair value (derivatives) will continue to be measured at fair value. IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities to ensure that here too there will be no effect.

Impairment

To determine the amount of risk provisions necessary for *lease receivables*, lease receivables are divided into three levels. Level 1 includes all of those lease receivables whose credit risk has not deteriorated significantly. At this level, risk provisioning is based on the expected loss over a twelve-month period (12-month expected credit loss). Level 2 includes lease receivables that are still ongoing but whose credit risk has deteriorated significantly since the contract's inception. Our definition of credit risk that has "deteriorated significantly" is receivables that are more than 30 days overdue or whose estimated probability of default has deteriorated to a similar extent, as seen with past receivables that were 30 days overdue. A risk provision is recognised for receivables in Level 2 in the amount of the expected loss for the entire remaining term of the contract (lifetime expected credit loss). Level 3 includes terminated contracts and current lease contracts that are more than 90 days overdue, as well as lease receivables that were already impaired upon acquisition. For such receivables, the loss event is deemed to have already occurred, and we recognise the amount of expected losses as risk provisions.

For *receivables from factoring business*, we do not subdivide the receivables into Level 1 and Level 2. Because the factoring receivables are short-term receivables, the 12-month expected credit loss is equal to the lifetime expected credit loss.

In the case of *loan receivables*, the expected 12-month loss is also recognised as an impairment upon acquisition. A significant deterioration in loan receivables occurs when payments are delayed for more than 30 days, or the receivable is transferred to a special watch list. In this case, the impairment amount recognised is equal to the amount of the expected losses over the entire contract period. Receivables that, among others, are delayed for more than 90 days or are in reorganisation or settlement are considered to have defaulted.

Impairments for non-current *receivables from franchisees* are recognised upon acquisition based on the expected 12-month loss. There is considered to be a significant deterioration in these receivables when a payment is overdue for more than 30 days. In this case, an impairment is recognised in the amount of the expected loss over the entire contract period. Receivables that are overdue for more than 90 days, among other things, are said to be in default.

The life-long default method is always applied to trade receivables and contractual assets without a significant component of financing. The Consolidated Group will apply this simplified impairment model to *trade receivables* and *current receivables from franchisees*, which requires that any receivable, regardless of the loan's quality, be impaired in the amount of the expected loss over the remaining term. Estimated bad debt losses were calculated on the basis of experience with actual bad debt losses in recent years.

Cash and cash equivalents deposited at banks and financial institutions are classified according to the institution's credit rating, which can be determined based on monitoring the publications of external rating agencies. The estimated impairment of cash and cash equivalents was calculated on the basis of expected 12-month losses for banks whose credit rating are no longer considered investment grade, indicating that the credit risk has risen significantly. Impairment is determined based on the credit rating's implied historical default rate for the corporate bonds.

For receivables from *ABCP loans*, the Consolidated Group has applied the same method used to determine expected losses for cash and cash equivalents due to the liquidity guarantee commitments of the banks participating.

The application of the IFRS 9 impairment provisions as per January 1, 2018 will result in an overall increase in recognised impairment charges and an estimated decline in equity of between EUR 50 million and EUR 70 million.

Hedge Accounting

With respect to hedge accounting, the GRENKE Consolidated Group assumes that all hedging transactions currently designated as effective hedging relationships fulfil all of the criteria for hedge accounting specified under IFRS 9. Therefore, these are unlikely to lead to any impact on the consolidated financial statements. The GRENKE Consolidated Group has decided to exercise the accounting option contained in IFRS 9, thereby deferring the application of IFRS 9 hedge accounting rules and continuing to apply the hedge accounting rules under IAS 39. Supplementary information under IFRS 7 is being implemented.

The Consolidated Group has assessed the estimated impact of the first-time application of IFRS 9 on the consolidated financial statements.

The actual impact of applying these standards as per January 1, 2018 may differ because

- upon preparation of the consolidated financial statements as per December 31, 2017, the Consolidated Group has not completed its testing and assessment of the controls of its new impairment scheme, and
- the new accounting policies may be subject to change by the time the first consolidated financial statements are published after the date of first-time application.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers". The standard introduces an industry-independent and principle-based five-level model for recognising revenue from contracts with customers. The standard has no impact on the recognition of income arising in connection with financial instruments in the regulatory scope of IAS 39/ IFRS 9. Also excluded is the recognition of income from leases that fall within the scope of IAS 17/IFRS 16.

According to IFRS 15, revenue is recognised in the amount that is expected to be received as consideration for the transfer of goods or services to customers (the transaction price as defined by IFRS 15). Revenue is recognised when the customer assumes the economic control of the goods or services. IFRS 15 also contains reporting requirements. The new standard requires the disclosure of a number of quantitative and qualitative items to give the users of the consolidated financial statements an understanding of the amount, nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will replace all existing provisions on revenue recognition under IFRS (IAS 11 "Construction Contracts" and IAS 18 "Revenue"), as well as the related IFRS interpretations. The standard is to be applied to fiscal years beginning on or after January 1, 2018, either by means of a full retrospective application or a modified retrospective application. The implementation of the amendments to IFRS 15 to the consolidated financial statements will only be of minor importance as the Consolidated Group mainly generates income from leases and income related to financial instruments that are not affected by the amendment to IFRS 15. The adjustments are recorded in retained earnings and will amount to less than EUR 1 million, depending on the exact amount as per January 1, 2018. When transitioning to IFRS 15, the Consolidated Group intends to apply the modified retrospective method, which recognises the cumulative adjustment amounts as per January 1, 2018 in its consolidated financial statements. The Consolidated Group will therefore not apply the requirements of IFRS 15 to each comparative period presented.

IFRS 16 "LEASES"

In January 2016, the IASB published the new standard IFRS 16 "Leases". IFRS 16 replaces the previous IAS 17 standard on lease accounting and the interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2019. Early application is permitted only if IFRS 15 "Revenue from Contracts with Customers" is applied at the same time. The main changes introduced by IFRS 16 relate to lessee accounting. The differentiation between an operating lease and a finance lease at the lessee is eliminated. The lessee must recognise an asset for the right to use a lease object and a liability for the committed payment obligations for all leases ("right-of-use-approach"). Exemptions are provided for "low-value" leases and short-term leases of 12 months or less. For "low-value" leases, this exemption applies even if their aggregate amount is material. Simplified application consists of an option to apply the recognition and disclosure requirements of IFRS 16.

There were only minimal changes to the accounting policies for the lessor. These changes generally correspond to the previous provisions of IAS 17. As a result, the new standard is not expected to have a material impact on the GRENKE AG consolidated financial statements as a lessor. For leases where the GRENKE Consolidated Group is the lessee, the amended accounting principles will have an effect on the consolidated financial statements. One example is that usage rights will be capitalised for leased vehicles and properties. In addition, the nature of the expenses associated with these leases will change as IFRS 16 replaces linear operating lease expenses with amortisation of right-of-use assets and interest expense on lease liabilities. The Consolidated Group has completed an initial assessment of the potential impact on its consolidated financial statements, and a detailed assessment has not yet been completed. The actual impact depends on the interest rate used as per January 1, 2019, the composition of the leasing portfolio and the assessment of the exercise of extension options. Because the GRENKE Consolidated Group acts primarily as a lessor, no material impact on the consolidated financial statements is expected.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

IFRIC 23 was published in June 2017. The interpretation clarifies the requirements for the recognition and measurement of uncertain income tax items. The interpretation is effective for the first time in fiscal years beginning on or after January 1, 2019. Earlier application is permitted. GRENKE is currently examining the effects the application of the interpretation will have on the consolidated financial statements. GRENKE expects only minor effects because it had followed the previous draft interpretation for accounting.

3 GENERAL ACCOUNTING POLICIES

3.1 COMPOSITION OF THE CONSOLIDATED GROUP

The Consolidated Group consists of 38 consolidated entities (previous year: 33), of which 5 (previous year: 5) are consolidated structured entities. The Consolidated Group holds either directly or indirectly 100% of the interest in 34 (previous year: 29) entities controlled by the Consolidated Group. Four of the consolidated entities (previous year: four) are held by third parties. Three of the structured entities concern parts of investees (silos). Furthermore, one associated entity (previous year: one) has been included in the consolidated financial statements using the equity method. The consolidated financial statements contain all assets and liabilities as well as all expenses and income of GRENKE AG and of the Consolidated Group companies it controls (the "GRENKE Consolidated Group") after eliminating all material intra-group transactions. Uniform accounting principles are applied Consolidated Group-wide to the consolidated financial statements.

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

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.

STRUCTURED ENTITIES

Structured entities are entities in which voting or similar rights are not the dominant factors in determining control, for example, when voting rights only relate to administrative tasks and the relevant activities are governed by contractual agreements.

ASSOCIATED ENTITIES

Investments in associated entities are accounted for using the equity method. Associated entities are entities whose financial and business decisions can be significantly influenced by the Consolidated Group, but the Consolidated Group cannot control or jointly control the entities' decision-making processes. Significant influence typically exists when there is an interest in the associated entities' voting rights of 20% to 50%.

Associated entities are accounted for in the consolidated financial statements using the equity method and initially recognised at acquisition cost. GRENKE AG's share in the profit and loss of the associated entity following the acquisition 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.

OVERVIEW OF THE GRENKE CONSOLIDATED GROUP – SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

Subsidiaries and structured entities	Registered office	Equity interest Dec. 31, 2017	Equity interest Dec. 31, 2016
Germany			
GRENKE Service AG	Baden-Baden	100%	100%
Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien (84.4% directly, 15.6% indirectly via GRENKE Service AG)	Baden-Baden	100%	100%
GRENKE BANK AG	Baden-Baden	100%	100%
GRENKEFACTORING GmbH	Baden-Baden	100%	100%
GRENKE digital GmbH	Karlsruhe	100%	--
Europa Leasing GmbH	Kieselbronn	100%	--
International			
GRENKELEASING s.r.o.	Prague/Czechia	100%	100%
GRENKE ALQUILER S.L.	Barcelona/Spain	100%	100%
Grenkefinance N.V.	Vianen/Netherlands	100%	100%
GRENKE RENT S.L.	Madrid/ Spain	100%	100%
GRENKELEASING AG	Zurich/Switzerland	100%	100%
GRENKELEASING GmbH	Vienna/Austria	100%	100%
GRENKELEASING ApS	Herlev/Denmark	100%	100%
GRENKE LIMITED	Dublin/Ireland	100%	100%
GRENKE FINANCE PLC	Dublin/Ireland	100%	100%
GRENKE LOCATION SAS	Schiltigheim/France	100%	100%
GRENKE Locazione S.r.l.	Milan/Italy	100%	100%
GRENKELEASING AB	Stockholm/Sweden	100%	100%
GRENKE LEASE Sprl	Brussels/Belgium	100%	100%
Grenke Leasing Ltd.	Guildford/United Kingdom	100%	100%
GRENKELEASING Sp. z o.o.	Poznan/Poland	100%	100%
GRENKELEASING Magyarország Kft.	Budapest/Hungary	100%	100%
Grenke Renting S.R.L	Bucharest/Romania	100%	100%
GRENKE RENTING S.A.	Lisbon/Portugal	100%	100%
GRENKELEASING s.r.o.	Bratislava/Slovakia	100%	100%
GRENKELEASING Oy	Vantaa/Finland	100%	100%
GRENKELOCATION SARL	Munsbach/Luxembourg	100%	100%
GRENKEFACTORING AG	Basel/Switzerland	100%	100%
GRENKELEASING d.o.o.	Ljubljana/Slovenia	100%	100%
GRENKE Kiralama Ltd. Sti.	Istanbul/Turkey	100%	100%
GRENKE RENTING LTD.	Sliema/Malta	100%	--
GC Locação de Equipamentos LTDA	São Paulo/Brazil	100%	--
GRENKE LOCAÇÃO DE EQUIPAMENTOS LTDA	São Paulo/Brazil	100%	100%
FCT "GK"-COMPARTMENT "G2"	Pantin/France	100%	100%
FCT "GK"-COMPARTMENT "G3"	Pantin/France	0%	0%
Opusalpha Purchaser II Limited	Dublin/Ireland	0%	0%
Kebnekaise Funding Limited	St. Helier/Jersey	0%	0%
CORAL PURCHASING Limited	St. Helier/Jersey	0%	0%
Associated entities			
Cash Payment Solution GmbH	Berlin	25.01%	25.01%

For explanations regarding new additions in the fiscal year, please refer to Note 6.1.

3.2 FOREIGN CURRENCY TRANSLATION

The separate financial statements of the foreign Consolidated Group companies are translated into euros using the functional currency concept. The functional currency of all foreign business enterprises is the respective national currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euros at the closing rate on the reporting date. The income and expenses of these subsidiaries are translated at the average rate for the fiscal year. The translation differences that result are recognised as a separate component of equity. When a foreign operation is sold, the cumulative amount recognised in equity for this foreign operation is released in profit and loss.

Transactions in a currency that differs from the functional currency of a subsidiary are first translated into the functional currency at the prevailing spot rate on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing rate on each reporting date. The translation differences that result are recognised through profit and loss. Non-monetary items denominated in a foreign currency are carried at historical exchange rates.

Currency translation was based on the following key exchange rates:

	Closing rate Dec. 31, 2017	Average rate 2017	Closing rate Dec. 31, 2016	Average rate 2016
CHF	1.1702	1.1117	1.0739	1.0902
GBP	0.8872	0.8767	0.8562	0.8195

3.3 LEASES

Lease agreements include agreements in which the lessor confers the lessee the right to use an asset for a set period of time in exchange for one payment or a series of payments. Lease contracts are classified either as operating leases or finance leases. 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 contract based on the assessment of whether the fulfilment of the agreement depends on the use of a specific asset and if the agreement confers a right to use the asset.

THE CONSOLIDATED GROUP AS LESSOR

Finance Leases

Under a finance lease, all of the significant risks and rewards of legal ownership are transferred from the lessor to the lessee.

Assets from finance leases are initially recognised in the statement of financial position as lease receivables at an amount equal to the net investment, i.e. the present value of the residual receivables of all lease contracts existing at the end of a fiscal year. Lease payments are divided into interest payments and principal payments in such a manner that they reflect a constant 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. These initial direct costs are recognised as they occur in profit and loss under profit from new business. The profit from new business also includes income 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. Commissions that are not included in the net investment value of the lease receivable but recognised in profit and loss are also a component of the profit from new business.

Operating Leases

Operating leases are those leases where the GRENKE Consolidated Group does not transfer all the significant risks and rewards of ownership of the asset to the lessee. Initial direct costs incurred in the negotiation and conclusion of an operating lease are added to the carrying amount of the lease asset. These amounts are depreciated together over the term of the lease agreement until the residual value is reached. Contingent rents are recognised as income in the period in which they are generated. Operating lease assets are typically recorded in the statement of financial position as property, plant and equipment based on the type of asset (see Note 5.7).

After the original lease has expired, the contract may be extended, or a follow-on contract may be concluded. This leads to a reassessment of the lease. In cases where the criteria for an operating lease are met, the lease asset is recorded as property, plant and equipment as per the start of the extension period.

THE CONSOLIDATED GROUP AS LESSEE

Finance Leases

Finance leases, in which all the significant risks and rewards incidental to owning the lease asset are transferred to the GRENKE Consolidated Group, lead to a capitalisation on the date of the lease's inception at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance expense and the retirement of the remaining lease liability so as to achieve a constant rate of interest on the remaining balance of the liability throughout the period. Finance expenses are immediately recognised in profit and loss. The capitalised lease assets are fully depreciated over the shorter of the lease term or its useful life if there is no reasonable certainty that the GRENKE Consolidated Group will obtain ownership by the end of the lease term.

Operating Leases

Lease payments under an operating lease are recognised as selling and administrative expenses in the income statement on a straight-line basis over the lease term. Contingent rents are recognised as an expense in the period they are incurred.

3.4 MEASUREMENT OF FAIR VALUES

The GRENKE Consolidated Group measures derivative financial instruments at their fair value. Additionally, the fair values of financial instruments measured at cost are presented in Note 7.4.

The fair value is the amount that would be obtained from the sale of an asset in an arm's length transaction between market participants at the valuation date as part of an orderly business transaction under current market conditions or the amount to be paid for the transfer of a liability. Fair value measurement assumes that the transaction leading to the sale of the asset or the transfer of the liability takes place on the asset's principal market or the principal market for the transfer of the liability or, if such a principal market is not available, on the most favourable market for the asset or the transfer of the liability.

Fair value is determined for a certain point in time and by applying those assumptions that representative market participants would take into consideration in pricing. With respect to pricing, it is assumed that market participants act in their own best economic interest.

When measuring the fair value of non-financial assets, the respective market participant's ability to generate an economic benefit is taken into account through the greatest and best use of the asset or through the sale of the asset to another market participant who finds the greatest and best use of the asset.

The GRENKE Consolidated Group uses observable market data, as far as possible, for determining the fair value of an asset or a liability. The fair values are assigned to different levels of the fair value hierarchy based on the input parameters used in the valuation methods:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Measurement procedures in which all input factors that have a significant effect on the recognition of fair value are directly or indirectly observable

Level 3: Measurement procedures that use input factors that have a significant effect on the fair value recognised and are not based on observable market data

If the input factors used to determine the fair value of an asset or a liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is assigned entirely to the level in the fair value hierarchy that corresponds to the lowest input factor material for the overall measurement.

The GRENKE Consolidated Group recognises reclassifications between the different levels of the fair value hierarchy at the end of the reporting period in which the change has occurred. In the reporting year, there were no reclassifications among the three levels of the measurement hierarchy.

3.5 FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial instruments within the scope of IFRS 7 are classified in the following categories under the respective balance sheet item: cash and cash equivalents, financial instruments with positive fair value without hedging relationship, lease receivables (performing), lease receivables (non-performing), trade receivables, other financial assets, liabilities from the refinancing of lease receivables, liabilities from the deposit business, trade payables, bank liabilities, financial instruments with negative fair value without hedging relationship, financial instruments with negative fair value with hedging relationship.

Financial assets and liabilities measured at fair value refer exclusively to derivatives. Other financial assets and liabilities are measured at (amortised) cost, except for performing lease receivables.

DERIVATIVES

Derivative financial instruments (derivatives) used by the GRENKE Consolidated Group, other than those employed as hedging instruments in a hedging relationship under IAS 39, are classified as assets-held-for-trading and, therefore, must be recognised at their fair value in profit and loss upon both their initial and subsequent measurement.

The assessment determining whether a contract contains an embedded derivative is made when the entity first becomes a party to the contract. Embedded derivatives are separated from the basic contract if the latter is not measured at fair value through profit and loss, and an analysis reveals that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the basic contract.

Under hedge accounting, the GRENKE Consolidated Group only accounts for interest rate derivatives for hedging cash flows from the change in interest rates. These interest rate swap contracts are allocated to the variable cash flows of the underlying bonds and private placement transactions, as well as to the variable cash flows of the underlying ABCP and ABS refinancing transactions. The Consolidated Group recognises changes in the fair value of interest rate swaps in other comprehensive income (hedging reserve) while taking deferred taxes into consideration. The ineffectiveness is recognised in profit and loss. The underlying effectiveness is measured as per the end of each reporting period using the hypothetical derivative method. More information is provided in Note 7.3.

FINANCIAL ASSETS

According to IAS 39 and depending on their characteristics, financial assets are classified as financial assets to be measured at fair value through profit and loss, as loans and receivables, as held-to-maturity investments, or as available-for-sale financial assets. Receivables from finance leases are classified according to IAS 17. Please refer to Note 3.3.

Loans and Receivables Category

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the statement of financial position, the Consolidated Group's loans and receivables are recorded under trade receivables, other financial assets, and under cash and cash equivalents.

Held-for-Sale Financial Assets Category

This category is comprised solely of investments in equity instruments and other interests that are measured at acquisition cost. Investments in equity instruments are measured at their fair value when this can be reliably measured. Unrealised gains and losses are recognised within other comprehensive income, net of taxes after taking deferred income tax expenses into account. If fair value cannot be reliably determined, held-for-sale financial assets are measured at acquisition cost. This is the case for equity instruments for which there are no quoted prices on an active market and the essential parameters for calculating the fair value using valuation models cannot be determined with sufficient certainty

Other Categories

At the end of the reporting period, the GRENKE Consolidated Group did not hold any financial assets in the category held-to-maturity financial instruments nor any assets measured at fair value through profit and loss, except for derivatives.

Recognising and Measuring Financial Assets

Financial assets are measured at fair value upon initial recognition. The carrying amounts of financial instruments, other than those designated as at fair value through profit and loss, also include transaction costs that are directly attributable to the acquisition of the assets.

Financial assets are allocated to the measurement categories following initial recognition. Reclassifications are made as per the end of a given fiscal year where permissible and appropriate. No reclassifications took place during the reporting periods. All customary purchases and sales of financial assets use settlement date accounting. Customary purchases or sales are transactions of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

After initial recognition, loans and receivables 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 and the transaction costs. Gains and losses are recognised in net profit when the loans and receivables are derecognised or impaired and through the amortisation process.

Impairment of Financial Assets

At the end of each reporting period, the GRENKE Consolidated Group assesses whether a financial asset or a group of financial assets are impaired. If there is an objective indication of an impairment on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (with the exception of expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate determined upon initial recognition).

An objective indication of impairment is assumed if the debtor is experiencing significant financial difficulties, which are characterised by default or delinquency in interest or principal payments. In addition, past payment behaviour, age structure, a substantial deterioration in credit standing, and a high probability of insolvency of the debtor are taken into consideration. The asset's carrying amount is reduced using an allowance account. The impairment is recognised directly in profit and loss under settlement of claims and risk provision.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is limited to amortised cost at the date of the reversal. The reversal is recognised in profit and loss under settlement of claims and risk provision.

Adequate flat-rate specific bad debt allowances are recognised in order to account for the credit risk from terminated lease contracts or contracts in arrears ("non-performing lease receivables"). The GRENKE Consolidated Group generally treats a lease as a "non-performing lease receivable" as soon as the second lease payment is missed. The lease is then usually terminated, and the present value of the outstanding payments is claimed as damages. This amount is considered impaired. It is recorded under settlement of claims and risk provision in the income statement.

If there is objective evidence of an impairment of equity instruments in the category available-for-sale financial assets, then the amount of loss is the difference between the asset's carrying amount and the present value of the expected future cash flows. After impairment, a write-up in value through profit and loss is no longer allowed.

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 of IAS 39 "Financial Instruments: Recognition and Measurement" have been met. This is usually the case at the GRENKE Consolidated Group when assets are categorised as irrecoverable, and all guarantees have been exhausted and liquidated.

When the GRENKE Consolidated Group transfers its contractual rights to receive the cash flows of an asset, but does not transfer or retain substantially all of the risks and rewards of the asset's ownership, and also retains control of the transferred asset, then the GRENKE Consolidated Group continues to recognise the transferred asset to the extent of its continuing involvement.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents item 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. Cash and cash equivalents are measured at historic costs. Current account liabilities are deducted from cash and cash equivalents for the statement of cash flows.

TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

The GRENKE Consolidated Group initially recognises trade receivables and other financial assets at fair value and subsequently at amortised cost.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value and 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 to effect payments by the guarantor that compensate the guarantee holder for a loss that arises because a given debtor fails to meet their payment obligations on time and according to the terms of the debt instrument. Liabilities from financial guarantee contracts 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. The liability's subsequent measurement is based on the best estimate of the payment required to fulfil the current obligation as per the end of the reporting period or at the higher recognised value less accumulated amortisation.

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. The difference between the corresponding carrying amounts is recognised in profit and loss.

TRADE PAYABLES

The GRENKE Consolidated Group initially recognises trade payables at fair value and subsequently at amortised cost.

3.6 LEASE ASSETS FOR SALE

Lease assets for sale are recognised at the recoverable amount on the basis of historical figures. Appropriate measurement is ensured through the use of maturity bonds.

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.

The depreciation rates are based on the following estimated economic lives:

Office buildings	33 years
Operating and office equipment:	
IT hardware	3 years
Leasehold improvements	10 years
Other (office equipment)	3 – 20 years

The useful life and depreciation method for property, plant and equipment are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant, and equipment.

3.8 GOODWILL

Goodwill resulting from acquisitions is initially measured at cost, which is the excess of the purchase price over the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquired entity as per the date of acquisition.

Goodwill is not subject to scheduled amortisation. Following initial recognition, goodwill is tested for impairment at least once a year (a so-called "impairment test") to prove it is not impaired (the "impairment-only approach"). If there are indications that goodwill might be impaired, further tests must be conducted in addition to the mandatory annual impairment test. In subsequent periods, goodwill is recognised at cost less accumulated impairment.

The impairment test for goodwill is carried out on the cash-generating units. In the Leasing segment, these units are equivalent to the business activities in the respective regions (countries) and typically correspond to the legal entities. The cash-generating unit represents the lowest level at which goodwill is monitored internally. The recoverable amount is the higher of the fair value less selling costs and the value-in-use of the cash-generating unit. If one of these amounts exceeds the carrying amount, then it is not always necessary to determine both amounts. The recoverable amount of each of the cash-generating units was determined based on a value-in-use calculation using cash flow projections derived from four- or five-year financial plans approved by senior management

3.9 OTHER INTANGIBLE ASSETS

LICENCES, SOFTWARE

Purchased licences and software are capitalised at amortised cost. The acquisition costs include the purchase price plus directly attributable costs necessary to prepare the asset for its intended use. The acquisition costs are reduced by scheduled amortisation on a straight-line basis over their expected economic life that, according to individual assessment, is usually either three or five years.

INTERNALLY GENERATED INTANGIBLE ASSETS (DEVELOPMENT COSTS)

An intangible asset developed as part of a single project is only recognised if the GRENKE Consolidated Group is able to prove the technical feasibility of completing the intangible asset for internal use or sale and also prove the intention to complete the intangible asset and use or sell it. In addition, the asset’s generation of future economic benefits, the availability of resources to complete the asset and the ability to measure the expenditure attributable to the intangible asset during its development, must exist.

Internally generated intangible assets are measured at cost. The cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended. The capitalised amounts are amortised on a straight-line basis over the period during which the project is expected to generate revenue or during which the software can probably be amortised. Based on the technical developments expected in the future, the economic life is assumed to be three to five years, depending on the development project.

CUSTOMER RELATIONS/DEALER NETWORKS

Customer relations/dealer networks acquired in a business combination are measured at fair value upon initial recognition. The fair value of customer relations/dealer networks is based on a net present value method by applying the residual value method. Customer relations and dealer networks are amortised on a straight-line basis over their economic life of six to seven years.

NON-COMPETITIVE CLAUSES

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

3.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognised in profit and loss as soon as the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value-in-use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal.

Internally generated intangible assets are tested once annually for impairment during the period in which they have not yet been used.

Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The recoverable amount is estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

The carrying amounts of goodwill are tested in order to assess the probability of continuing future benefits in accordance with the rules described in Note 3.8. Impairment is recognised in profit and loss if the recoverable amount is lower than the carrying amount of the respective cash-generating unit. If the reason for an impairment recorded in a prior period ceases to apply, an impairment loss must be reversed. Exceptions to this rule exist only for impairment of goodwill, the reversal of which is expressly prohibited.

3.11 EQUITY

According to IAS 32, the hybrid bonds issued by GRENKE AG are to be fully classified as equity and reported under additional equity components. The principal amounts of the bonds were recognised under equity, net of discounts and premiums, the cost of issuance and related deferred taxes. The deferred interest payments to shareholders net of income taxes are directly recognised in equity. Upon maturity, interest payments will reduce equity.

3.12 PROVISIONS

Provisions are carried at their probable settlement amount if a present obligation (legal or constructive) exists for the GRENKE Consolidated Group due to an event occurring before the end of the reporting period, and it is probable that the settlement of the obligation will lead to an outflow of resources embodying economic benefits, and if a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

3.13 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit plans relate to benefits following the end of employment and are based on direct benefit commitments for which the amount of the benefit is determined and dependent on factors such as age, remuneration, and time employed. The provision recognised for defined benefit plans in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets. Current and past service costs for benefits following the end of employment are recorded under staff costs. Interest expenses resulting from defined benefit obligations and interest income on plan assets are recorded as net interest expenses under other interest income. Past service costs resulting from plan adjustments are directly recognised in profit and loss.

The present value of the defined benefit obligation is calculated annually by an independent actuarial expert using the projected unit credit method of discounting the forecasted future cash outflows using the interest rate of industrial bonds of excellent credit standing. The industrial bonds are denominated in the currency of the payment amounts, and their terms match those of the pension obligations. The calculation takes the current interest rate on the market into particular account and forecasts of future salary and pension increases in addition to biometric assumptions.

In accordance with Swiss law, the Consolidated Group has set up a defined benefit pension plan in Switzerland, which requires that contributions be made to separately administered funds. The obligation under the defined benefit plans is calculated using the projected unit credit method. In addition, GRENKE BANK AG has defined benefit pension plans for employees who had left the Company by the end of the reporting period. These benefits are not financed by funds. The underlying pension plans relate to both final salary and flat salary pension plans. Actuarial gains and losses, for example, due to adjustment of the discount rate, are recognised as other comprehensive income in equity.

The amount to be recognised as an asset or a liability under a defined benefit plan is the total of the present value of the defined benefit obligation less the fair value of the plan assets of out of which the obligations are to be settled directly.

Contributions to defined contribution plans are recognised as an expense when the employees have rendered services. These expenses include contributions to statutory pension schemes and especially direct insurance premiums. The GRENKE Consolidated Group primarily uses defined contribution plans.

3.14 TAXES

ACTUAL TAX ASSETS AND TAX LIABILITIES

Actual tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as per the end of the reporting period.

DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

Deferred tax liabilities are calculated using the liability method. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability for financial reporting purposes and its tax base.

Deferred tax assets for previously non-utilised tax-loss carryforwards are recognised to the extent that it is probable that taxable profit will be available in the future to utilise these carryforwards. Deferred tax assets and liabilities are recognised on the basis of tax rates anticipated for the period in which the temporary differences will reverse. For this purpose, tax rates are used which are applicable as per the end of the reporting period or will be applicable in the near future.

Deferred taxes relating to items which 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.

VALUE-ADDED TAX

Revenue, expenses, and assets are recognised net of VAT, with the following exceptions:

- when the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the acquisition costs of the asset or as part of the expense item; and
- if the stated receivables and liabilities include VAT.

The net VAT recoverable from or payable to the tax authorities is stated under other receivables or liabilities in the consolidated statement of financial position.

TRADE TAX

In calculating the trade tax provisions for the German Consolidated Group companies GRENKE AG, Grenke Investitionen Verwaltungs KGaA, and GRENKEFACTORING GmbH, Section 19 GewStDV was applied since the 2008 assessment period and charges and similar amounts relating directly to financial services as defined by Section 1 (1a) sentence 2 of the KWG were not added. For GRENKE BANK AG, Section 19 GewStDV is applied in a relevant manner for banks.

3.15 REVENUE RECOGNITION

INCOME FROM LEASING WHEN THE CONSOLIDATED GROUP IS THE LESSOR

Please see the information in Note 3.3.

INCOME FROM SERVICE BUSINESS

Income from service business consists of income from insurance policies in the leasing business that must be concluded by the lessees via the GRENKE Consolidated Group if they do not insure the lease assets themselves. The GRENKE Consolidated Group acts as the agent between the lessee and the insurer.

SALE OF LEASE ASSETS

Revenue from the sale of lease assets is recognised when the relevant risks and rewards incidental to the ownership of the sold goods have been assigned to the customer. Usually, this occurs upon the delivery of the goods to the customer.

Revenue from the sale after the basic lease contract has ended or from lease contracts prematurely terminated by mutual agreement are recorded under gains from disposals and income from the sale due to defective lease agreements are recorded under settlement of claims and risk provision.

INTEREST INCOME

Interest and similar income from financing business (interest-like charges such as factoring fees) are recognised using the effective interest method.

3.16 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.

PRINCIPLES OF CONSOLIDATION

When deciding whether to consolidate an entity, the following control factors, among others, are evaluated: the purpose and design of the entity; the relevant activities and how they are determined; whether the Consolidated Group's rights give the ability to direct the relevant activities; whether the Consolidated Group has risk exposure or rights to variable returns; whether the Consolidated Group can use its power to influence its returns.

When voting rights are decisive, the Consolidated Group is said to have control over an entity where it holds, directly or indirectly, more than half of the voting rights. This is the case unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities

In determining control, potential voting rights are also considered if they are deemed as substantial.

The Consolidated Group gives a similar assessment on the existence of control where it does not control the majority of the voting rights but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of the voting rights of the shareholders give the Consolidated Group the power to direct the activities of the investee.

Moreover, when assessing whether to consolidate an entity, the possibility to control parts of the investee as a fictitious separate entity, a so-called "silo", is also considered.

If any facts or circumstances indicate changes in one or more of the control factors listed in IFRS 10, the Consolidated Group reviews the adequacy of previous decisions. The Consolidated Group reassesses the consolidation status on an annual basis. This includes changes in decision-making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure, as well as changes triggered by an event which was anticipated in the original contractual agreements.

CONSOLIDATION OF STRUCTURED ENTITIES

For refinancing, the Consolidated Group uses various structured entities in the form of asset-backed commercial paper programmes ("ABCP programmes").

Control over the investee as a fictitious separate entity (so-called "silo" structure) was determined for the structured entities and ABCP programmes of CORAL PURCHASING Limited, Kebnekaise Funding Limited, and Opusalpha Purchaser Limited. Although this concerns so-called multi-sellers in which banks create securitisation vehicles to give customers access to specific portfolios of assets and provide market liquidity through the securitisation of the financial assets, this financing structure opens up a further form of refinancing for the Consolidated Group and thus provides it with the corresponding benefits. The GRENKE Consolidated Group does not have the power to exercise influence over the trust or the management of structured entities.

A significant activity over the term of these programmes is the selection of the receivables to be transferred. Furthermore, the initial selection of the receivables for each silo is defined according to specific selection criteria. In the event of a default of receivables, the settlement is managed by the GRENKE Consolidated Group. The opportunities and risks of the receivables of the silos remain in the GRENKE Consolidated Group. In the case of a revolving receivables purchases or sales, the variable returns may be affected in such a manner that the part of the investee is controlled as a fictitious separate entity.

At FCT GK 2, shares of the funds are held by two subsidiaries and are included in consolidation. The shares that are directly and indirectly held by the Consolidated Group are an indication for the inclusion in the scope of consolidation, but not the decisive criteria since all assumptions contained in IFRS 10 must be met for consolidation. FCT GK 2 is included in the scope of consolidation since all control factors are met, and the Consolidated Group controls the entity by having the power to direct the relevant activities, having the right of variable returns, and also having the power to affect the amount of the returns. In contrast to FCT GK 2, there are no participating interests in the case of FCT GK 3 (all other parameters are identical). As with FCT GK 2, consolidation is based on control criteria and not ownership because voting rights or similar rights are not the decisive criteria for determining control. For both, FCT GK 2 and FCT GK 3, control is to be confirmed, which results in a consolidation requirement.

As per December 31, 2017 and December 31, 2016 and during both years, the GRENKE Consolidated Group did not hold any interests where it did not have the controlling influence. Therefore, there were no significant restrictions due to protection rights in favour of these shareholders.

Leasing

Based on an analysis of its contractual conditions, the Consolidated Group, as lessor, has come to the conclusion that during the basic lease term all relevant opportunities and risks related to the ownership of the lease assets are transferred to the lessee in almost all leases. Accordingly, these leases are shown entirely as finance leases.

3.17 USE OF ASSUMPTIONS AND ESTIMATES

In preparing the consolidated financial statements, assumptions and estimates have been made which have had an effect on the recognition and carrying amounts of assets, liabilities, income, expenses, and contingent liabilities.

Assumptions and estimates generally relate to the Group-wide uniform determination of the useful lives of assets; the measurement of provisions; the recoverability of receivables from terminated contracts; the recognition of realisable residual values of lease assets; and the determination of parameters for assessing the ongoing value of intangible assets and other non-financial assets as well as the probability of future tax benefits. In individual cases, the actual amounts may differ from the assumptions and estimates. Any changes will be recognised in profit and loss as and when better information is available.

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

ASSUMPTIONS MADE IN IMPAIRMENT TESTS FOR MEASURING GOODWILL

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

DETERMINATION OF IMPAIRMENTS FOR NON-PERFORMING LEASE RECEIVABLES FROM TERMINATED LEASE CONTRACTS OR CONTRACTS IN ARREARS ON THE BASIS OF THE RECOVERABILITY RATE

Lease receivables from terminated lease contracts or contracts in arrears are carried at amortised cost taking the appropriate bad debt allowances in consideration. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. They are reviewed once a year for validity. Processing statuses are grouped together in processing categories that are set up with respect to risk.

The following table lists the processing categories in the leasing business:

Category	Description
0	Current contract not in arrears
1	Current contract in arrears
2	Terminated contract with serviced instalment agreement
3	Terminated contract (recently terminated or court order for payment applied for)
4	Legal action (pending or after objection to court payment order)
5	Order of attachment issued/Debt-collecting agency commissioned
6	Statement in lieu of oath (applied for or issued) and insolvency proceedings instituted but not completed
7	Derecognised
8	Being settled (not terminated)
9	Discharged (completely paid)

Impairment is assumed for categories 2 to 7 because the contracts have been terminated due to defaults in payment. The allowance rates range between 5% and 100%. In the 2017 fiscal year, a slight adjustment was made in the allowance rates. If the previous rates had been applied, allowances would have been EUR 345k lower. Guaranteed as well as non-guaranteed (calculated) residual values are used to determine the present value of lease receivables in accordance with the definition in IAS 17. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a renewal period. They are determined on the basis of past experience and statistical methods.

DETERMINATION OF IMPAIRMENTS FOR FACTORING RECEIVABLES IN ARREARS

Factoring receivables in arrears are carried at amortised cost less appropriate bad debt allowances. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. Processing statuses are grouped together in processing categories.
The following table lists the processing categories in the factoring business:

Category	Description
0	Receivables waiting to be processed
1	Receivables due and not due before debt collection measures
2	Receivables due in own debt collection
3	Receivables due being processed by third-party debt collection and/or with payment being serviced in instalments
4	Receivables due directly before or after applying for a default notice
5	Receivables due directly before or after action is filed
6	Receivables due of 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 3% and 100%. The allowance rates are determined on the basis of past experience and statistical methods.

DETERMINATION OF IMPAIRMENTS FROM THE LENDING BUSINESS (RISK PROVISION)

For receivables from the lending business, compliance with contractual agreements regarding interest payments and repaying the principal is continuously observed. In the case of defaults or overdrafts, suitable measures in the form of a structured delinquency procedure in written form are initiated at an early stage. If the delinquency procedure turns out to be unsuccessful or the customer becomes insolvent, then the unsecured portion of the receivable is fully impaired unless the customer can repay the outstanding portion of the loan in due time in coordination with the development bank.

DETERMINATION OF IMPAIRMENTS FOR TRADE RECEIVABLES

The Consolidated Group continuously assesses whether trade receivables are impaired. An objective indication for impairment is assumed in the case of default or delinquency of a debtor, indications for insolvency, and other features that indicate a significant reduction in the expected payment of the debtor. The amount of the allowance is based on the processing category in the leasing business and is determined on a case-by-case basis.

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

The residual values calculated at the end of the contract period are determined according to the expiration groups of the respective lease contract and, based on past experience amount to between 3.0% and 17.5% of the acquisition cost for additions since January 1, 2017.

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

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

RECOGNITION OF LEASE ASSETS FOR SALE AT ESTIMATED RESIDUAL VALUES

Lease assets for sale are measured on the basis of the average sales proceeds per age group realised in the past fiscal year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. As per the end of the reporting period, the residual values used amounted to between 2.9% and 17.3% of the historical cost (previous year: between 2.7% and 15.0%). If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities, not derived from information on active markets, are determined using a valuation model. The input parameters of these models are based on observable market data, if possible. If this is not possible, determining the fair values requires a certain degree of judgement. This judgement relates to input parameters such as liquidity risk, credit risk, and volatility. Changes regarding the assumptions of these input parameters may have an effect on the recognised fair value of financial instruments. If observable prices and parameters are available, they are to determine the fair value that in turn avoids the large-scale use of estimates.

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. In determining the amount of the deferred tax assets, a considerable use of judgement is required on the part of the management with regard to the expected occurrence and level of the future taxable income, as well as to the future tax planning strategies.

RECOGNITION AND MEASUREMENT OF ACTUAL TAX ASSETS AND TAX LIABILITIES

Due to the complexity of tax legislation, taxpayers and local tax authorities may have varying constructions and interpretations of the tax laws. This can lead to subsequent tax payments for prior fiscal years. Tax provisions are recognised in the event that the amounts stated in the tax declarations are not likely to be realised (uncertain tax items). The amount is determined from the best estimate of the anticipated tax payment. Tax receivables from uncertain tax items are recognised when it is probable and adequately ensured that they can be realised. The assumptions are based on the management's assessment of the amount of uncertain tax items.

3.18 ADJUSTMENTS

DEFERRED TAXES

The accounting of deferred taxes was changed in accordance with the provisions of IAS 8.41 ff. (partial offsetting). Deferred tax assets and liabilities should be offset to the extent the criteria under IAS 12.74 are met. The criteria for offsetting in certain circumstances, which resulted in deferred tax assets and liabilities, were already met in the past. Despite the order to offset, deferred tax assets and liabilities have been recognised separately for certain issues. This change has no effect on the Consolidated Group's net profit.

The changes were made with retrospective effect. Therefore, in these consolidated financial statements, the comparable figures in the statement of financial position as per December 31, 2016 have been adjusted. These adjustments have the following effect on the statement of financial position:

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS PER DECEMBER 31, 2016

EURk	**Reported consolidated financial statements Dec. 31, 2016**	**Adjustment**	**Adjusted consolidated financial statements Dec. 31, 2016**
Non-current assets			
Deferred tax assets	17,927	–6,884	11,043
Total non-current assets	2,362,489	–6,884	2,355,605
Total assets	**3,971,452**	**–6,884**	**3,964,568**
Non-current liabilities			
Deferred tax liabilities	51,514	–6,884	44,630
Total non-current liabilities	1,952,520	–6,884	1,945,636
Total liabilities and equity	**3,971,452**	**–6,884**	**3,964,568**

The adjustments have no effect on the income statement, the statement of comprehensive income, the statement of cash flows for the 2016 fiscal year or the statement of changes in equity as per December 31, 2016. The comparable information in the Notes to the consolidated financial statements was also changed because of the retrospective adjustment.

4 SELECTED NOTES TO THE INCOME STATEMENT

4.1 NET INTEREST INCOME

4.1.1 INTEREST AND SIMILAR INCOME FROM FINANCING BUSINESS

Interest and similar income from financing business are divided as follows:

EURk	**2017**	**2016**
Interest income from the leasing business	280,809	253,892
Interest income from the refinancing of franchisees	2,301	1,355
Interest and similar income from the factoring business	4,574	4,432
Interest income from the bank's lending business	1,720	1,279
Total	**289,404**	**260,958**

4.1.2 INTEREST EXPENSES FROM REFINANCING AND DEPOSIT BUSINESS

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

EURk	**2017**	**2016**
Interest expenses from refinancing	38,627	38,754
Interest expenses from deposit business	4,180	4,414
Total	**42,807**	**43,168**

4.2 SETTLEMENT OF CLAIMS AND RISK PROVISION

Individual lump-sum bad debt allowances are calculated on the basis of historical rates for the collectability of a receivable in conjunction with its categorisation ("percentage-of-receivables approach").

EURk	**2017**	**2016**
Allowance for losses in the leasing business	54,067	53,070
Retirement of the carrying amount of performing lease receivables due to premature damages	*67,307*	*51,718*
Income from settlement of claims	*67,747*	*49,504*
Derecognition of and net addition to individual lump-sum bad debt allowances	*54,424*	*50,693*
Expenses for del credere fees to franchiser	*83*	*163*
Allowance for losses on the bank's loans and advances	1,122	1,822
Allowance for losses in factoring business	278	197
Profit	**55,467**	**55,089**

4.3 PROFIT FROM SERVICE BUSINESS

The position "profit from insurance business" was changed to "profit from service business" (see Note 3.15). This position contains only income and expenses from the service business that are related to the processing of insurance policies in the context of leases. The income and expenses from the service business are comprised as follows:

EURk	**2017**	**2016**
Income from service business	73,845	62,503
Expenses from service business	3,283	3,224
Profit	**70,562**	**59,279**

4.4 PROFIT FROM NEW BUSINESS

Revenues from the new business of contracted leases are comprised as follows:

EURk	**2017**	**2016**
Recognition of new lease receivables	1,998,337	1,598,005
Share of revenues from leasing down payments	9,044	7,506
Revenues from processing fees	5,518	4,586
Revenues from special lease payments	9,014	5,435
Disposal gains from the true sale of receivables	1,997	0
Initial recognition of new lease assets under operating leases	4,302	0
Total	**2,028,212**	**1,615,532**

Expenses from the new business of contracted leases are comprised as follows:

EURk	**2017**	**2016**
Cost of newly acquired lease assets	1,921,073	1,531,318
Commissions paid to dealers	38,156	25,415
Total	**1,959,229**	**1,556,733**
Profit from new business	**68,983**	**58,799**

The cost of newly acquired lease assets represents all expenses related to the acquisition of the assets. The income from capitalising lease receivables includes the present value of firmly contracted lease payments and the present value of expected or fixed income from the post-transaction. As almost all contracted lease contracts provide for full cost recovery, the total of expected cash flows is equal to or greater than their costs. Costs related to the conclusion of the contract are also capitalised.

Based on the calculations related to the lease agreement, the initial direct costs and the attributable share of revenues from leasing down payments are recorded in the profit from new business. Another component of profit from new business is commissions that are recognised in profit or loss and are not included in the net investment value of the lease receivables.

For the first time, disposal gains from the sale of receivables of newly acquired lease receivables were recorded. The default risk associated with these receivables was also disposed of.

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

EURk	**2017**	**2016**
Revenues from subsequent leases	42,668	37,134
Capital losses from disposal after end of the basic lease term	–45,424	–43,799
Capital gains/losses from the mutually agreed early dissolution of contracts	–2,447	1,516
Depreciation of lease assets in the subsequent lease period	–3,009	–836
Profit	**–8,212**	**–5,985**

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

4.6 STAFF COSTS

The average number of staff during the fiscal year totalled 1,229 (previous year: 1,031), excluding the Board of Directors. Part-time staff is converted into full-time equivalents. Additionally, the Consolidated Group employed 46 trainees (previous year: 28).

EURk	**2017**	**2016**
Salaries	70,697	58,003
Social Security and other benefits	15,465	12,621
Total	**86,162**	**70,624**

A total net pension expense of EUR 556k (previous year: EUR 557k) for existing defined pension plans was recognised in staff costs in the fiscal year 2017. The staff costs also include EUR 919k (previous year: EUR 746k) for the employee participation programme of the French subsidiary.

4.7 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EURk	**2017**	**2016**
Other intangible assets	9,069	4,748
Operating and office equipment	4,863	3,854
Goodwill	0	0
Office buildings	696	694
Lease assets	735	0
Total	**15,363**	**9,296**

For impairment losses, please refer to Notes 5.7 through 5.9.

4.8 SELLING AND ADMINISTRATIVE EXPENSES (NOT INCLUDING STAFF COSTS)

Selling and administrative expenses are divided into the following categories:

EURk	**2017**	**2016**
Operating expenses	26,565	21,384
Consulting and audit fees	9,777	8,277
Distribution costs (without commissions)	12,099	9,389
Administrative expenses	9,911	8,453
Other taxes	2,944	4,439
IT project costs	6,209	6,207
Remuneration of the Supervisory committees	232	231
Total	**67,737**	**58,380**

IT project costs that are not capitalised as development costs occur as a result of the involvement of external expertise particularly for process optimisation projects of the central and standardised IT processes.

4.9 OTHER OPERATING EXPENSES

Other operating expenses are divided as follows:

EURk	**2017**	**2016**
Currency translation differences	2,918	2,490
Revenue deductions	679	613
Maintenance expenses for lease assets	121	0
Commission expenses from banking business	112	108
Capital losses from the disposal of operating and office equipment	95	94
Rental expenses	0	182
Other items	708	529
Total	**4,633**	**4,016**

4.10 OTHER OPERATING INCOME

Other operating income is divided as follows:

EURk	**2017**	**2016**
Refund of input taxes from previous years	6,712	0
Income from overdue payment fees	1,399	1,029
Franchise fees received	967	777
Rental income from operating leases during basis lease term	803	0
Commission income from banking business	718	514
Other fees charged to lessees	648	463
Revenues from the disposal of merchandise	419	381
Change in inventory	–226	–374
Prior-period income	160	222
Insurance compensation	115	76
Capital gains from the disposal of non-current assets	94	22
Reversal of other provisions	81	0
Rent and ancillary rental costs	72	294
Translation differences	0	30
Other items	817	615
Total	**12,779**	**4,049**

4.11 INCOME TAXES

EURk	**2017**	**2016**
Current taxes	27,691	28,167
Corporate and trade taxes (Germany)	*13,637*	*6,528*
Foreign income taxes	*14,054*	*21,639*
Deferred taxes	5,054	3,135
Germany	*3,205*	*1,654*
International	*1,849*	*1,481*
Total	**32,745**	**31,302**

Current taxes include tax expenses relating to previous years of EUR 14,638k (previous year: expenses of EUR 5,471k).

RECONCILIATION FROM THE AVERAGE EFFECTIVE TAX RATE TO THE EXPECTED TAX RATE

The reconciliation of the expected applicable tax rate of GRENKE AG to the effective tax rate based on earnings before taxes (100%) is as follows:

Applicable tax rate	**2017**	**2016**
Trade tax	14.51%	14.19%
Corporate income tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporate income tax)	0.83%	0.83%
Expected average tax rate GRENKE AG	**30.34%**	**30.02%**
Non-deductible expenses	0.16%	0.38%
Changes due to foreign taxes	–9.20%	–9.10%
Effective changes in tax rates	–0.08%	–1.01%
Utilisation of non-capitalised loss carryforwards*	–0.06%	–0.16%
Back payments and tax refunds from previous years	9.28%	4.07%
Tax credits	–8.67%	0.00%
Other *	–1.01%	–0.93%
Effective average tax rate for the Consolidated Group	**20.76%**	**23.27%**

* The previous-year figure stated under "utilisation of non-capitalised loss carryforwards" changed by –0.32% from +0.16% to –0.16%. The line "other" increased by 0.32% from –1.25% to –0.93% accordingly.

4.12 EARNINGS PER SHARE

The calculation of both diluted and basic earnings per share is based on the net profit attributable to shareholders of GRENKE AG of EUR 121,244k (previous year: EUR 101,463k). There was no dilutive effect in either fiscal year 2017 or the previous year. Earnings per share amounted EUR 2.74 for the year under review (previous year: EUR 2.29)*.

Number	**2017**	**2016**
Shares outstanding at beginning of period*	44,313,102	44,262,597
Average number of shares outstanding at end of period*	44,313,102	44,292,126
Shares outstanding at end of period*	44,313,102	44,313,102

* Previous-year figures were adjusted for the stock 1:3 stock split.

4.13 OTHER COMPREHENSIVE INCOME

The reclassification of realised gains and losses before taxes in profit and loss are as follows:

EURk	**2017**	**2016**
Gains (losses) from interest rate contracts arising in the current period	–99	197
Reclassification adjustments to the income statement	–11	–72
Income from hedge relationships	**–110**	**125**

5 SELECTED NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 FINANCIAL INSTRUMENTS WITH POSITIVE FAIR VALUE

Financial instruments with positive fair value were comprised solely of derivatives without hedging relationship. There were no hedging derivatives as defined by IAS 39 that had a positive fair value.

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Fair value of interest rate swaps	0	97
Foreign currency forwards	3,505	3,620
Total	**3,505**	**3,717**

For a discussion of interest rate and currency derivatives, please refer to Note 7.3.

5.2 CASH AND CASH EQUIVALENTS

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Bank balances	82,530	64,439
Balances at central banks	120,825	92,441
Cash in hand	12	16
Total	**203,367**	**156,896**

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

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Cash and cash equivalents as per the statement of financial position	203,367	156,896
Less current account liabilities	111	131
Cash and cash equivalents as per the statement of cash flows	**203,256**	**156,765**

5.3 LEASE RECEIVABLES

EURk	Dec. 31, 2017	Dec. 31, 2016
Outstanding minimum lease payments	3,895,184	3,225,519
+ non-guaranteed residual values	442,068	381,596
Gross investment	**4,337,252**	**3,607,115**
– unrealised (outstanding) finance income	491,779	431,207
Net investment	**3,845,473**	**3,175,908**
– Present value of non-guaranteed residual values	346,979	296,579
Present value of minimum lease payments	**3,498,494**	**2,879,329**

EURk	Less than 1 year	1 to 5 years	More than 5 years
Total gross investment	**1,486,641**	**2,821,007**	**29,604**
Total gross investment (previous year)	1,259,083	2,323,039	24,993
Present value of outstanding minimum lease payments	**1,134,354**	**2,342,276**	**21,864**
Present value of outstanding minimum lease payments (previous year)	949,044	1,912,148	18,137

The reconciliation of gross investment only contains current contracts as per the end of the reporting period. The following adjustments must be made in order to reconcile the net investment with the carrying amount of lease receivables disclosed in the statement of financial position:

EURk	Dec. 31, 2017	Dec. 31, 2016
Changes in lease receivables from current contracts (performing lease receivables)		
Balance at beginning of period	**3,175,908**	**2,758,660**
+ Change during the period	669,565	417,248
Lease receivables (current + non-current) from current contracts at end of period	**3,845,473**	**3,175,908**
Changes in lease receivables from terminated contracts/contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**223,948**	**221,847**
+ Additions to gross receivables during the period	87,359	50,444
– Disposals of gross receivables during the period	40,886	48,343
Gross receivables at end of period	**270,421**	**223,948**
Impairment at beginning of period	**129,746**	**126,335**
+ Additions of accumulated impairment during the period	50,243	41,924
– Disposals of accumulated impairment during the period*	30,830	38,513
Impairments at end of period	**149,159**	**129,746**
Carrying amount of non-performing lease receivables at beginning of period	**94,202**	**95,512**
Carrying amount of non-performing lease receivables at end of period	**121,262**	**94,202**
Lease receivables (carrying amount, current and non-current) at beginning of period	**3,270,110**	**2,854,172**
Lease receivables (carrying amount, current and non-current) at end of period	**3,966,735**	**3,270,110**

* Item contains exchange rate differences in the amount of EUR –712k (previous year: EUR –1,260k).

EURk	Present value of minimum lease payments	Present value of residual values	Other receivables from lessees	Carrying amount
2016				
Current lease receivables	949,044	97,754	94,202	1,141,000
Non-current lease receivables	1,930,285	198,825	0	2,129,110
Total (2016)	**2,879,329**	**296,579**	**94,202**	**3,270,110**
2017				
Current lease receivables	1,134,354	112,505	121,262	1,368,121
Non-current lease receivables	2,364,140	234,474	0	2,598,614
Total (2017)	**3,498,494**	**346,979**	**121,262**	**3,966,735**

Receivables from terminated contracts and contracts in arrears are included in current lease receivables. The following table lists non-performing receivables with the number of days past due:

				past due as per the reporting date in the following time bands				
Lease receivables EURm	Net carrying amount	thereof past due as per the reporting date	Allowances for receivables as per the reporting date	< 90 days	Between 91 days and 180 days	Between 181 days and 360 days	Between 1 and 5 years	> 5 years
As per Dec. 31, 2016								
Not impaired	24.0	24.0	0.0	21.9	1.1	0.4	0.6	0.0
Impaired	73.6	199.9	129.7	16.3	13.1	25.6	109.3	35.6
Total	**97.6**	**223.9**	**129.7**	**38.2**	**14.2**	**26.0**	**109.9**	**35.6**
As per Dec. 31, 2017								
Not impaired	39.6	39.6	0.0	33.7	2.9	2.2	0.8	0.0
Impaired	81.6	230.8	149.2	18.0	19.5	31.9	123.2	38.2
Total	**121.2**	**270.4**	**149.2**	**51.7**	**22.4**	**34.1**	**124.0**	**38.2**

There were no indications that performing lease receivables were impaired as per the end of the reporting period.

As per the reporting date, lease receivables that were neither impaired nor past due amounted to EUR 3,845 million (previous year: EUR 3,176 million)

The maximum credit risk, without taking into account collateral, credit assessment systems, and other tools is limited to the carrying amount of the receivables.

As per December 31, 2017, there were no indications that financial assets (in particular lease receivables) that are neither impaired nor past due will be defaulted upon. Thanks to effective risk management and a highly diversified contract and lessee portfolio, the lease receivables have a particularly diversified risk structure with regard to credit risk. In the majority of cases (95%), the GRENKE Consolidated Group remains the legal owner of the lease assets, which are used as collateral for the lease receivables. There are also a low amount of bank guarantees (EUR 9.5 million) as well as guarantees and warranties from third parties for 5% of the lease receivables based on carrying amount.

The following table shows changes in allowances for current and non-current receivables:

EURm	Dec. 31, 2017	Dec. 31, 2016
Allowances at the beginning of the fiscal year	**129.7**	**126.3**
Addition to specific bad debt allowance	50.2	41.9
Utilisation of specific bad debt allowance	22.5	30.7
Reversal of specific bad debt allowance	7.5	6.5
Currency translation differences	–0.7	–1.3
Allowances at the end of the fiscal year	**149.2**	**129.7**

The interest income resulting from the addition of accrued interest on the allowance expenses amounted to EUR 185k (previous year: EUR 339k) and is reported under settlement of claims and risk provision.

5.4 OTHER FINANCIAL ASSETS

EURk	Dec. 31, 2017	Dec. 31, 2016
Other current financial assets		
Instalments collected before end of month	1,094	1,261
ABCP-related loans	14,973	17,160
Receivables from franchisees (refinancing)	49,734	21,889
Receivables from factoring business	26,856	24,760
Receivables from refinancers	48	–120
Loans (bank)	23,118	19,458
Payments for acquisitions	0	8,500
Other	686	182
Total other current financial assets	**116,509**	**93,090**
Other non-current financial assets		
ABCP-related loans	21,157	23,280
Loans (bank)	46,544	37,123
Receivables from franchisees (refinancing)	10,597	9,959
Other investments	3,000	3,262
Other	749	19
Total other non-current financial assets	**82,047**	**73,643**
Total financial assets	**198,556**	**166,733**

The ABCP-related loans mainly include liquidity reserves, which under the respective agreements must be granted to the sponsor of the programme as collateral for the refinancing volumes. These loans are based on the refinancing volume and the origin of the receivables refinanced through the structured entities. The interest income generated in this context is offset against the interest expense from refinancing liabilities.

Receivables from franchisees include receivables resulting from the refinancing of leases and factoring contracts concluded by franchise operators. As collateral for loan receivables or in forfaiting agreements, the franchisees have assigned both the title to the lease assets and the claim to lease receivables. For the franchisees involved in the factoring business, all claims against the factoring customers have been assigned. The collateralised leasing and factoring receivables fully exceed the receivables from franchisees as per the reporting date. The interest income generated in this context of EUR 2,301k (previous year: EUR 1,355k) (see also Note 4.1.1) is reported as interest income within the net interest income. Refinancing granted in foreign currencies is translated using the closing rate.

At the end of the reporting period, the receivables from the lending business of GRENKE BANK AG that relates to the bank's legacy business amounted to EUR 104k (previous year: EUR 173k). In addition, receivables from the lending business of EUR 69,662k (previous year: EUR 56,581k) include receivables from granting business start-up loans in the amount of EUR 45,582k (previous year: EUR 42,488k), receivables from granting project financing in the amount of EUR 229k (previous year: EUR 316k) and receivables from granting a microcredit in the amount of EUR 15,039k (previous year: EUR 8,994k). Interest income is recognised as such under net interest income.

In the previous year, current financial assets contained an advance payment of EUR 8,500k for shares in Europa Leasing GmbH. The other investments under non-current financial assets contain the interest in Finanzchef24 GmbH in the amount of EUR 3,000k.

Of the other financial assets, a total of EUR 14,984k (previous year: EUR 12,160k) were past due, of which EUR 7,365k (previous year: EUR 6,473k) were impaired. As per December 31, 2017, other financial assets in the amount of EUR 7,619k (previous year: EUR 5,687k) were past due but not impaired. The level of impairment is determined according to the procedures described in Note 3.17. In the past fiscal year, the impairment loss amounted to EUR 872k (previous year: EUR 773k).

The following table provides a breakdown of the other financial assets past due and the number of days past due:

				past due as per the reporting date in the following time bands				
Other financial assets *EURk*	**Net carrying amount**	**thereof past due as per the reporting date**	**Allowances for receivables as per the reporting date**	**< 90 days**	**Between 91 days and 180 days**	**Between 181 days and 360 days**	**Between 1 and 5 years**	**> 5 years**
As per Dec. 31, 2016								
Not impaired	5,687	5,687	0	5,548	74	59	6	0
Impaired	4,376	6,473	2,097	1,083	495	1,421	3,467	7
Total	**10,063**	**12,160**	**2,097**	**6,631**	**569**	**1,480**	**3,473**	**7**
As per Dec. 31, 2017								
Not impaired	7,619	7,619	0	7,363	134	47	73	2
Impaired	4,775	7,365	2,590	1,169	1,015	888	4,229	64
Total	**12,394**	**14,984**	**2,590**	**8,532**	**1,149**	**935**	**4,302**	**66**

In addition, financial assets of EUR 163k (previous year: EUR 507k) that were not past due were impaired by an amount of EUR 75k (previous year: EUR 119k), which results in a net carrying amount of EUR 88k (previous year: EUR 388k).

In addition, financial assets that were neither impaired nor past due amounted to EUR 186,074k (previous year: EUR 156,282k).

There are no indications of financial distress in terms of credit quality for financial assets that were not impaired or past due, and repayment is expected.

The maximum credit risk, without taking into account collateral, credit assessment systems and other tools are limited to the carrying amount of the other financial assets.

The following table provides an overview of changes in allowances for other financial assets:

EURk	Dec. 31, 2017	Dec. 31, 2016
Allowances at the beginning of the fiscal year	**2,216**	**1,607**
Addition to specific bad debt allowance	1,250	911
Utilisation of specific bad debt allowance	415	159
Reversal of specific bad debt allowance	378	138
Currency translation differences	–8	–5
Allowances at the end of the fiscal year	**2,665**	**2,216**

5.5 TRADE RECEIVABLES

Trade receivables of EUR 5,935k (previous year: EUR 4,474k) mainly relate to receivables from franchisees, resellers, and third parties resulting from the disposal of lease assets. An amount of EUR 6,443k (previous year: EUR 2,733k) of these receivables is overdue and EUR 6,144k (previous year: EUR 1,893k) of this amount is impaired. As per December 31, 2017, trade receivables of EUR 299k (previous year: EUR 840k) were overdue but not impaired. The level of impairment is determined by the procedures described in Note 3.17. Income from the reversal of impairment in the fiscal year amounted to EUR 197k (previous year: impairment loss of EUR 86k).

The maximum credit risk without taking into account collateral, credit assessment systems and other tools are limited to the carrying amount of the trade receivables.

Trade receivables contain other receivables from franchisees in the amount of EUR 1,017k (previous year: EUR 1,144k).

The following table lists the trade receivables past due and the number of days past due:

				past due as per the reporting date in the following time bands				
Trade receivables EURk	Net carrying amount	thereof past due as per the reporting date	Allowances for receivables as per the reporting date	< 90 days	Between 91 days and 180 days	Between 181 days and 360 days	Between 1 and 5 years	> 5 years
As per Dec. 31, 2016								
Not impaired	840	840	0	840	0	0	0	0
Impaired	1,043	1,893	850	0	166	468	1,025	234
Total	**1,883**	**2,733**	**850**	**840**	**166**	**468**	**1,025**	**234**
As per Dec. 31, 2017								
Not impaired	299	299	0	299	0	0	0	0
Impaired	2,903	6,144	3,241	0	243	1,250	3,617	1,034
Total	**3,202**	**6,443**	**3,241**	**299**	**243**	**1,250**	**3,617**	**1,034**

In addition, trade receivables that were neither impaired nor past due amounted to EUR 2,734k (previous year: EUR 2,591k).

There are no indications of financial distress in terms of credit quality for trade receivables that were not impaired or past due, and repayment is expected.

5.6 OTHER CURRENT ASSETS

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
VAT receivables	229,809	164,984
Orders in progress	4,234	992
Prepaid expenses	3,252	2,727
Prepayments	3,209	1,376
Amounts in transit	674	7,830
Insurance claims	587	485
Creditors with debit balances	408	267
Merchandise	224	337
Current advances	212	231
Other items	1,216	1,062
Total	**243,825**	**180,291**

5.7 PROPERTY, PLANT AND EQUIPMENT

5.7.1 OVERVIEW OF FISCAL YEAR 2017

EURk	**Land and buildings**	**Assets under construction**	**Operating and office equipment**	**Lease assets from operating leases**	**Total**
Acquisition costs Jan. 1, 2017	**23,920**	**0**	**31,969**	**19,816**	**75,705**
Currency translation differences	0	0	–75	–511	–586
Additions	0	0	6,310	22,336	28,646
Of which additions in the context of a business combination	*0*	*0*	*243*	*2,417*	*2,660*
Disposals	0	0	2,159	13,097	15,256
Reclassifications	0	0	0	0	0
Acquisition costs Dec. 31, 2017	**23,920**	**0**	**36,045**	**28,544**	**88,509**
Accumulated depreciation and impairment Jan. 1, 2017	**6,925**	**0**	**18,839**	**1,572**	**27,336**
Currency translation differences	0	0	–43	–77	–120
Additions to depreciation	696	0	4,863	3,744	9,303
Additions to impairment	0	0	0	0	0
Disposals of depreciation	0	0	1,309	2,116	3,425
Reclassifications	0	0	0	0	0
Accumulated depreciation and impairment Dec. 31, 2017	**7,621**	**0**	**22,350**	**3,123**	**33,094**
Net carrying amounts Dec. 31, 2017	**16,299**	**0**	**13,695**	**25,421**	**55,415**

5.7.2 OVERVIEW OF FISCAL YEAR 2016

EURk	Land and buildings	Assets under construction	Operating and office equipment	Lease assets from operating leases	Total
Acquisition costs Jan. 1, 2016	**23,877**	**0**	**27,276**	**18,266**	**69,419**
Currency translation differences	0	0	–193	–257	–450
Additions	43	0	5,584	12,552	18,179
Of which additions in the context of a business combination	*0*	*0*	*9*	*82*	*91*
Disposals	0	0	698	10,745	11,443
Reclassifications	0	0	0	0	0
Acquisition costs Dec. 31, 2016	**23,920**	**0**	**31,969**	**19,816**	**75,705**
Accumulated depreciation and impairment Jan. 1, 2016	**6,231**	**0**	**15,344**	**1,493**	**23,068**
Currency translation differences	0	0	–96	–19	–115
Additions to depreciation	694	0	3,854	836	5,384
Additions to impairment	0	0	0	0	0
Disposals of depreciation	0	0	263	738	1,001
Reclassifications	0	0	0	0	0
Accumulated depreciation and impairment Dec. 31, 2016	**6,925**	**0**	**18,839**	**1,572**	**27,336**
Net carrying amounts Dec. 31, 2016	**16,995**	**0**	**13,130**	**18,244**	**48,369**

The operating leases are mainly lease contracts whose basic lease term have expired and may be terminated at any time. Depreciation on such lease assets from operating leases is shown in gains/losses from disposals (see Note 4.5). In addition, lease assets that were classified as operating leases at the beginning of the lease are included in this item for the first time starting with the 2017 fiscal year.

EURk	up to 1 year	1 to 5 years	more than 5 years
Outstanding minimum lease payments under operating leases	**1,773**	**1,400**	**0**
Outstanding minimum lease payments under operating leases (previous year)	0	0	0

5.8 GOODWILL

5.8.1 OVERVIEW AND DEVELOPMENT

EURk	**2017**	**2016**
Acquisition cost		
As per Jan. 1	67,669	63,315
Foreign currency translation effects	–1,876	–1,153
Acquisitions and adjustments to first-time consolidation	18,206	5,507
As per Dec. 31	**83,999**	**67,669**
Accumulated amortisation from impairment		
As per Jan. 1	1,154	1,154
Impairment loss of the fiscal year	0	0
As per Dec. 31	**1,154**	**1,154**
Carrying amounts		
As per Jan. 1	66,515	62,161
As per Dec. 31	**82,845**	**66,515**

For information on additions made in 2017, please refer to the explanations on the acquisition of Europa Leasing GmbH, Kieselbronn/Germany, GRENKE RENTING LTD., Sliema/Malta, and GC Locação de Equipamentos LTDA, São Paulo/Brazil in Note 6.1.

The purchase price allocation for the purchase of GRENKE Kiralama Ltd. Sti., Istanbul/Turkey, was finalised in the first quarter of 2017. There have been no changes to the preliminary fair values of the assets and liabilities.

For further information on the business combinations concluded in the previous year, please refer to the Notes to the consolidated financial statements as per December 31, 2016.

Carrying amounts of material goodwill relate to the following cash-generating units:

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Grenke Renting S.A. (Lisbon) – Portugal	28,472	28,472
GC Locação de Equipamentos LTDA (São Paulo) – Brazil[1]	13,587	--
GRENKELEASING d.o.o. (Ljubljana) – Slovenia	5,106	5,106
GRENKE RENT S.L. (Madrid) – Spain	5,015	5,015
GRENKELEASING Sp. z o.o. (Poznan) – Poland	4,283	4,056
GRENKE Kiralama Ltd. Sti. (Istanbul) – Turkey	3,891	4,771
GRENKEFACTORING AG (Basel) – Switzerland	3,878	4,225

[1] The goodwill resulting from the acquisition of GC Locação de Equipamentos LTDA, São Paulo, Brazil, in 2017 is still provisional as the purchase price allocation will only be finalised in 2018 (see Note 6.1). The goodwill is assigned to the cash-generating unit Brazil.

5.8.2 GOODWILL IMPAIRMENT TEST

GRENKE AG tests goodwill for impairment once a year. The key parameters for determining the recoverable amount based on the value-in-use are the future expectations with regard to the development of new business and profitability.

The basic assumptions used in calculating the cash flows that may be generated by the respective entities are based on new business growth rates of the cash-generating units of up to 43% in the Leasing segment in individual regions and individual years. The discount factors, specific to countries, financial structure, and currencies, range between 3.2% and 16.5% (previous year: between 3.2% and 10.1%). These discount factors reflect the cost of capital after taxes.

Discount factors are calculated based on the "capital asset pricing model" (CAPM), taking into account a risk-free interest rate of 1.0% (previous year: 0.9%) and a beta factor of 0.73 (previous year: 0.76) for the cash-generating units in the Leasing and Banking segments. A beta factor of 0.67 (previous year: 0.66) was used for the cash-generating units in the Factoring segment. Cash flows after a five-year period were carried forward using a growth rate of 1.0% (previous year: 1.0%). Forecasts for the development of new business have proven to be stable in the past. Due to the particular business alignment of the Consolidated Group, the forecasting parameters available on the market are not suitable for providing forecasting quality, since they relate only to the entire leasing market, which is heavily influenced by the leasing of property, capital goods, and vehicles. Therefore, forecasts for the development of new business are based on the Company’s past experience.

For Portugal, one of our significant cash-generating units, the key assumptions used are a discount factor of 9.4% (previous year: 9.6%) and new business growth rates between –2.0% and 5.0% (previous year: between 5.0% and 8.0%) in single years. The perpetual growth rate is 1.0% (previous year: 1.0%). The key assumptions of the parameters used correspond to the approach mentioned above, which holds true for all cash-generating units.

5.8.3 SENSITIVITY OF ASSUMPTIONS

The fair value of a cash-generating unit, where the major value drivers are cash flows and the discount rate, is sensitive to changes in the discount rate. The discount rate is largely determined by the risk-free interest rate, a market risk premium, and a beta factor for systematic risk. Specific features with regard to countries, financial structure, and currencies were taken into consideration. These parameters are based on external sources of information. Therefore, fluctuations in the components stated above may affect the discount rate.

As part of the validation of the fair values determined for the cash-generating units, the major value drivers for each unit are reviewed annually. A sensitivity test was performed on discount rates and growth rates of new business that are the key determinants used in the discounted cash flow model.

The management is of the opinion that realistic changes to the assumptions used for implementing impairment tests within the Consolidated Group do not result in any additional impairment beyond the one mentioned above. The changes arising since the routine annual impairment test have not affected the parameters for the evaluation of the individual cash-generating units.

5.9 OTHER INTANGIBLE ASSETS

5.9.1 OVERVIEW OF FISCAL YEAR 2017

EURk	Development costs	Software licences	Customer relations/ non-competitive clauses	Total
Acquisition costs as per Jan. 1, 2017	**9,621**	**8,720**	**18,072**	**36,413**
Currency translation differences	0	–19	–454	–473
Additions	5,086	1,712	0	6,798
Disposals	177	1,292	0	1,469
Additions through business combinations	0	71	18,347	18,418
Reclassifications	0	0	0	0
Acquisition costs as per Dec. 31, 2017	**14,530**	**9,192**	**35,965**	**59,687**
Accumulated amortisation as per Jan. 1, 2017	**1,264**	**5,877**	**9,203**	**16,344**
Currency translation differences	0	–11	–99	–110
Additions	2,379	1,667	5,023	9,069
Disposals	177	841	0	1,018
Reclassifications	0	0	0	0
Accumulated amortisation as per Dec. 31, 2017	**3,466**	**6,692**	**14,127**	**24,285**
Net carrying amounts Dec. 31, 2017	**11,064**	**2,500**	**21,838**	**35,402**

5.9.2 OVERVIEW OF FISCAL YEAR 2016

EURk	Development costs	Software licences	Customer relations/ non-competitive clauses	Total
Acquisition costs as per Jan. 1, 2016	**4,771**	**7,429**	**16,633**	**28,833**
Currency translation differences	0	–17	–200	–217
Additions	4,850	1,364	0	6,214
Disposals	0	56	0	56
Additions through business combinations	0	0	1,639	1,639
Reclassifications	0	0	0	0
Acquisition costs as per Dec. 31, 2016	**9,621**	**8,720**	**18,072**	**36,413**
Accumulated amortisation as per Jan. 1, 2016	**583**	**3,970**	**7,109**	**11,662**
Currency translation differences	0	–5	–13	–18
Additions	681	1,960	2,107	4,748
Disposals	0	48	0	48
Reclassifications	0	0	0	0
Accumulated amortisation as per Dec. 31, 2016	**1,264**	**5,877**	**9,203**	**16,344**
Net carrying amounts Dec. 31, 2016	**8,357**	**2,843**	**8,869**	**20,069**

Additions in "customer relations/non-competitive clauses" resulted exclusively from business combinations in the reporting year and the previous years.

5.10 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are divided as follows:

	Statement of financial position		Income statement	
EURk	**Dec. 31, 2017**	**Dec. 31, 2016[1]**	**2017**	**2016**
Deferred tax assets				
Tax-loss carryforwards	9,605	9,671	53	211
Lease receivables	1,600	1,128	–499	–253
Liabilities	5,150	6,085	1,001	156
Pensions	723	1,043	404	–149
Others	1,923	0	–1,929	174
Total	**19,001**	**17,927**	**–970**	139
Deferred tax liabilities				
Lease receivables	49,863	34,158	15,336	–9,421
Intangible assets	9,388	4,270	–2,453	867
Liabilities	2,718	13,078	–8,881	12,268
Others	2,077	8	2,022	–718
Total	**64,046**	**51,514**	**6,024**	2,996
Deferred tax expense/(income)			**5,054**	3,135
Deferred tax liabilities, net	**45,045**	**33,587**	**--**	**--**
Reported in the statement of financial position as follows after offsetting:				
Deferred tax assets	**10,887**	**11,043**	**--**	**--**
Deferred tax liabilities	**55,932**	**44,630**	**--**	**--**

1 Previous-year amounts adjusted, see Note 3.18

Deferred tax liabilities of EUR 8k were released directly in equity, and EUR 6k in deferred tax assets were recognised directly in equity in the fiscal year (previous year: release of deferred tax assets of EUR 2k directly in equity and recognition of deferred tax liabilities directly in equity of EUR 8k). These resulted from the cash flow hedge reserve directly recognised in equity. Additionally, deferred tax assets of EUR 84k were released (previous year: recognition of deferred tax assets of EUR 58k) in connection with the direct recognition of actuarial gains and losses. No deferred tax assets were recognised for tax-loss carryforwards amounting to EUR 3,132k. The expense was reduced by EUR 100k due to the recognition of previously unrecognised tax losses. A total of EUR 118k result from the change in the tax rate and EUR 446k from the derecognition of temporary differences previously recognised.

5.11 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

5.11.1 OVERVIEW

The GRENKE Consolidated Group's financial liabilities consist of current and non-current financial liabilities.

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Financial liabilities		
Current financial liabilities		
Asset-based	261,292	226,792
Senior unsecured	661,469	724,236
Committed development loans	61,360	45,604
Liabilities from deposit business	274,721	228,125
Other bank liabilities	2,683	2,824
thereof current account liabilities	*111*	*131*
Total current financial liabilities	**1,261,525**	**1,227,581**
Non-current financial liabilities		
Asset-based	481,518	431,595
Senior unsecured	1,678,392	1,194,928
Committed development loans	128,784	78,988
Liabilities from deposit business	244,487	188,963
Total non-current financial liabilities	**2,533,181**	**1,894,474**
Total financial liabilities	**3,794,706**	**3,122,055**

The GRENKE Consolidated Group structures the split of its financial liabilities in the same manner as reported to bond and capital market participants to ensure a uniform presentation. Asset-based financial liabilities include liabilities in connection with ABCP programmes and sales of receivables to external credit institutions. Senior unsecured financial liabilities include primary unsecured debt instruments.

The liabilities from the deposit business comprise deposits by customers of GRENKE BANK AG. The total current liabilities totalling EUR 274,721k (previous year: EUR 228,125k) include an amount of EUR 52,011k as per the end of the reporting period (previous year: EUR 34,520k) of deposits payable on demand. For the other deposits consisting of restricted and fixed-term deposits, corresponding terms have been arranged.

Bank liabilities are the liabilities arising from the use of operating credit lines (overdraft borrowings). As per the reporting date, these credit lines were utilised in the amount of EUR 111k (previous year: EUR 131k).

Current and non-current lease receivables totalling EUR 765,167k (previous year: EUR 656,136k) have been assigned to the refinancing institutions to secure the liabilities stemming from the refinancing of the leasing business. Each item of collateral is assigned until the outstanding receivable on the lease has been settled. The collateral is then reassigned. The items of collateral for assigned receivables are marked so that they may be clearly distinguished from non-assigned receivables.

As per December 31, 2017, the volume of non-current financial liabilities with remaining maturities of one to five years or more was as follows:

EURk		Total amount	1 to 5 years	More than 5 years	Secured amount
Type of liability					
	2017	**481,518**	**480,873**	**645**	**393,218**
Asset-based	(previous year)	431,595	430,611	984	377,490
	2017	**1,678,392**	**1,586,520**	**91,872**	**0**
Senior unsecured	(previous year)	1,194,928	987,928	207,000	0
	2017	**128,784**	**123,230**	**5,554**	**128,784**
Committed development loans	(previous year)	78,988	72,585	6,403	78,988
	2017	**244,487**	**244,487**	**0**	**0**
Liabilities from deposit business	(previous year)	188,963	188,963	0	0

Further details on the refinancing sources and the main categories of financial liabilities are discussed below.

5.11.2 ASSET-BASED FINANCIAL LIABILITIES

Structured Entities

The following consolidated structured entities were in place as per the balance sheet date: Opusalpha Purchaser II Limited (HeLaBa), Kebnekaise Funding Limited (SEB AB), CORAL PURCHASING Limited (DZ Bank), FCT "GK"-COMPARTMENT "G 2" (UniCredit), FCT "GK"-COMPARTMENT "G 3" (HSBC). In the following, the consolidated structured entities initiated as asset-backed commercial paper (ABCP) programmes are further explained.

ABCP Programmes

The GRENKE Consolidated Group has several asset-backed commercial paper programmes (ABCPs) with a total volume of EUR 772,500k as per the end of the reporting period (previous year: EUR 735,000k).

EURk	Dec. 31, 2017	Dec. 31, 2016
Programme volume	772,500	735,000
Utilisation	655,211	624,610
Carrying amount	575,023	531,544
thereof current	*181,805*	*154,054*
thereof non-current	*393,218*	*377,490*

The ABCP programmes grant GRENKE FINANCE PLC and Grenke Investitionen Verwaltungs KGaA the right to refinance or to sell receivables to the respective programmes for a certain period of time. The cap on the purchase volume is determined by the volume of the programme, which is normally backed by the organising bank in the form of a liquidity commitment in the corresponding amount. The carrying amount is calculated using the effective interest method, whereby incurred transaction costs are amortised over the term of the underlying refinancing package.

The structured entities are refinanced by issuing commercial papers, usually with a term of one month, on a revolving basis. The interest on the commercial papers is based on one-month Euribor. This is a floating interest rate. The structured entities manage the interest rate risk (fixed-rate lease receivables versus floating-rate refinancing) with interest rate hedges (interest rate swaps).

There is no currency risk in ABCP refinancing as only euro transactions, and euro-based leases are involved.

The maturities of the individual ABCP programmes can be found in the following table:

ABCP programme	Sponsoring bank	Maturity until
Opusalpha Purchaser II Limited	HeLaBa	March 2018
Kebnekaise Funding Limited	SEB AB	November 2018
CORAL PURCHASING Limited	DZ-Bank	August 2018
FCT "GK"-COMPARTMENT "G 2"	UniCredit	April 2019
FCT "GK"-COMPARTMENT "G 3"	HSBC	June 2019

Sales of Receivables Agreements

Sales of receivables agreements are currently in place with Stadtsparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, UBS AG in Switzerland, the Commerzbank subsidiary mBank S.A., Deutsche Bank Brazil, as well as with Norddeutsche Landesbank for receivables in the UK.

All such agreements represent refinancing of lease contracts with matching maturities. For this purpose, individual lease contracts with similar maturities are grouped together, and lease receivables are purchased for the same maturities.

This ensures that at any time in the future the interest charge for the GRENKE Consolidated Group is fixed and known for the entire term of the contract. Therefore, there is no interest risk. For this reason, derivatives are not used for this type of financing. There were no indications of a possible derecognition of any items because the credit risk remained with the GRENKE Consolidated Group. The present value of the obligations as per the end of the reporting period was EUR 148,115k (previous year: EUR 126,843k) and coincides with the value of the receivables sold (fewer reductions, etc.).

	Dec. 31, 2017	Dec. 31, 2016
Programme volume in local currency		
EURk	*25,000*	*25,000*
GBPk	*100,000*	*80,000*
PLNk	*80,000*	*60,000*
CHFk	*50,000*	*50,000*
BRLk	*75,480*	--
Programme volume in EURk	218,589	178,602
Utilisation in EURk	148,115	126,843
Carrying amount in EURk	148,115	126,843
thereof current	*71,591*	*72,739*
thereof non-current	*76,524*	*54,104*

Residual Loans

The Consolidated Group has had residual loans since its acquisition of Europa Leasing GmbH. The residual loans serve in part to finance the residual amounts of lease contracts for which the payment instalments were sold in the context of the sale of receivables.

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Carrying amount	19,672	0
thereof current	*7,896*	*0*
thereof non-current	*11,776*	*0*

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, 2017**	**Dec. 31, 2016**
Bonds	1,510,590	1,209,998
thereof current	*83,676*	*266,374*
thereof non-current	*1,426,914*	*943,624*
Promissory notes	361,845	392,941
thereof current	*123,414*	*151,387*
thereof non-current	*238,431*	*241,554*
Commercial paper	313,000	201,000
Revolving credit facility	106,758	73,937
thereof current	*93,711*	*64,187*
thereof non-current	*13,047*	*9,750*
Money market trading	25,000	31,692
Overdrafts	11,044	--
Accrued interest	11,624	9,596

The following table lists the refinancing volumes of the individual instruments:

	Dec. 31, 2017	**Dec. 31, 2016**
Bonds EURk	2,000,000	1,500,000
Commercial paper EURk	500,000	500,000
Revolving credit facility EURk	150,000	150,000
Revolving credit facility PLNk	100,000	50,000
Revolving credit facility CHFk	20,000	10,000
Money market trading EURk	35,000	45,000

Bonds

Unless stated otherwise, three-month Euribor is the reference interest rate for floating-rate bonds, debentures, and private placements. The discounts and the initial expenses directly corresponding to the transaction concerned are reversed over the term of the debt securities using the effective interest method.

All debentures are bullet debt securities and are subject to constant rating. If the Standard & Poor's rating were to be downgraded, the agreed interest rate would be contractually adjusted (increased). As a downgrade is not expected, no hedge has been concluded to date.

Debt Issuance Programme

The relevant terms and conditions for bonds using the debt issuance programme are as follows:

	Term		Interest coupon	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	EURk	EURk
Euro bond	13/12/2012	13/12/2019	3.75	40,837	40,756	41,000	41,000
Euro bond	07/06/2013	07/06/2017	2.00	0	99,964	0	100,000
Euro bond	09/12/2013	10/12/2018	2.25	124,908	124,808	125,000	125,000
Euro bond	21/02/2014	21/08/2018	1.90	29,986	29,962	30,000	30,000
Euro bond	04/03/2014	04/03/2019	2.17	29,983	29,968	30,000	30,000
Euro bond	17/04/2014	17/10/2017	1.625	0	124,913	0	125,000
Euro bond	27/06/2014	27/08/2018	1.50	9,997	9,990	10,000	10,000
Euro bond	07/07/2014	07/07/2017	1.25	0	9,995	0	10,000
Euro bond	26/11/2014	27/05/2019	1.50	145,025	124,835	145,000	125,000
Euro bond	06/03/2015	06/03/2018	0.884	23,998	23,986	24,000	24,000
Euro bond	26/03/2015	26/03/2019	0.80	29,979	29,961	30,000	30,000
Euro bond	27/04/2015	27/04/2020	0.73	29,890	29,840	30,000	30,000
Euro bond	21/05/2015	27/04/2020	0.93	19,933	19,902	20,000	20,000
Euro bond	07/09/2015	07/04/2017	Euribor + 0.60	0	12,198	0	12,200
Euro bond	04/12/2015	05/10/2020	1.375	119,853	119,545	120,000	120,000
Euro bond	21/01/2016	21/01/2026	2.616	25,896	25,883	26,000	26,000
Euro bond	09/03/2016	09/04/2021	1.50	175,517	144,986	175,000	145,000
Euro bond	15/06/2016	15/06/2021	0.875	19,921	19,897	20,000	20,000
Euro bond	17/06/2016	15/09/2017	0.02	0	19,964	0	20,000
Euro bond	08/08/2016	08/08/2018	0.44	19,994	19,984	20,000	20,000
Euro bond	29/11/2016	02/02/2022	1.125	164,082	148,661	165,000	150,000
Euro bond	27/02/2017	18/01/2019	0.02	9,948	0	10,000	0
Euro bond	03/03/2017	03/03/2022	1.041	19,967	0	20,000	0
Euro bond	14/03/2017	06/04/2020	0.70	42,903	0	43,000	0
Euro bond	14/03/2017	09/03/2020	0.729	39,955	0	40,000	0
Euro bond	20/03/2017	20/03/2019	0.573	24,978	0	25,000	0
Euro bond	06/07/2017	06/07/2021	0.738	24,945	0	25,000	0
Euro bond	06/07/2017	06/07/2021	0.695	34,923	0	35,000	0
Euro bond	07/09/2017	07/10/2022	0.875	198,621	0	200,000	0
Euro bond	13/10/2017	02/01/2019	0.02	19,945	0	20,000	0
Euro bond	20/11/2017	17/02/2020	0.17	9,981	0	10,000	0
Euro bond	05/12/2017	05/12/2024	0.970	14,970	0	15,000	0

In 2017, a total of 11 new bonds were issued with an aggregated nominal volume of EUR 443,000k. The terms and conditions are listed in the table above. In addition, the bond from November 26, 2014 was increased by EUR 20,000k, the bond from March 9, 2016 was increased by EUR 10,000k and an additional EUR 20,000k and the bond from November 29, 2016 was increased by EUR 15,000k. The terms and conditions are listed in the table below.

	Term		Interest coupon	Discount	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	EURk
Euro bond	16/06/2017	27/05/2019	0.319	417	20,000	0
Euro bond	07/08/2017	09/04/2021	0.764	265	10,000	0
Euro bond	16/10/2017	09/04/2021	0.617	566	20,000	0
Euro bond	16/08/2017	02/02/2022	0.816	173	15,000	0

A total of 5 bonds with an aggregated nominal volume of EUR 267,200k were redeemed as scheduled in the past fiscal year.

In addition, a bond denominated in Swiss francs was assumed for the first time.

	Term		Interest coupon	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	CHFk	CHFk
CHF bond	15/09/2017	15/09/2020	0.45	59,655	0	70,000	0

Promissory Notes (PN)

The terms and conditions for the promissory notes denominated in euro are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	EURk	EURk
EUR-PN	06/12/2010	30/06/2020	4.850	2,250	3,000	2,250	3,000
EUR-PN	06/12/2010	30/06/2020	4.850	2,250	3,000	2,250	3,000
EUR-PN	21/12/2012	21/12/2020	2.80	3,000	4,000	3,000	4,000
EUR-PN	28/03/2013	05/01/2017	2.41	0	20,000	0	20,000
EUR-PN	31/01/2014	31/01/2019	2.25	9,996	9,992	10,000	10,000
EUR-PN	18/07/2014	18/07/2017	1.43	0	25,000	0	25,000
EUR-PN	28/07/2014	28/07/2019	1.644	9,991	9,985	10,000	10,000
EUR-PN	12/08/2014	12/08/2017	1.20	0	5,000	0	5,000
EUR-PN	26/08/2014	26/08/2017	1.26	0	15,000	0	15,000
EUR-PN	04/09/2014	04/09/2017	1.18	0	10,000	0	10,000
EUR-PN	18/09/2014	18/09/2017	1.05	0	7,000	0	7,000
EUR-PN	12/12/2014	12/12/2017	1.21	0	25,000	0	25,000
EUR-PN	26/03/2015	26/03/2019	0.84	5,000	7,500	5,000	7,500
EUR-PN	15/06/2015	15/06/2018	0.87	10,000	10,000	10,000	10,000
EUR-PN	09/07/2015	09/07/2018	0.835	10,000	10,000	10,000	10,000
EUR-PN	21/07/2015	21/07/2018	0.95	10,000	10,000	10,000	10,000
EUR-PN	23/07/2015	23/07/2018	0.91	25,000	25,000	25,000	25,000
EUR-PN	25/07/2015	25/07/2018	0.90	10,000	10,000	10,000	10,000
EUR-PN	17/08/2015	17/08/2018	0.811	13,996	13,989	14,000	14,000
EUR-PN	04/09/2015	04/09/2018	0.78	20,000	20,000	20,000	20,000
EUR-PN	22/12/2015	22/12/2017	0.75	0	4,997	0	5,000
EUR-PN	29/03/2016	29/03/2019	0.78	9,994	9,989	10,000	10,000
EUR-PN	29/04/2016	29/04/2026	2.35	10,968	10,964	11,000	11,000
EUR-PN	30/05/2016	01/04/2019	0.72	20,000	20,000	20,000	20,000
EUR-PN	05/09/2016	05/09/2019	0.52	9,992	9,987	10,000	10,000
EUR-PN	20/10/2016	20/10/2026	1.702	19,930	19,922	20,000	20,000

	Term		Interest coupon	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	EURk	EURk
EUR-PN	26/11/2016	26/11/2019	0.714	10,000	10,000	10,000	10,000
EUR-PN	05/01/2017	05/01/2020	0.770	20,000	0	20,000	0
EUR-PN	24/01/2017	24/01/2022	1.058	9,980	0	10,000	0
EUR-PN	23/02/2017	23/02/2027	2.083	19,927	0	20,000	0
EUR-PN	18/07/2017	18/07/2020	0,630	25,000	0	25,000	0
EUR-PN	01/09/2017	01/09/2021	0.654	10,000	0	10,000	0
EUR-PN	20/11/2017	20/11/2020	0.521	10,000	0	10,000	0

The terms and conditions for the promissory notes denominated in Swiss francs are listed in the following table:

	Term		Interest coupon	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	CHFk	CHFk
CHF-PN	03/02/2014	10/01/2017	1.59	0	372	0	400
CHF-PN	29/09/2014	29/09/2017	0.82	0	9,299	0	10,000
CHF-PN	29/01/2015	10/01/2018	0.01	684	3,725	800	4,000
CHF-PN	30/03/2015	10/01/2018	0.35	684	3,725	800	4,000
CHF-PN	12/06/2015	12/06/2018	0.43	8,546	9,312	10,000	10,000
CHF-PN	29/09/2015	29/09/2017	0.234	0	9,312	0	10,000
CHF-PN	24/05/2016	10/04/2019	0.34	4,662	8,445	5,455	9,090
CHF-PN	27/07/2016	10/07/2019	0.29	5,384	9,201	6,300	9,900
CHF-PN	24/10/2016	10/10/2019	0.45	6,836	10,225	8,000	11,000
CHF-PN	31/03/2017	07/03/2022	0.81	8,527	0	10,000	0

All repayments were on schedule in the 2017 fiscal year.

The foreign currency promissory notes in the following table were also assumed.

	Term		Interest coupon	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016	Nominal amount Dec. 31, 2017	Nominal amount Dec. 31, 2016
Description	from	to	percent p. a.	EURk	EURk	PLNk	PLNk
PLN-PN	25/09/2017	25/09/2020	3.50	2,394	0	10,000	0
Description	from	to	percent p. a.	EURk	EURk	GBPk	GBPk
GBP-PN	15/12/2017	15/12/2017	2.34	16,854	0	15,000	0

Commercial Paper

The GRENKE Consolidated Group has the option of issuing commercial paper of up to a total volume of EUR 500,000k with a term of between 1 and 364 days. As per December 31, 2017, EUR 313,000k (previous year: EUR 201,000k) of the commercial paper programme was utilised.

Revolving Credit Facility

The GRENKE Consolidated Group has the ability to borrow short-term funds with maturities of typically one month at any time through six revolving credit facilities with a total volume of EUR 150,000k (part of which may be utilised in Swiss francs). These facilities are available to GRENKE FINANCE PLC, Dublin/Ireland with a portion also available to GRENKELEASING AG, Zurich, Switzerland. GRENKELEASING AG, Zurich, Switzerland, also has a further loan facility available with a total volume of CHF 20,000k.

These facilities are available from Deutsche Bank AG, DZ Bank AG, HSBC Trinkaus & Burkhardt AG, Norddeutsche Landesbank, SEB AG and Commerzbank AG.

As per December 31, 2017, the revolving credit facilities were utilised in the amount of EUR 90,000k and CHF 0k (previous year: EUR 50,000k and CHF 16,500k).

There is also an additional facility with SEB AG that gives GRENKLEASING Sp. Z.o.o. access to short-term funds at any time in a minimum amount of PLN 1,000k and a fixed maturity of three years. As per December 31, 2017, the volume utilised based on this facility amounted to PLN 70,000k (previous year: PLN 43,000k).

Money Market Trading

GRENKE FINANCE PLC, Dublin/Ireland and GRENKELEASING AG, Zurich, Switzerland have a non-committed money market facility totalling EUR 35,000k from Bayerische Landesbank.

As per December 31, 2017, these credit lines were utilised in an amount of EUR 25,000k and CHF 0k (previous year: EUR 28,000k and CHF 2,700k).

5.11.4 COMMITTED DEVELOPMENT LOANS

There are various collaborations in the form of global loans between the GRENKE AG, GRENKE BANK AG and the development banks Kreditanstalt für Wiederaufbau, NRW Bank, Thüringer Aufbaubank, Investitionsbank Berlin, LfA Förderbank Bayern and the ILB Investitionsbank des Landes Brandenburg. These collaborations facilitate the integration of public funding in the lease financing. The funding is available to regional investment projects of commercial enterprises and self-employed professionals with an annual turnover of up to EUR 500 million.

In addition, GRENKE BANK AG in cooperation with KfW offers a nationwide "ERP Startgeld" programme providing funds to business start-ups and young companies. KfW provides both low-interest loans and an 80% exemption from liability for the firm’s bank. The maximum loan amount is limited to EUR 100k each.

In addition to the development loan programme "KfW Startgeld" of KfW-Mittelstandsbank, GRENKE BANK AG also offers the business development programme "Startfinanzierung 80" in the state of Baden-Württemberg. The programme targets start-ups and is jointly offered by L-BANK and Bürgschaftsbank Baden-Württemberg. The low-interest loans are offered by L-Bank, and the Bürgschaftsbank provides an 80% default guarantee.

The following table shows the carrying amounts of the development loans utilised at the individual development banks.

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Description		
NRW Bank	73,392	51,771
Thüringer Aufbaubank	9,557	11,068
Investitionsbank Berlin	1,835	3,040
LfA Förderbank Bayern	7,603	14,712
Investitionsbank des Landes Brandenburg	4,761	3,691
KfW	90,741	37,932
Landeskreditbank Baden-Württemberg – Förderbank	2,216	2,310
Accrued interest	39	68

5.11.5 RECONCILIATION OF FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES OF THE STATEMENT OF CASH FLOWS

The change in financial liabilities from financing activities consists of the following:

EURk	**Dec. 31, 2017**
Bank liabilities (excluding overdrafts)	
Opening balance	2,692
Cash-effective change	–120
Closing balance	2,572
Total liabilities from financing activities	**2,572**

5.12 FINANCIAL INSTRUMENTS WITH NEGATIVE FAIR VALUE

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Derivatives with hedging relationship	0	0
Derivatives without hedging relationship	1,959	2,976
Total	**1,959**	**2,976**

The GRENKE Consolidated Group reported negative fair values in connection with forward exchange contracts (see Note 7.3.4) for the current fiscal year.

The forward exchange contracts are reported as derivatives without hedging relationship as defined by IAS 39. As per December 31, 2017, forward exchange contracts on the British pound, Canadian dollar, Swiss franc, Hungarian forint, Danish krone, Swedish krona, Czech koruna, Croatian kuna, Australian dollar, Polish zloty, Turkish lira, Singapore dollar and United Arab Emirates dirham had a negative fair value of EUR 1,959k (previous year: negative fair value of EUR 2,976k on the British pound, Canadian dollar, Swiss franc, Hungarian forint, Danish krone, Swedish krona, Czech koruna, Singapore dollar and United Arab Emirates dirham). Please refer to Note 7.3.4 for more detailed information.

5.13 OTHER CURRENT LIABILITIES

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Value-added tax	10,225	9,395
Debtors with credit	7,603	5,732
Liabilities for salaries	1,208	573
Outstanding charges from refinancers	962	0
Customer payments being settled	688	1,352
Contributions to social security	581	457
Wages/church tax	535	393
Liabilities from car leases	387	301
Deferred income	256	219
Settlement accounts with companies	178	137
Liabilities from security deposits	119	233
Liabilities from other taxes	54	204
Other	1,014	1,400
Total	**23,810**	**20,396**

5.14 PROVISIONS

The liability risks of GRENKE BANK AG are shown under this item. The composition is as follows:

EURk	**Jan. 1**	**Addition**	**Utilisation**	**Reversals**	**Dec. 31**
2017					
Liability risks	1,646	0	19	0	1,627
Onerous contracts	0	0	0	0	0
Total	**1,646**	**0**	**19**	**0**	**1,627**

EURk	**Jan. 1**	**Addition**	**Utilisation**	**Reversals**	**Dec. 31**
2016					
Liability risks	1,657	0	11	0	1,646
Onerous contracts	107	0	77	30	0
Total	**1,764**	**0**	**88**	**30**	**1,646**

Of the liability risks, an amount of EUR 796k (previous year: EUR 796k) relates to contingent liabilities recognised as part of the purchase price allocation for the acquisition of GRENKE BANK AG. Initially, this amount was EUR 1,429k. As an outflow of funds can occur at any time, this contingent liability was classified as a current liability. Reimbursement options from third parties do not exist. Of the total provisions, an amount of EUR 0k (previous year: EUR 0k) is non-current.

5.15 DEFERRED LIABILITIES

The item deferred liability consists of the following:

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Consulting services	2,561	3,844
Personnel services	5,187	4,106
Other costs	17,322	8,026
Total	**25,070**	**15,976**

All deferred liabilities are of current nature.

5.16 PENSIONS

5.16.1 DEFINED BENEFIT PLANS

The provisions for pensions relate to the compulsory funded retirement benefit plans (endowment insurance) with supplementary payment obligation on the part of the employers in Switzerland for GRENKELEASING AG, Zurich and GRENKEFACTORING AG, Basel, and the pension obligations from final salary and flat salary pension plans in Germany for GRENKE BANK AG, Baden-Baden. A total net pension expense of EUR 556k (previous year: EUR 557k) was recognised for existing pension plans in the 2017 fiscal year.

The weighted-average duration of the predominant share of the pension obligations amounts to 18.7 years (previous year: 13.4 years).

Pensions in Germany

The pension obligations of GRENKE BANK AG relate to direct and vesting pension commitments that were made in the past predominantly for former employees.

The pension provisions were calculated on the basis of the following parameters:

	Dec. 31, 2017	**Dec. 31, 2016**
Discount rate	1.55%	1.50%
Estimated future pension increases	1.70%	1.70%
Mortality tables applied	Mortality Tables 2005 G*	Mortality Tables 2005 G*

* from Prof Klaus Heubeck

The development of the defined benefit obligations is as follows:

EURk	**2017**	**2016**
Change in defined benefit obligations		
Defined benefit obligations at beginning of period	**1,814**	**1,726**
Interest expense	27	34
Current service cost	0	0
Benefits paid	–54	–56
Actuarial gains and losses recognised in equity	0	110
Past service costs resulting from amendments to plan	0	0
Defined benefit obligations at end of period	**1,787**	**1,814**

Pensions in Switzerland

Under the Swiss Occupational Pension Act (BVG), every employer must grant pensions to entitled employees after termination of employment. The GRENKE Consolidated Group maintains defined benefit plans (capital-based) in Switzerland that are managed by trusts and independent of the Company.

The external expert opinion is based on the following actuarial assumptions:

	Dec. 31, 2017	**Dec. 31, 2016**
Discount rate	0.70%	0.35%
Estimated future salary increases	2.50%	2.50%
Estimated future pension increases*	0.00%	0.00%
Mortality tables applied	BVG 2015	BVG 2015

* Assuming a 0% pension increase as no pensions are currently being paid to employees.

On the basis of the actuarial report, the following income and expenses were recognised:

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Service cost	556	557
Interest expense	21	38
Income from interest on plan assets	12	22

The assets are invested in a collective insurance agreement with a life insurance company by way of a follow-up agreement with the BVG pension fund (Professional Pension Act). The fund manages the assets and is responsible for the investment strategy within statutory regulations. The investments consist exclusively of direct entitlements against the pension fund.

As per December 31, 2017, the provision for pensions recognised under non-current liabilities amounted to EUR 2,632k (previous year: EUR 2,967k). This amount comprises the present value of the obligations (DBO) of EUR 6,514k (previous year: EUR 6,399k), the fair value of the plan assets of EUR 3,882k (previous year: EUR 3,432k) and an actuarial gain of EUR 382k (previous year: loss of EUR 95k).

EURk	**2017**	**2016**
Change in defined benefit obligations		
Defined benefit obligations at beginning of period	**6,399**	**5,297**
Interest expense	21	38
Current service cost	556	557
Benefits paid	186	311
Contributions of the participants of the plan	571	184
Actuarial gains and losses recognised in equity	–658	–50
Currency translation differences from foreign plans	–561	62
Defined benefit obligations at end of period	**6,514**	**6,399**
Change in plan assets		
Fair value of plan assets at beginning of period	**3,432**	**2,778**
Expected return	12	22
Employer's contributions	277	249
Contributions of the participants of the plan	186	184
Benefits paid	571	311
Actuarial gains and losses recognised in equity	–276	–145
Currency translation differences from foreign plans	–320	33
Fair value of plan assets at end of period	**3,882**	**3,432**

The actuarial gains and losses included in the revaluation of defined benefit obligations result from the following:

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Changes in demographic assumptions	0	–513
Changes in financial assumptions	–532	436
Experience-based gains/losses	–126	27
Total	**–658**	**–50**

Experience-based adjustments to plan assets amounted to EUR –276k (previous year: EUR –145k). Employer contributions for the subsequent period are estimated at EUR 263k.

Sensitivity Analysis

A change in the assumption above applied to determine the DBO as per December 31, 2017 and December 31, 2016 would increase or decrease the DBO as follows:

Dec. 31, 2017	**Change of assumptions in percentage points**	**Increase of assumptions Change of DBO in EURk**	**Decrease of assumptions Change of DBO in EURk**
Discount rate	0.25	–388	417
Future salary increases	0.25	65	–63
Future pension increases	0.25	55	–53
Dec. 31, 2016			
Discount rate	0.25	–411	444
Future salary increases	0.25	76	–74
Future pension increases	0.25	56	–54

In calculating the sensitivity of the DBO for the relevant actuarial assumptions, the same method was used as for the calculation of the recognised obligation.

5.16.2 DEFINED CONTRIBUTION PLANS

Defined contribution plans represent an additional part of the occupational pension schemes within the Consolidated Group. Under defined contribution plans, the entity pays contributions to public or private pension insurance schemes voluntarily or on the basis of statutory or contractual requirements. The entity does not have any other benefit obligations beyond the contribution payments.

The current contribution payments are recognised as an expense for the respective year. In 2017, they amounted to a total of EUR 2,000k (previous year: EUR 1,931k) and had mainly comprised contributions to the statutory pension insurance scheme in Germany. Going forward, the level of expenses primarily depends on the development of the underlying pension insurance schemes.

5.17 EQUITY

5.17.1 SHARE CAPITAL

For the details of changes in equity, please see the consolidated statement of changes in equity.

By resolution of the Annual General Meeting on May 11, 2017, GRENKE AG executed a capital increase from company funds in the amount of EUR 25,432,327.53 and a subsequent stock split at a 1:3 ratio.

The new share capital totals EUR 44,313,102.00 divided into 44,313,102 no-par value shares (previous year: EUR 18,881k divided into 14,771,034 no-par value shares). Each share has a notional interest in the share capital of EUR 1.00. The conversion was executed as per July 2017. Trading in the new shares on the regulated market of the Frankfurt Stock Exchange commenced on July 10, 2017. All shares have the same rights and obligations. Each share is entitled to one vote at the Annual General Meeting and accounts for the shareholders' proportionate share in the Company's net profit.

5.17.2 AUTHORISED CAPITAL

On May 12, 2015, with the consent of the Supervisory Board, the Annual General Meeting adopted a resolution authorising the Board of Directors to increase the Company's share capital by up to a nominal amount of EUR 1,885k. This can be undertaken by issuing new shares in return for cash and/or contribution in kind until May 11, 2020 (Authorised Capital). As a result of the capital increase in the form of a Scrip Dividend on June 2, 2016, authorised capital amounts to EUR 1,864k.

5.17.3 AUTHORISATION TO ACQUIRE TREASURY SHARES IN ACCORDANCE WITH SECTION 71 (1) NO. 8 AKTG

The Company was given authorisation to acquire treasury shares until May 11, 2020 by the Annual General Meeting of May 12, 2015 in accordance with Section 71 (1) No. 8 AktG. The Company has not made use of this authorisation.

5.17.4 PARTICIPATION CERTIFICATE CAPITAL AND HYBRID BONDS

By resolution of the Annual General Meeting on May 3, 2016 and the consent of the Supervisory Board, the Board of Directors was authorised to issue participation certificates and other hybrid financial instruments on one or several occasions up to a total value of EUR 150,000k for a term of five years until May 2, 2021. As per the reporting date, the amount of this authorisation utilised overall was EUR 95,000k, of which EUR 75,000k was utilised in the 2017 fiscal year (see Note 5.17.7).

5.17.5 UNAPPROPRIATED SURPLUS

On May 11, 2017, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for fiscal year 2016 in the amount of EUR 34,637,384.17. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

2016 unappropriated surplus	EUR 34,637,384,17
Distribution of a dividend of EUR 1.75 per registered share for a total of 14,771,034 registered shares[1]	EUR 25,849,309,50
Profit carryforward (to new account)	EUR 8,788,074.67

1 Amounts prior to stock split

The dividend was paid to the shareholders of GRENKE AG on May 16, 2017. The Board of Directors will propose to the Annual General Meeting the distribution of a dividend of EUR 0,70 per share for the 2017 fiscal year. This distribution has not been recognised as a liability as per December 31, 2017.

5.17.6 RESERVES

The capital reserves of EUR 93,611k (previous year: EUR 119,043k) mainly result from the IPO of GRENKE AG in April 2000 and the capital increases in February 2013, May 2014 and May 2016. By resolution of the Annual General Meeting on May 11, 2017, a partial amount of EUR 25,432,327.53 was converted from capital reserves into share capital. In addition to GRENKE AG's retained earnings, retained earnings of the Consolidated Group also comprise the retained earnings and profits of the consolidated subsidiaries and consolidated structured entities.

5.17.7 ADDITIONAL EQUITY COMPONENTS

On July 22, 2015, GRENKE AG issued an unsecured, subordinated hybrid bond (non-cumulative, indefinite Additional Tier 1, known as an AT1 bond or hybrid capital) with a nominal volume of EUR 30,000k and an interest coupon of 8.25%. The interest payments for this bond are based on the bond's nominal value and are fixed for the period from the day of issuance until the first possible early redemption day. Thereafter, the interest rate will be redetermined for periods of five years each. Interest payments can be omitted in full or in part, are non-cumulative and at the issuer's discretion. Interest payments in subsequent years will not be increased to make up for any omitted interest payments occurring in prior years. The bonds have an indefinite maturity and are therefore not subject to a limited term. The bonds can be called by GRENKE AG with effect as per the first possible early redemption day and thereafter at five-year intervals. The bonds can also be called prematurely, subject to certain conditions. The investors' right to call the bonds is excluded. The bonds are subject to the terms and conditions detailed in the respective prospectus, which include – among others – that GRENKE AG can call the bonds only in full and not in part, to the extent certain regulatory or tax reasons exist. Any premature call of the bonds requires the prior approval of the relevant regulatory authority. The redemption and nominal amount of the bonds may be reduced upon the occurrence of a triggering event. If GRENKE Consolidated Group's Tier 1 core capital ratio falls below 5.125%, this would constitute such a triggering event. In the case of a triggering event, the bonds may be appreciated, subject to certain conditions.

On December 20, 2016, the bond with an unchanged coupon of 8.25% was increased by a nominal EUR 20,000k. The change in market interest rates since the first issue resulted in an additional premium of EUR 600k.

On March 31, 2017, GRENKE AG paid EUR 4,125,000.00 to hybrid capital holders on schedule (previous year: EUR 1,710,860.66).

On September 27, 2017, GRENKE AG issued a further unsecured subordinated hybrid bond with a nominal volume of EUR 75,000k and an interest coupon of 7.00%. The terms are otherwise identical to the AT1 bond issued on July 25, 2015. The first possible early redemption date is March 31, 2023. Transaction costs of EUR 1,425k were offset directly against retained earnings.

6 CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 ACQUISITIONS

EUROPA LEASING GMBH, KIESELBRONN/GERMANY

On January 1, 2017, GRENKE AG assumed control over Europa Leasing GmbH, Kieselbronn/Germany. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on December 6, 2016. The business model of Europa Leasing GmbH, Kieselbronn/Germany, is similar to that of GRENKE AG. The company focusses on the sale of medical equipment in its core markets of Germany, and to a lesser extent, Austria and Switzerland. Through the acquisition, GRENKE has substantially strengthened its market position in the area of small-ticket leasing of medical devices.

The following information relates to the preliminary fair value of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 11,434k, lease receivables EUR 41,578k, other assets EUR 5,593k, liabilities from the refinancing of the leasing business EUR 31,998k, deferred tax liabilities EUR 2,822k and other liabilities EUR 5,793k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. Of the lease receivables with a gross amount of EUR 41,686k, an amount of EUR 108k is impaired and is not expected to be recovered. The deferred tax liabilities resulted mainly from the revaluation and identification of assets in the course of the purchase price allocation. The purchase price allocation resulted in goodwill of EUR 1,146k that is expected to be not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The total consideration paid for the business combination amounted to EUR 19,138k and consisted exclusively of cash and cash equivalents. The cash acquired with the business combination amounted to EUR 4,126k. All costs related to the acquisition were recognised in profit and loss. Since the date of acquisition, the acquired company has contributed a net result of EUR –1,212k to the Consolidated Group's net profit after consolidation effects and effects from the purchase price allocation. The contribution to net interest income since the date of acquisition was EUR 659k.

GRENKE RENTING LTD., SLIEMA/MALTA

On March 31, 2017, GRENKE AG assumed control over GC Renting Malta Ltd., Sliema/Malta. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on March 29, 2017. Prior to the acquisition, GC Renting Malta Ltd., Sliema/Malta, was active within GRENKE AG's franchise system and specialised in the sale of small-ticket leases with a strong focus on IT and IT equipment. Through the acquisition, GRENKE has expanded its presence by adding another European country. The acquired company has meanwhile changed its name to GRENKE RENTING Ltd.

The following information relates to the fair value of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 4,466k, other assets EUR 849k, deferred tax assets EUR 208k, deferred tax liabilities EUR 1,615k and other liabilities EUR 1,266k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. Other assets contain lease receivables with a gross amount of EUR 92k, of which EUR 35k are impaired and not expected to be recovered. The deferred tax liabilities resulted mainly from the revaluation and identification of assets in the course of the purchase price allocation. The purchase price allocation that is still preliminary resulted in goodwill of EUR 2,704k that is expected to be not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The total consideration paid for the business combination amounted to EUR 5,346k and consisted of cash and cash equivalents of EUR 4,973k and contingent consideration of EUR 373k. The contingent consideration is based on the development of subsequent business and was calculated using a discounted earnings model. As per the reporting date, the value of the contingent consideration changed due to compounding interest and amounted to EUR 383k. The cash acquired with the business combination amounted to EUR 592k. All costs related to the acquisition were recognised in profit and loss. Since the date of acquisition, the acquired company has contributed a net result of EUR –332k to the Consolidated Group's net profit after consolidation effects and effects from the purchase price allocation. Had GRENKE acquired the company as per January 1, 2017, the subsidiary would have contributed a negative annual result in the amount of EUR –446k to the Consolidated Group's net profit.

GC LOCAÇÃO DE EQUIPAMENTOS LTDA, SÃO PAULO/BRAZIL

On June 30, 2017, GRENKE AG assumed control over GC Locação de Equipamentos LTDA, São Paulo/Brazil. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on July 25, 2017. Prior to the acquisition, GC Locação de Equipamentos LTDA, São Paulo/Brazil, was active within GRENKE AG's franchise system and specialised in the sale of small-ticket leases with a strong focus on IT and IT equipment. The acquisition of the company of our former franchisee marks GRENKE's first fully owned subsidiary on the American continent, allowing GRENKE to further expand its global market presence. Because not all of the relevant information for a final purchase price allocation is available, the fair values of the assets and liabilities are preliminary – with respect to the treatment of tax-loss carryforwards – and may be subject to adjustments based on new information obtained during the acquisition process. The purchase price allocation is based on all available information as per the date of preparing the financial statements about facts and circumstances that existed as per the acquisition date. If further facts and circumstances become available during a 12-month measurement period, the purchase price allocation will be adjusted accordingly under IFRS 3.

The following information relates to the preliminary fair value of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 2,518k, lease receivables EUR 21,022k, other assets EUR 5,116k, liabilities from the refinancing of the leasing business EUR 36,734k, deferred tax liabilities EUR 3,622k, other liabilities EUR 1,996k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. Of the lease receivables with a gross amount of EUR 26,562k, an amount of EUR 5,540k is impaired and is not expected to be recovered. The deferred tax liabilities resulted mainly from the revaluation and identification of assets in the course of the purchase price allocation. The purchase price allocation that is still preliminary resulted in goodwill of EUR 14,356k that is expected to be not tax deductible. Goodwill includes intangible assets that could not be separately identified, such as employees and expected synergy effects. The total consideration paid for the business combination amounted to EUR 660k and consisted of a symbolic cash purchase price and contingent consideration of EUR 659k. The contingent consideration is based on the profitable development of the Company and was calculated using a discounted earnings model. As per the reporting date, the value of the contingent consideration changed due to compounding interest and currency translation effects and amounted to EUR 667k. The cash acquired with the business combination amounted to EUR 859k. All costs related to the acquisition were recognised in profit and loss. Since the date of acquisition, the acquired company has contributed a net result of EUR –2,049k to the Consolidated Group's net profit after consolidation effects and effects from the purchase price allocation. The contribution to net interest income amounted to EUR –288k. Had GRENKE acquired the company as per January 1, 2017, the subsidiary would have contributed a negative annual result in the amount of EUR –4,205k to the Consolidated Group's net profit.

6.2 FURTHER CHANGES AND DISCLOSURES

GRENKE KIRALAMA LTD. STI., ISTANBUL/TURKEY

The purchase price allocation for GRENKE Kiralama Ltd. Sti., Istanbul/Turkey, which was acquired in the previous year, was finalised in the first quarter of 2017. There were no changes to the preliminary fair value of assets and liabilities. Further information on the business combinations of the previous year is presented in the Notes to the Company's consolidated financial statements of December 31, 2016.

GRENKE DIGITAL GMBH, BADEN-BADEN/GERMANY

On July 1, 2017, we established a new subsidiary GRENKE digital GmbH. In the context of establishing this subsidiary, most of the employees of the former IT business unit of GRENKE AG were transferred to GRENKE digital GmbH. GRENKE digital GmbH has primarily assumed the IT operations, IT maintenance and other IT services for GRENKE AG.

GRENKE LOCAÇÃO DE EQUIPAMENTOS LTDA, SÃO PAULO/BRAZIL

The company, which was established at the end of 2016, was consolidated for the first time in the 2017 fiscal year.

7 DISCLOSURES ON FINANCIAL INSTRUMENTS

7.1 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

			Valuation in accordance with IAS 39			Valuation in accordance with IAS 17
EURk	Measurement category	Carrying amount Dec. 31, 2017	At fair value directly in equity	At fair value through profit and loss	Amortised cost	
Financial assets						
Cash and cash equivalents	L&R	203,367			203,367	
Financial instruments with positive fair value without hedging relationship	AtFVtPL	3,505		3,505		
Lease receivables (performing)	n. a.	3,845,473				3,845,473
Lease receivables (non-performing)	L&R	121,262			121,262	
Trade receivables	L&R	5,935			5,935	
Other investments	Afs	3,000			3,000	
Other financial assets	L&R	195,556			195,556	
Aggregated categories						
	L&R				526,120	
	AtFVtPL			3,505		
	Afs				3000	
	n. a.					3,845,473
Financial liabilities						
Liabilities from the refinancing of lease receivables	oL	3,272,815			3,272,815	
Liabilities from deposit business	oL	519,208			519,208	
Trade payables	oL	20,550			20,550	
Bank liabilities	oL	2,683			2,683	
Financial instruments with negative fair value without hedging relationship	AtFVtPL	1,946		1,946		
Financial instruments with negative fair value with hedging relationship	n.a.	13	13			
Aggregated categories						
	oL				3,815,256	
	AtFVtPL			1,946		

Abbreviations:
AtFVtPL: At Fair Value through Profit and Loss/Financial assets and financial liabilities measured at fair value through profit and loss
L&R: Loans and Receivables
n. a. not applicable/no category according to IFRS 7.8
oL other (financial) Liabilities
Afs Available-for-sale financial assets

			Valuation in accordance with IAS 39			Valuation in accordance with IAS 17
EURk	Measurement category	Carrying amount Dec. 31, 2016	At fair value directly in equity	At fair value through profit and loss	Amortised cost	
Financial assets						
Cash and cash equivalents	L&R	156,896			156,896	
Financial instruments with positive fair value without hedging relationship	AtFVtPL	3,620		3,620		
Financial instruments with positive fair value with hedging relationship	n. a.	97	97			
Lease receivables (performing)	n. a.	3,175,908				3,175,908
Lease receivables (non-performing)	L&R	94,202			94,202	
Trade receivables	L&R	4,474			4,474	
Other investments	Afs	3,262			3,262	
Other financial assets	L&R	163,471			163,471	
Aggregated categories						
	L&R				419,043	
	AtFVtPL			3,620		
	Afs				3,262	
	n. a.		97			3,175,908
Financial liabilities						
Liabilities from the refinancing of lease receivables	oL	2,702,143			2,702,143	
Liabilities from deposit business	oL	417,088			417,088	
Trade payables	oL	16,663			16,663	
Bank liabilities	oL	2,824			2,824	
Financial instruments with negative fair value without hedging relationship	AtFVtPL	2,976		2,976		
Aggregated categories						
	oL				3,138,718	
	AtFVtPL			2,976		

Abbreviations:
AtFVtPL: At Fair Value through Profit and Loss/Financial assets and financial liabilities measured at fair value through profit and loss
L&R: Loans and Receivables
n. a. not applicable/no category according to IFRS 7.8
oL other (financial) Liabilities
Afs Available-for-sale financial assets.

Net gains and losses	Currency translation	Impairment	From disposal	Net profit
Dec. 31, 2017 (EURk)				
Loans and Receivables	–3,345	–15,036	–40,831	**–59,212**
At Fair Value through Profit and Loss	763	0	0	**763**
Other Financial Liabilities	0	0	0	**0**
Dec. 31, 2016 (EURk)				
Loans and Receivables	–6,074	–4,470	–48,278	**–58,822**
At Fair Value through Profit and Loss	3,771	0	0	**3,771**
Other Financial Liabilities	0	0	0	**0**

Total interest income calculated according to the effective interest method amounted to EUR 9,095k (previous year: EUR 7,599k). Total interest expenses for financial assets and financial liabilities not measured at fair value through profit and loss was EUR 3,659k (previous year: EUR 1,420k).

Net gains from lease receivables are comprised of interest income, profit from new business, and profit from disposals. They amounted to EUR 341,581k (previous year: EUR 306,706k). 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

Please refer to the combined group management report and management report for qualitative and quantitative disclosures regarding default risk, liquidity risk and market risk.

7.2 MATURITY OF FINANCIAL OBLIGATIONS

The table below shows the maturities of the earliest possible non-discounted contractual cash flows of the financial obligations at the end of the reporting period of the most recent and the previous fiscal years. Some amounts do not match the amounts shown in the statement of financial position as they relate to undiscounted cash flows.

As per Dec. 31, 2017

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	439,085	764,220	1,960,431	100,149
Liabilities from deposit business	52,011	76,688	146,022	244,487	0
Bank liabilities	111	2,572	0	0	0
Other liabilities	0	23,810	0	1,050	0
Trade payables	0	20,550	0	0	0
Negative fair values from derivative financial instruments	0	0	1,199	760	0
Total	**52,122**	**562,705**	**911,441**	**2,206,728**	**100,149**

As per Dec. 31, 2016

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	303,852	752,702	1,533,571	215,956
Liabilities from deposit business	34,520	69,245	124,360	188,963	0
Bank liabilities	131	2,693	0	0	0
Other liabilities	0	20,396	0	0	0
Trade payables	0	16,663	0	0	0
Negative fair values from derivative financial instruments	0	328	897	1,751	0
Total	**34,651**	**413,177**	**877,959**	**1,724,285**	**215,956**

With respect to the disclosures on liquidity risk management, please refer to the explanations in the combined group management report and management report.

7.3 DERIVATIVE FINANCIAL INSTRUMENTS

7.3.1 USE AND MEASUREMENT

Business Model

As a small-ticket IT leasing company, GRENKE Consolidated Group offers lease contracts to B2B customers for mobile IT assets, among others. The lease portfolio, i.e. all lease contracts in their entirety, has fixed contractual terms over the duration of each individual contract. Upon conclusion of the contract, both the periodical payments as well as the interest rate used to calculate the payments are set out. Neither of the parties can subsequently amend these terms. GRENKE Consolidated Group only dissolves or agrees to dissolve contracts prematurely (repurchase, exchange option, termination, etc.) if the lessee bears the potential loss (i.e. due to lost interest). Each derivative contract has an underlying economic transaction with a corresponding contrarian risk position. Contracts are only concluded with credit institutions having an investment grade rating. Therefore, and due to the diversification of our contract partners, the maximum credit risk is of minor importance and is limited to the carrying amount. Please refer to the combined group management report and management report, and particularly to the risk report and the report on the financial position and net assets for qualitative and quantitative disclosures regarding default risk, liquidity risk, and market risks. Please refer to the Notes to the Consolidated Statement of Financial Position for more information.

Hedging Policy

Derivatives are used when, and only when, underlying contracts must be hedged. Underlying contracts are the contractual obligations entered into by GRENKE Consolidated Group in order to achieve its objectives. The Treasury department is not a separate profit centre. The use of derivatives is limited to hedging the profits of GRENKE Consolidated Group to the extent stipulated in the Company’s Articles of Association.

Items are largely hedged in terms of volume or amount, with various instruments being used. The choice of instrument is always a management decision based on the risk profile, i.e. the potential income associated with the risk in question. In addition to benefiting from falling interest rates, interest rate caps also entail a risk of rising finance costs until the strike is reached, whereas swaps fix a specified interest rate for the term of the underlying transaction.

Measurement

Since the derivatives used are so-called OTC derivatives rather than standardised listed financial instruments, recognised measurement models are used for calculating fair values. The necessary parameters for measurement, such as interest rates, yield curves, and foreign exchange spot and forward rates, can be observed on the market at all times and may be accessed via external sources of information.

7.3.2 CURRENCY RISK MANAGEMENT

GRENKE Consolidated Group is exposed to currency risks as a result of its European activities and the growing significance of its international markets. Derivatives are used to mitigate or eliminate these risks.

Derivative Financial Instruments for Currency Hedging

Forward exchange contracts were and are used to hedge the cash flows from the refinancing of the international franchise companies in Dubai, Canada, Croatia, Singapore and Australia, as well as the British, Czech, Swedish, Hungarian, Swiss (Factoring), Danish, Polish, Turkish and Norwegian subsidiaries. The GRENKE Consolidated Group AG finances the lease receivables generated by the franchisees and the subsidiaries in the corresponding foreign currencies and receives payments in those currencies over the term of the underlying lease contracts.

Hedge accounting was not applied. The fair values of the forward exchange contracts are recorded under financial instruments with positive fair value and financial instruments with negative fair value. As per the end of the reporting period, there were asset and liability forward exchange contracts, leading to their disclosure as assets (see Note 5.1) as well as liabilities (see Note 5.12). As per the end of the reporting period, forward exchange contracts totalled a nominal volume equivalent to EUR 302,168k (previous year: EUR 125,722k).

These contracts are divided by currency as follows:

EURk	**Nominal volume as per**		**Maturity of the nominal volume as per Dec. 31, 2017**				
EUR buying	**Dec. 31, 2016**	**Dec. 31, 2017**	**2018**	**2019**	**2020**	**later**	**Hedged average rate**
TRY	10,637	11,283	11,283	0	0	0	4.89
CZK	3,210	14,450	5,390	4,125	2,733	2,202	25.75
GBP	73,998	95,090	95,090	0	0	0	0.89
CHF	8,669	9,067	9,067	0	0	0	1.17
HUF	2,153	7,868	3,560	2,618	1,281	409	313.01
CAD	2,601	19,745	4,284	15,461	0	0	1.54
SEK	5,385	39,365	9,150	9,215	8,704	12,296	9.85
DKK	12,872	62,059	17,767	17,133	16,705	10,454	7.44
AED	5,058	21,437	10,981	6,240	3,108	1,108	4.56
SGD		5,395	180	2,053	3,162	0	1.66
HRK	1,139	10,100	10,100	0	0	0	7.43
PLN		474	474	0	0	0	4.18
AUD		1,343	0	0	1,343	0	1.64
NOK		4,492	1,449	1,268	882	893	9.8

Sensitivity

For information on exchange rate sensitivity, please refer to the detailed notes on market price risk in the risk report contained in the combined group management report.

7.3.3 INTEREST RATE RISK MANAGEMENT

The interest rate risk for GRENKE Consolidated Group's operations results mainly from the sensitivity of its financial liabilities to changes in market interest rates. GRENKE Consolidated Group endeavours to limit the impact of such risks on interest expense and net interest income by employing appropriate derivatives.

Derivative Financial Instruments for Interest Rate Hedging

Issuing bonds and contracting interest rate swaps are elements of implementing a financing strategy under which GRENKE Consolidated Group separates refinancing from interest rate hedging in order to obtain maximum flexibility for optimising its refinancing activities. The risks (variable cash flows) which may result are hedged by appropriate interest rate derivatives.

Interest rate swaps are used as hedging instruments and are designated as hedges in accordance with IAS 39 if the appropriate requirements have been met. As all interest rate derivatives used in hedge accounting have been proven to be 100% effective, the changes in fair value in relation to their "clean value" (excluding accrued interest) were recognised in other comprehensive income.

Under the ABCP programmes as well as the FCT "GK"-COMPARTMENT "G 2" and FCT "GK"-COMPARTMENT "G 3", the respective structured entity or GRENKE AG is responsible for interest rate hedging and thus interest rate risk management. The variable refinancing of the ABCP transaction is economically hedged by the employment of interest rate swaps. From the perspective of the GRENKE Consolidated Group, both are receiver swaps. A fixed interest rate is exchanged for a floating-rate interest.

In fiscal years 2017 and 2016, apart from the ABCP programmes, only payer swaps were contracted. The payer swaps bear the agreed fixed interest rate from interest rate swaps. The swaps in place at the end of the reporting period had a nominal volume as per December 31, 2017 of EUR 400 million (previous year: EUR 402 million) and contracted fixed interest rates in the range of 0.403% and 0.327% (previous year: 0.238% and 0.016%) over the respective duration. The longest contracted interest rate swap expires in 2018 (previous year: expiry 2018). The table below shows the development of the nominal volumes of the payer swaps as per the end of the reporting period of the coming years. The average interest rate is defined as the arithmetic mean of the existing swaps.

EURk	**Nominal volume as per Dec. 31.**			**Average interest rate**
	2016	**2017**	**2018**	**2017**
Contracted prior to 2017	12,200	150,000	150,000	–0.40%
Contracted in 2017	390,000	250,000	250,000	–0.34%
Total	**402,200**	**400,000**	**400,000**	

Sensitivity

For information on interest rate sensitivity, please refer to the detailed notes on market price risk in the risk report contained in the combined group management report and GRENKE AG's management report.

7.3.4 HEDGE EFFECTIVENESS

IFRS accounting requires documentation and a risk analysis when derivative financial instruments are employed. The appropriation between the underlying transaction and the hedging instrument determines the effectiveness of a hedging relationship. By employing derivatives for interest rate hedging, the GRENKE Consolidated Group applies hedge accounting in accordance with IAS 39. Hedge effectiveness, as required by IFRSs, is in line with GRENKE Consolidated Group’s intention of using derivatives only to hedge risks from the designated underlying transaction and to never enter into derivatives for speculative reasons.

The tests of effectiveness for each financial derivative accounted for in a hedge, in accordance with IAS 39, were performed as per the end of each quarter using the "hypothetical derivative method". The documentation of each hedging relationship describes the underlying transaction, hedged risk, strategy, hedging instrument, estimate of effectiveness and names the counterparty. A hedging relationship only exists in substance for currency hedging. Although the hedging instruments are specifically designated, hedge accounting pursuant to IAS 39 is not applied.

Forward Exchange Contracts

The underlying transaction for all forward exchange hedges is determined by the payments resulting from the financing of the leasing business in the respective currency area. The cash flows denominated in foreign currency are the basis for the forward contracts. The hedge may be classified as highly effective because only the actual cash flows are hedged and never a higher amount. Ideally, the dates of the financing and the foreign exchange hedge coincide to ensure the best possible hedge of the cash flow risk.

Interest Rate Swaps

The parameters of the underlying transaction resulting from the financing (liability) are considered first and foremost when contracting interest rate swaps. For this reason, the interest rate terms of the swaps on the variable side are the same as those of the underlying transaction. Furthermore, the swap volume contracted is never greater than the volume of the hedged financing. The active integration of existing and future planned refinancing transactions allows for anticipatory risk management. Going forward, quarterly tests of effectiveness will be conducted as part of this ongoing analysis, in which the effectiveness of the hedging relationships is tested using a method allowed under IFRS.

To date, the hedging relationships between interest rate swaps and existing and planned financing have proven to be highly effective. Under the "hypothetical derivative method", effectiveness was almost 100%. For all derivatives in hedge accounting, both the retrospective and the prospective effectiveness of the hedging relationships are confirmed as per the end of the reporting period. In the opinion of the GRENKE Consolidated Group and the risk management, interest rate derivatives outside of hedge accounting according to IAS 39 are also considered effective instruments for hedging interest rate risks in the Consolidated Group.

The hedged interest payments will presumably be recognised in profit or loss in their entirety in 2018. This will result in a reclassification of the corresponding net gains and losses previously recognised in other comprehensive income into other interest expense in an amount of EUR 13k (previous year: interest income of EUR 97k).

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. This includes the following line items in the statement of financial position: cash and cash equivalents, trade receivables, non-performing lease receivables, and trade payables. All primary financial instruments are assigned to Level 2 of the fair value hierarchy except for exchange-listed bonds that are included in refinancing liabilities and are assigned to Level 1 of the fair value hierarchy. As per the reporting date, the carrying amount of exchange-listed bonds was EUR 1,510,590k (previous year: EUR 1,209,998k), and their fair value amounted to EUR 1,535,676k (previous year: EUR 1,236,937k). All financial assets are allocated to the loans and receivables measurement category except for performing lease receivables. All financial liabilities are allocated to the other financial liabilities measurement category.

EURk	Fair value 2017	Carrying amount 2017	Fair value 2016	Carrying amount 2016
Financial assets				
Lease receivables (performing)	4,229,802	3,845,473	3,506,128	3,175,908
Other financial assets	198,374	198,556	166,623	166,733
Financial liabilities				
Refinancing liabilities	3,308,125	3,272,815	2,732,454	2,702,143
Liabilities from deposit business	527,611	519,208	420,411	417,088
Bank liabilities	2,683	2,683	2,824	2,824

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) and forward exchange contracts, are recognised at fair value in the GRENKE Consolidated Group. Forward exchange contracts are recognised without hedging relationship. All derivative financial instruments are assigned to Level 2 of the fair value hierarchy.

EURk	Fair value 2017	Carrying amount 2017	Fair value 2016	Carrying amount 2016
Financial assets				
Interest rate derivatives with hedging relationship	0	0	97	97
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	3,505	3,505	3,620	3,620
Total	**3,505**	**3,505**	**3,717**	**3,717**
Financial liabilities				
Interest rate derivatives with hedging relationship	13	13	0	0
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	1,946	1,946	2,976	2,976
Total	**1,959**	**1,959**	**2,976**	**2,976**

The GRENKE Consolidated Group uses so-called OTC derivatives ("over-the-counter"). These are directly concluded with counterparties having at least investment grade status. Thus, there are no quoted market prices available.

Fair values of forward exchange contracts and interest rate derivatives are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a market-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".

The predominant portion of cash flows of these hedges is expected to impact the net profit over the next two years.

7.4.3 MEASUREMENT METHODS AND INPUT PARAMETERS USED

The following table presents the measurement methods used to determine the fair values and the applied input parameters and assumptions:

Type and level	Measurement method	Input parameters
Fair value hierarchy Level 1		
Exchange-listed bonds	n.a.	Quoted market price as per the reporting date
Fair value hierarchy Level 2		
Other financial assets	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities from the refinancing of the leasing business, promissory notes, bank liabilities)	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own credit risk (Debt Value Adjustment [DVA])
Forward exchange contracts	Market-to-market Discounted present value of estimated future cash flows	Available interest rates at the end of the term in the traded currencies using the own counterparty risk (Debt Value Adjustment [DVA]) or the counterparty's credit risk (CVA [Credit Value Adjustment]) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Net present value model Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own counterparty risk DVA (Debt Value Adjustment) or the counterparty's credit risk CVA (Credit Value Adjustment) derived from available credit default swap (CDS) quotes

7.5 TRANSFER OF FINANCIAL ASSETS

The following table lists transferred financial assets not fully derecognised and the corresponding liabilities at their respective carrying amount and fair value.

EURk	Carrying amount	Carrying amount of corresponding liability	Fair value	Fair value of corresponding liability	Net position
Transferred lease receivables Dec. 31, 2017	**151,831**	**148,115**	**167,182**	**152,611**	**3,716**
From sale of receivable agreements	151,831	148,115	167,181	152,611	3,716
Transferred lease receivables Dec. 31, 2016*	**137,408**	**126,843**	**148,944**	**138,853**	**10,565**
From sale of receivable agreements	137,408	126,843	148,944	138,853	10,565

* In the previous year, the carrying amounts were adjusted by EUR 52,994k from EUR 190,402k to EUR 137,408k. Accordingly, the fair value was reduced by EUR 57,419k from EUR 206,363k to EUR 148,944k.

For more information, please see the explanations on sales of receivables contracts under Note 5.11.2.

8 SEGMENT REPORTING

8.1 DESCRIPTION OF REPORTABLE SEGMENTS

GRENKE Consolidated Group's reporting on the development of its segments is aligned with its prevailing organisational structure within the GRENKE Consolidated Group. Thus, operating segments are divided into Leasing, Banking, and Factoring based on the management of the Company's segments. Separate financial information is available for the three operating segments.

LEASING

The Leasing segment comprises all of the activities that are related to the Consolidated Group's leasing business. The services offered encompasses the provision of financing to commercial lessees, rental, insurance, service, and maintenance offerings, as well as the disposal of used equipment.

The GRENKE Consolidated Group's leasing business focuses primarily on the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors, peripheral devices, software, telecommunication and copier equipment as well as other IT products. Nearly all leases concluded provide for full cost recovery.

BANKING

The Banking segment comprises the activities of GRENKE BANK AG, which regards itself as a financing partner particularly to small and medium-sized companies (SMEs). Additionally, GRENKE BANK AG cooperates with development banks in providing financing to this clientele in the context of business start-ups. Furthermore, fixed-term deposits are offered via its internet presence. The bank's business is focused primarily on German customers.

FACTORING

The Factoring segment contains traditional factoring services focused on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. The segment also offers collection services (recourse factoring) where the customer continues to bear the credit risk.

8.2 SEGMENT DATA

The accounting policies employed to gather segment information are the same as those used for the consolidated financial statements (see Note 3). Intra-group transactions are performed at standard market prices.

The Board of Directors of GRENKE AG is responsible for assessing the performance of the GRENKE Consolidated Group. In addition to new business volume (Leasing and Factoring segments) and contribution margin 2 for the Leasing segment, the key performance indicators are defined as operating segment income, segment result before other net financial income, and staff costs. Other net financial income, as well as income tax expenses/income, represent the main components of the consolidated income statement that are not allocated to individual segments.

The segment information was calculated as follows:

- operating segment income consists of net interest income after settlement of claims and risk provision, profit from service business, profit from new business, and profit from disposals
- segment result is calculated as the operating result before taxes
- segment assets comprise of the operating assets excluding tax assets
- segment liabilities correspond to the liabilities attributable to the respective segment with the exception of tax liabilities

EURk	Leasing segment		Banking segment		Factoring segment		Total segments		Consolidation effects		Consolidated Group	
January to December	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Operating segment income	**302,875**	258,514	**15,618**	12,294	**3,970**	3,986	**322,463**	274,794	**0**	0	**322,463**	274,794
Staff costs	**80,767**	66,177	**2,627**	1,826	**2,768**	2,621	**86,162**	70,624	**0**	0	**86,162**	70,624
Segment result	**151,514**	128,329	**10,214**	8,387	**–381**	–189	**161,347**	136,527	**0**	0	**161,347**	136,527
Reconciliation to consolidated financial statements												
Operating result											161,347	136,527
Other financial income											–3,620	–1,991
Taxes											32,745	31,302
Net profit according to consolidated income statement											**124,982**	103,234
As per December 31												
Segment assets	**4,760,005**	3,880,752	**901,321**	722,402	**38,695**	35,908	**5,702,021**	4,639,062	**–891,374**	–709,092	**4,808,647**	3,929,970
Reconciliation to consolidated financial statements												
Tax assets											33,558	34,598*
Total assets according to consolidated statement of financial position											**4,842,205**	3,964,568*
Segment liabilities	**3,978,455**	3,229,856	**792,524**	668,390	**30,007**	27,247	**4,802,986**	3,925,493	**–891,374**	–709,092	**3,909,612**	3,216,401
Reconciliation to consolidated financial statements												
Tax liabilities											76,024	57,747*
Liabilities according to consolidated statement of financial position											**3,985,636**	3,274,148*

* Previous-year amounts adjusted, see Note 3.18

8.3 INFORMATION ON REGIONAL SEGMENTS

On a country level, Germany, France, and Italy are the main regional segments in which revenues are generated with external customers. All other countries are combined under "Other countries". Operating income and non-current assets are presented for reporting countries. The allocation to the individual geographical segments is based on the country of origin of the external customers with which revenues are generated. Non-current assets are allocated according to the countries in which they originated.

Operating income consists of the same items as discussed above for the operating segment income. Non-current assets are comprised of non-current lease receivables, property, plant, and equipment, goodwill, other intangible assets, and other non-current assets.

EURk	Germany		France		Italy		Other countries		Consolidated Group	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Operating income (January to December)	**79,772**	71,562	**72,849**	62,015	**74,124**	58,627	**95,718**	82,590	**322,463**	274,794
Non-current assets (as per December 31)	**661,157**	568,989	**641,843**	549,635	**575,301**	412,800	**895,201**	734,333	**2,773,502**	2,265,757

9 OTHER DISCLOSURES

9.1 CAPITAL MANAGEMENT

9.1.1 ECONOMIC CAPITAL

The primary goal of the GRENKE Consolidated Group’s capital management is to ensure that its credit rating is maintained in order to support its operations and safeguard liquidity, as well as to maintain risk-bearing capacity at all times within the requirements placed on the Consolidated Group by the Minimum Requirements for Risk Management.

The GRENKE Consolidated Group monitors its capital among other using the equity ratio, i.e. the ratio of its equity according to the statement of financial position to total assets. In accordance with the Consolidated Group guidelines, we aim for an equity ratio of 16% as in the previous year. In addition, the Consolidated Group’s determination of maximum risk-bearing capacity, and its risk-limiting system through the limiting of risk positions, the safeguarding and monitoring of economic capital is guaranteed.

9.1.2 REGULATORY CAPITAL

As a financial services provider and parent company of the banking group, GRENKE AG must meet the equity requirements of banking groups under Section 10a KWG in conjunction with Section 25ff of EU Regulation No. 575/2013 (Capital Requirement Regulation [CRR]).

The regulatory scope of consolidated companies of GRENKE AG is determined by the Consolidated Group’s scope of consolidation. The solvency of the banking group is also measured based on the affiliation with the Consolidated Group. Equity is calculated in the context of the COREP reporting (Common Solvency Ratio Reporting) under Section 72ff CRR.

For the presentation of equity, please refer to the combined group management report and the management report.

The return on capital was 2.6% according to Section 26a KWG (1) sentence 4.

9.2 FRANCHISE SYSTEM

GRENKE AG provides its expertise, infrastructure, and funds for refinancing lease contracts under a franchise arrangement. However, it does not own shares in these franchisees, nor does it have any control over the franchisees' business policies. In addition to franchise fees totalling EUR 967k (previous year: EUR 777k), the Consolidated Group generated income from interest on loans of EUR 2,301k (previous year: EUR 1,355k) (see Note 4.1). As per the end of the reporting period, there were further receivables from franchisees totalling EUR 1,017k (previous year: EUR 1,144k) (see Notes 5.4 and 5.5) in addition to loans in an amount of EUR 60,331k (previous year: EUR 31,848k).

9.3 CONTINGENCIES (CONTINGENT LIABILITIES) AND OTHER FINANCIAL OBLIGATIONS

GRENKE AG, as guarantor for individual franchise companies, has granted financial guarantees of EUR 38.4 million (previous year: EUR 77.3 million), which represents the maximum credit risk. The actual utilisation by the guarantee holder was below this amount and totalled EUR 25.2 million (previous year: EUR 56.0 million).

Irrevocable credit commitments from the loan business amounted to EUR 3,956k (previous year: EUR 4,694k) and included unutilised limited overdrafts and unutilised loan commitments.

The Company has other financial obligations related to rent, building maintenance, and lease contracts. Lease contracts for some buildings contain a clause that allows for an increase in the rental rates in accordance with the prevailing market conditions. Several lease agreements contain options to extend the contracts. Other restrictions do not exist. The resulting financial obligations are presented below:

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Rent, maintenance, and lease obligations		
due in the subsequent year	14,877	12,999
due in 2 to 5 years	23,073	22,946
due in more than 5 years	3,424	4,749
Total	**41,374**	**40,694**

The rent payments partly offset expected rental income from subleases of EUR 58k in the 2018 fiscal year (previous year: EUR 51k). In subsequent years, there will be additional rental income of EUR 53k. There are extension options ranging from one to five years on leases for rented premises.

Under three agreements on the sale of receivables of GRENKE Investionen Verwaltungs KGaA to secure all receivables of the holding company (Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien) from the operating company, the operating company (GRENKE AG) assigns to the holding company the following from lease contracts with end lessees (sublease contract) for leasing assets which are the subject of a purchase agreement between the operating company and the holding company:

All receivables, claims and rights arising from these sublease contracts, including any claims from extended leases following the expiry of the original lease term, any claims for compensation payments, residual values, and payment of a purchase price from the sale of the respective lease asset. Claims from credit and property insurance from the sublease contract are also assigned as are any claims from repurchase obligations on the part of suppliers of lease assets or of third parties. The buyer of the receivables acquires the equitable lien on the lease assets underlying the receivables purchase agreement.

With the notice of July 27, 2009, GRENKE AG submitted a Letter of Commitment in accordance with Section 5 (10) of the Statute of the Deposit Protection Fund to the Association of German Banks [Bundesverband deutscher Banken e.V.]. With this notification, GRENKE AG has waived any claim against the Association of German Banks that would be in favour of GRENKE BANK AG.

Apart from bearing the political risk, GRENKE AG ensures that the consolidated companies Grenke Investitionen Verwaltungs Kommanditgesellschaft auf Aktien and GRENKEFACTORING GmbH are able to meet their contractual obligations. The purpose of the letter of comfort is the use of the waiver rule pursuant to Section 2a (1) KWG in conjunction with Article 7 CRR and in conjunction with Section 2a (5) KWG by the respective subsidiary.

EXPENSES FROM RENT AND LEASE CONTRACTS

In the fiscal year, expenses for rent and lease contracts amounted to EUR 11,761k (previous year: EUR 9,252k). They are recognised under operating expenses and mainly relate to the rental of offices for the individual branches and company car leases.

9.4 TAX AUDITS

A tax audit at GRENKE AG and Grenke Investitionen Verwaltungs KGaA for fiscal years 2005 to 2009 was completed in the previous year, and amended tax assessments were issued. The GRENKE Consolidated Group has lodged an appeal against the tax assessments. As per the reporting date, there is still one disputed fact in which GRENKE and the tax authorities have conflicting opinions. The most likely amount of tax receivables was recognised for the measurement of the uncertain tax item resulting from this dispute.

In October 2015, the audit instructions for fiscal years 2010 to 2014 were established for GRENKE AG, Grenke Investitionen Verwaltungs KGaA, GRENKE Service AG, GRENKEFACTORING GmbH and GRENKE BANK AG. The tax audits began in November 2016 and have not yet been completed. The information gained during the last tax audit for fiscal years 2005 to 2009 have led to a reassessment of the tax expenses recognised for the following years and have been taken into account in the form of recognising uncertain tax liabilities.

9.5 CONSULTING AND AUDIT FEES

The auditor’s fees in fiscal year 2017 are divided as follows:

EURk	**2017**	**2016**
Audit services	756	586
Other assurance services	126	70
Other services	66	103
Total	**948**	**759**

A total of EUR 19k of the overall fees is related to prior periods (previous year: EUR 9k).

9.6 RELATED PARTY DISCLOSURES

Third parties are considered related if one party controls GRENKE AG or has joint control over GRENKE AG, or has the power to exercise considerable influence over its business or operating decisions. Related third parties of the GRENKE Consolidated Group include people in key positions and their family members, subsidiaries and associated companies of GRENKE AG, and entities that exercise a considerable influence. GRENKE AG renders various services for subsidiaries in its ordinary business activities. Conversely, the various Consolidated Group companies also render services within the GRENKE Consolidated Group as part of their business purpose. These extensive business transactions are performed at market conditions.

LIABILITIES FROM RELATED ENTITIES

EURk	**Dec. 31, 2017**	**Dec. 31, 2016**
Non-consolidated subsidiaries	0	262
Associated companies	1,897	3,470

The liabilities from non-consolidated subsidiaries in the previous year consisted of outstanding deposits. Liabilities from associated entities resulted from the deposit business of the Bank. There was a related interest expense of EUR 29k (previous year: EUR 9k).

As part of its ordinary business activities, GRENKE BANK AG offers related parties services under normal market conditions. At the end of the reporting period, the bank had received deposits totalling EUR 5,274k (previous year: EUR 3,216k) from members of the GRENKE Consolidated Group's Board of Directors and their close family members. The related interest expenses were EUR 21k (previous year: EUR 54k). The Bank received deposits totalling EUR 1,307k (previous year: EUR 1,203k) from members of the GRENKE Consolidated Group's Supervisory Board and their close relatives. The related interest expenses were EUR 17k (previous year: EUR 21k). As per the reporting date, unsettled credit card accounts of members of the Board of Directors and their family members amounted to EUR 20k (previous year: EUR 22k). No further loans were granted to any of these individuals during the reporting period.

In accordance with the Articles of Association, the Supervisory Board of GRENKE AG consists of six members. In fiscal year 2017, the members of the Supervisory Board were:

- Prof Dr Ernst-Moritz Lipp, Baden-Baden, Germany, Chairman and Professor of International Finance and General Manager of ODEWALD & COMPAGNIE Gesellschaft für Beteiligungen mbH, Berlin, Germany
- Mr Gerhard E. Witt, Baden-Baden, Germany, Deputy Chairman and public auditor and tax advisor
- Ms Tanja Dreilich, Munich, Germany, degree in business administration, MBA, Managing Director and Group CFO of Kirchhoff Automotive Holding GmbH & Co. KG, Iserlohn, Germany, Managing Director and CFO of Kirchhoff Ecotec GmbH, Iserlohn, Germany, Managing Director of Kirchhoff Automotive Beratungsgesellschaft GmbH, Iserlohn, Germany, and Kirchhoff Automotive Holdings Verwaltungs GmbH, Iserlohn, Germany
- Dr Ljiljana Mitic, Munich, Germany, independent business consultant, partner at Impact51 AG, Küsnacht, Switzerland, and Managing Director of Venture Value Partners GmbH, Munich, Germany
- Mr Florian Schulte, Baden-Baden, Germany, degree in business administration, Managing Director of Fines Holding GmbH, Baden-Baden, Germany, and Managing Director of S.K. Management- und Beteiligungs GmbH, Baden-Baden, Germany
- Mr Erwin Staudt, Leonberg, Germany, economics graduate

Prof Dr Ernst-Moritz Lipp is also the Chairman of the Supervisory Board of GRENKE BANK AG, Baden-Baden, Germany and a member of the Supervisory Board of Oberberg Kliniken Holding GmbH, Berlin, Germany (until December 15, 2017).

Mr Gerhard E. Witt is also Chairman of the Supervisory Board of Grenke Investitionen Verwaltungs KGaA, Baden-Baden, Germany, a subsidiary of GRENKE AG.

Mr Erwin Staudt is a member of the Supervisory Boards of PROFI Engineering Systems AG, Darmstadt, Germany, and USU Software AG, Möglingen, Germany. Mr Staudt is also a member of the Advisory Board of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten-Tieringen, Germany.

Mr Florian Schulte is a member of the Supervisory Boards of MS Direct AG, St. Gallen, Switzerland, Upside Beteiligungs AG, Munich, Germany and Syntellix AG, Hannover, Germany.

The term of office of Prof Dr Ernst-Moritz Lipp and Mr Gerhard E. Witt will continue until the end of the Annual General Meeting that resolves on their discharge for the 2017 fiscal year.

The remaining members of the Supervisory Board have been appointed until the end of the Annual General Meeting which decides on their discharge for the 2018 fiscal year.

The GRENKE AG Supervisory Board remuneration (including payments for supplementary services) totalled EUR 223k (previous year: EUR 224k). In accordance with Section 113 (1) sentence 2 no. 1 AktG, Supervisory Board remuneration is defined in Article 10 of GRENKE AG's Articles of Association. The remuneration of the Supervisory Board breaks down as follows:

EURk	**Total**		**Remuneration AG**		**Remuneration KGaA**	
	2017	Previous year	**2017**	Previous year	**2017**	Previous year
Total	**227**	228	**223**	224	**4**	4

The Board of Directors of GRENKE AG consists of the following members:

- Mr Wolfgang Grenke, businessman, Baden-Baden, Germany
  Chairman of the Board of Directors
- Ms Antje Leminsky, graduate business administration, Baden-Baden, Germany
  Deputy Chairman of the Board of Directors
- Mr Gilles Christ, MBA, Wissembourg, France
- Mr Sebastian Hirsch, Bachelor of Administration (BA), Sinzheim, Germany
- Mr Mark Kindermann, graduate business administration, Bühl, Germany

Mr Wolfgang Grenke holds sole power of representation. The other members of the Board of Directors represent GRENKE AG jointly with another member of the Board of Directors or with an authorised signatory.

The remuneration of the Board of Directors for 2017 is as follows:

EURk	**Total remuneration**	**of which fixed**	**of which variable**
Total	**2,610**	**1,282**	**1,328**
Total (previous year)	2,656	1,701	955

The Supervisory Board of GRENKE AG has concluded phantom stock agreements with several members of the Board of Directors.

As per December 31, 2017, such agreements were in place with all current members of the Board of Directors with the exception of Mr Grenke. There were no payments made under these agreements in the reporting year (previous year: EUR 139k).

While the agreement with Ms Leminsky applies to fiscal years 2015 through 2017, the agreements with Mr Christ and Mr Kindermann apply to fiscal years 2016 through 2018. Under these agreements, the Board members are each entitled to payments (tranches) for the respective fiscal years equal to the increase in the value of 60,000 GRENKE AG shares, equal to 20,000 shares prior to the stock split for Mr. Christ, (18,000 shares in the case of Mr. Kindermann, equal to 6,000 shares before the stock split) in relation to a set basic share price. The basic share price is the arithmetic mean of the XETRA closing prices on all trading days from December 1 to December 23 of the respective prior year. The basic share price for the 2017 fiscal year is EUR 48.08.

The payment entitlement is limited in its amount and subject to the statutory provisions for appropriate remuneration, the statutory maximum level of variable remuneration components and especially the rules of the German Banking Act. The maximum payment under these agreements is limited to EUR 400,000 (EUR 150,000 in the case of Mr Kindermann) for the three tranches. This maximum payment applies to the respective agreement in its entirety, i.e. the total payment for the three tranches may not exceed the maximum payment amount. If an annual tranche exceeds the maximum total entitlement and the agreement is still in force for several more years (tranches), then no further claims may be acquired in the future. The participants in the programme are required to invest the respective net amount paid plus a personal contribution of 25 percent of that amount in GRENKE AG shares. The Company is entitled, but not required, to render the payment in whole or in part in the form of shares instead of cash for one or more tranches. In this case, a personal contribution is not required. The shares are subject to a vesting period of four years for Ms Leminsky and Mr Kindermann and three years for Mr Christ. Given the sharp increase in the share price in 2015, Ms Leminsky already reached the maximum payment amount in the 2015 fiscal year. She was not able to acquire any additional entitlements under this agreement in the 2016 and 2017 fiscal years. Mr Kindermann has already reached the maximum payout amount in the 2017 fiscal year and can no longer acquire any further entitlements under the agreement.

As per December 31, 2017, the value of the phantom stock agreements for the 2017 tranche was EUR 393k (previous year: EUR 0k). This amount is recognised under staff costs in the income statement and is included under variable remuneration components.

In July 2014, Mr Wolfgang Grenke and his family ("the Grenke family") formed a family holding under the name Grenke Beteiligung GmbH & Co. KG, Baden-Baden. On September 17, 2014, the Grenke family transferred all of their shares held in GRENKE AG to this company. These shares were previously part of a pooling agreement. As per the reporting date, Grenke Beteiligung GmbH & Co. KG held 18,905,958 shares in GRENKE AG, corresponding to 42.66% of GRENKE AG's share capital. Grenke Vermögensverwaltung GmbH, Baden-Baden, as the general partner, is authorised to exercise management functions. Mr Wolfgang Grenke and Ms Anneliese Grenke are the Executive Directors of Grenke Vermögensverwaltung GmbH.

Mr Wolfgang Grenke is the Chairman of the Supervisory Board of GRENKE Service AG, Baden-Baden, and a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden. He is also the President of the Advisory Board of GRENKELEASING AG, Zurich/Switzerland, and of GRENKEFACTORING AG, Basel, Switzerland.

Ms Antje Leminsky is a member of the Board of Directors of GRENKE Service AG, Baden-Baden, and member of the Supervisory Boards of GRENKE BANK AG, Baden-Baden, Testo SE & Co. KGaA, Lenzkirch and Testo Management SE, Lenzkirch. She is also Managing Director of GRENKE digital GmbH, Karlsruhe.

Mr Gilles Christ is on the Supervisory Board of GRENKE Service AG, Baden-Baden, and member of the Advisory Board of GRENKELEASING AG, Zurich, Switzerland. He is also General Manager of GRENKELEASING Sp.z.o.o., Poznan, Poland.

Mr Sebastian Hirsch is a member of the Supervisory Board of GRENKE BANK AG, Baden-Baden. He is also Managing Director of GRENKE digital GmbH, Karlsruhe.

Mr Mark Kindermann is a member of the Board of Directors of GRENKE LIMITED, Dublin/Ireland, as well as the chairman of Board of Directors of GRENKE Service AG, Baden-Baden. Additionally, he is on the Supervisory Boards of Grenkefinance N.V., Vianen/Netherlands and GRENKE BANK AG, Baden-Baden. He is also a member of the Advisory Board of GRENKELEASING AG, Zurich/Switzerland, and GRENKEFACTORING AG, Basel/Switzerland.

9.7 DISCLOSURES ON NOTIFICATIONS IN ACCORDANCE WITH SECTIONS 21(1) AND 22 OF THE GERMAN SECURITIES TRADING ACT (WPHG)

As part of our investor relations activities, we provide comprehensive information about the Company's development. For providing information, GRENKE also makes substantial use of its website. Voting rights notifications that the Company received in accordance with Sections 21 ff of the German Securities Trading Act are published in the Investor Relation section at https://www.grenke.de/en/investor-relations/grenke-share/voting-rights.html.

VOTING RIGHT NOTIFICATIONS IN THE 2017 FISCAL YEAR

On February 7, 2017, Universal-Investment GmbH, Frankfurt am Main, Germany, has informed us according to Article 21 Section 1 WpHG, that on February 2, 2017 its voting rights in GRENKE AG, Baden-Baden, Germany, have exceeded the threshold of 5% and amounted to 5.05% (746,282 voting rights[1]).

On September 26, 2017, Universal-Investment GmbH, Frankfurt am Main, Germany, has informed us according to Article 21 Section 1 WpHG, that on September 18, 2017 its voting rights in GRENKE AG, Baden-Baden, Germany, have fallen below the threshold of 5% and amounted to 4.97% (2,204,340 voting rights).

1 Note: prior to 1:3 stock split

9.8 EVENTS AFTER THE REPORTING PERIOD

No events of material importance have occurred subsequent to the end of the fiscal year.

9.9 DECLARATION IN ACCORDANCE WITH SECTION 161 AKTG

The Board of Directors and the Supervisory Board of GRENKE AG issued the declaration pursuant to Section 161 AktG and made it permanently available to shareholders on the Company's website (www.grenke.de/en/investor-relations/corporate-governance/).

SECTION 2

COUNTRY-BY-COUNTRY REPORTING 2017

FOREWORD

In accordance with Article 89 of the 2013/36/EU Directive (CRD IV), which was transposed into German law in the form of Section 26a KWG in conjunction with Section 64r (15) sentence 1 KWG, the GRENKE AG Consolidated Group ("the GRENKE Consolidated Group") is required to provide a county-by-country breakdown of information on the company names, type of business activity, geographical location, revenue, number of employees in full-time equivalents, profit or loss before taxes, taxes on profit or loss and public subsidies received.

DISCLOSURES

In this report, the GRENKE Consolidated Group is publishing the required disclosures as per December 31, 2017. This includes the disclosures required as per the reporting date for all companies included in the scope of consolidation in the context of full consolidation under commercial law, which is identical to the regulatory scope of consolidation. The geographical allocation is based on the legal domicile of the companies.

The management and actions of the GRENKE Consolidated Group are based on the standards of the German Corporate Governance Code. Additional principles of proper management of the Consolidated Group are set out in detail in the annual financial report. This report distinguishes between leasing, factoring and banking/refinancing activities within the Consolidated Group. The Leasing segment represents the most significant segment for the GRENKE Consolidated Group and includes all transactions related to the Consolidated Group's leasing activities. Depending on local circumstances, this may also include the leasing of movable goods. Commercial customers primarily lease IT products such as printers, copiers, telecommunications products and software with a net purchase value of EUR 500 or more. The Factoring segment includes traditional factoring services, such as the purchase of receivables for immediate payment. The focus of this segment is on small receivable amounts in Germany, Switzerland and Italy. The Banking segment includes the activities of GRENKE BANK AG, which primarily contributes to the Consolidated Group's refinancing through the bank's deposit business and purchase of receivables. In cooperation with development banks, it also provides and processes loans for business start-up financing and microcredits for small and medium-sized enterprises (SMEs). In addition, GRENKE BANK AG operates its own leasing business through branches in Norway, as well as its own factoring business in Italy. In the refinancing area, a broad range of refinancing instruments is also provided by subsidiaries and securitisation companies that are consolidated without capital participation under supervisory and commercial law.

The definition of revenue is based on the following items of the income statement according to IFRS:

- Net interest income excluding the settlement of claims and risk provision
- Profit from service business
- Profit from new business
- Losses from disposals
- Other operating income including intra-group income
- Other interest result including intra-group interest result

REPORTING

The following overview lists all domestic and foreign companies including the company name, registered office and type of business activity in accordance with Section 26a (1) sentence 2 point 1 KWG.

Country	Entity	Registered office	Business activity/segment
EU countries			
Belgium	GRENKE LEASE Sprl	Brussels	Leasing
Denmark	GRENKELEASING ApS	Herlev	Leasing
Germany	GRENKE BANK AG	Baden-Baden	Banking/Refinancing
	GRENKEFACTORING GmbH	Baden-Baden	Factoring
	GRENKE Investitionen Verwaltungs KGaA	Baden-Baden	Leasing/Refinancing
	GRENKE AG	Baden-Baden	Leasing
	GRENKE SERVICE AG	Baden-Baden	Other
	GRENKE digital GmbH	Karlsruhe	Other
	Europa Leasing GmbH	Kieselbronn	Leasing
Finland	GRENKELEASING Oy	Vantaa	Leasing
France	GRENKE LOCATION SAS	Schiltigheim	Leasing
	FCT "GK"-COMPARTMENT "G2"	Pantin	Refinancing
	FCT "GK"-COMPARTMENT "G3"	Pantin	Refinancing
Ireland	GRENKE LIMITED	Dublin	Leasing
	GRENKE FINANCE PLC	Dublin	Leasing/Refinancing
	Opusalpha Purchaser II Limited	Dublin	Refinancing
Italy	GRENKE Locazione S.r.l.	Milan	Leasing
Luxembourg	GRENKELOCATION SARL	Munsbach	Leasing
Malta	GRENKE RENTING LTD.	Sliema	Leasing
Netherlands	Grenkefinance N.V.	Vianen	Leasing
Austria	GRENKELEASING GmbH	Vienna	Leasing
Poland	GRENKELEASING Sp.z.o.o.	Poznan	Leasing
Portugal	GRENKE RENTING S. A.	Lisbon	Leasing
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

Country	Entity	Registered office	Business activity/segment
Hungary	GRENKELEASING Magyarország Kft.	Budapest	Leasing
United Kingdom	Grenke Leasing Ltd	Guildford	Leasing
Third countries			
Brazil	GC Locação de Equipamentos LTDA	São Paulo	Leasing
	GRENKE Locação de Equipamentos LTDA	São Paulo	Other
Jersey	Kebnekaise Funding Limited	St. Helier	Refinancing
	CORAL PURCHASING LIMITED	St. Helier	Refinancing
Norway	GRENKE BANK AG BRANCH NORWAY	Lysaker	Leasing
Switzerland	GRENKELEASING AG	Zurich	Leasing
	GRENKEFACTORING AG	Basel	Factoring
Turkey	GRENKE Kiralama Ltd. Sti.	Istanbul	Leasing

Country-specific information pursuant to Section 26a (1) sentence 2 points 2-6 KWG follows below. The information is provided on a country-by-country basis according to the IFRS conversion and before intercompany transfers.

Country	Number of employees (full-time equivalents[1])	Revenues (EUR millions)	Earnings before taxes (EUR millions)	Income taxes (EUR millions)[2]	Public subsidies received (EUR millions)
EU countries					
Belgium	18	5.3	0.5	0.4	0
Denmark	22	5.4	0.3	0.7	0
Germany	575	131.3	57.0	16.8	0
Finland	13	1.9	–0.2	0.0	0
France	148	33.5	14.6	5.4	0
Ireland	37	165.6	40.4	5.9	0
Italy	172	81.2	40.3	–0.3	0
Luxembourg	4	0.2	–0.2	0.0	0
Malta	3	0.1	–0.5	–0.2	0
Netherlands	25	2.9	0.1	0.0	0
Austria	18	5.8	0.9	0.3	0
Poland	45	4.2	–0.1	0.0	0
Portugal	36	4.9	1.2	0.3	0
Romania	16	1.0	–0.1	0.0	0
Sweden	16	2.6	0.3	0.6	0
Slovakia	8	0.9	0.1	0.2	0
Slovenia	8	0.5	–0.6	–0.1	0
Spain	55	8.9	2.1	0.7	0
Czech Republic	8	1.1	0.3	–0.3	0
Hungary	9	0.3	–0.4	0.0	0
United Kingdom	46	21.1	6.0	1.6	0
Third countries					
Brazil	22	–0.2	–1.9	0.1	0
Jersey	0	11.4	n.a.	n.a.	0
Norway	2	0.3	–0.2	0.0	0
Switzerland	46	14.1	0.5	0.8	0
Turkey	9	0.5	–2.7	–0.2	0

1 Excluding employees on maternity and parental leave but including executives and trainees.
2 Figures include deferred taxes.

The return on capital was 2.6% according to Section 26a KWG (1) sentence 4.

SECTION 2

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of GRENKE AG and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from 1 January 2017 to 31 December 2017, the consolidated statement of financial position as at 31 December 2017, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of GRENKE AG, which was combined with the management report of the Company, for the fiscal year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the non-financial statement included in the section "Non-Financial Statement" of the management report or the corporate governance statement included in the section "Corporate Governance Statement Pursuant to Sections 289 f and 315 d HGB" of the management report.

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 Sec. 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 2017, and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the non-financial statement or the statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 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). 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 group 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 opinions on the consolidated financial statements and on the group 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 fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

DETERMINATION OF THE ALLOWANCE ON NON-PERFORMING RECEIVABLES FROM FINANCE LEASE CONTRACTS

Reasons why the matter was determined to be a key audit matter:

The determination of allowances on non-performing receivables from finance lease contracts is a key area in which the executive directors made judgments. These judgments in connection with determining the appropriate allowance amount include the selection of the model used to determine the allowance rates, the model inputs and potential model adjustments. Due to the large volume of data and information, the resulting calculation of the allowances poses risks in relation to misstatement of the consolidated financial statements. We therefore defined the determination of allowances on non-performing receivables from finance lease contracts as a key audit matter.

Auditor's response

During our audit, we obtained an understanding of the Group's internally established methods, processes and controls used in the process of determining allowances on non-performing receivables from finance lease contracts, including the related supporting processes, for example the approval process for finance lease contracts and the dunning process. We also assessed the design and operating effectiveness of the accounting-related internal controls by tracing transactions specific to lease and hire-purchase contracts from their inception to their presentation in the financial statements and by carrying out tests of controls. We examined the model applied to determine whether the key inputs were included in the model.

For the inputs, we analyzed the current calculations using historical data and the periods used taking the forecast accuracy into account.

We used our own calculations to assess the determination of the allowances based on data from the terminated lease and hire-purchase portfolio. In particular, we checked the historical payments received on specific leasing contracts and their allocation to the various dunning stages (processing categories).

Our audit procedures did not lead to any reservations relating to the determination of allowances on non-performing receivables from finance lease contracts.

Reference to related disclosures:

With regard to the accounting policies applied to non-performing receivables from finance lease contracts, we refer to the disclosure in chapter 3.5 of the notes to the consolidated financial statements; with regard to the related information on sources of estimation uncertainty, we refer to the disclosure in chapter 3.17 of the notes to the consolidated financial statements; for information on the result from the settlement of claims and risk provision, we refer to chapter 4.2 of the notes to the consolidated financial statements; and with regard to the information on the lease receivables, we refer to the disclosure in chapter 5.3 of the notes to the consolidated financial statements.

VALUATION OF GOODWILL

Reasons why the matter was determined to be a key audit matter:

In impairment testing of goodwill of the cash-generating units, the valuations are heavily dependent on the assessment of future cash inflows and the discount rate used. Due to the fact that the assessment of whether there are objective indications of impairment involves judgment and due to its materiality for the consolidated financial statements, there is an elevated risk of material misstatement. The valuation of goodwill was therefore a key audit matter in our audit.

Auditor’s response

During our audit, we analyzed the established methods, processes and controls in connection with the valuation of the goodwill of the cash-generating units recognized in the consolidated financial statements.

We assessed the appropriateness of the goodwill determined by the executive directors based on a risk-based sample of cash-generating units.

We checked the calculations of the valuation inputs used and the planned cash inflows by, among other procedures, comparing this information against the multi-year plan adopted by the executive directors and by comparing the valuation assumptions with general and industry-specific market expectations. In addition, we assessed the valuation inputs used to determine the discount rate, including the average cost of capital, and checked both the calculation method and arithmetic.

To validate the multi-year plan, we compared historical planning data with the actual results on a test basis. We also examined the analyses, prepared by the Company, of the sensitivity of the recoverable amounts to changes in significant assumptions. Additionally, we assessed the disclosures made by the executive directors in the notes to the consolidated financial statements regarding the valuation of goodwill in terms of the requirements defined in IAS 36, as adopted by the EU.

Our audit procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures:

With regard to the accounting policies applied for goodwill, we refer to the disclosure in chapter 3.8 “General Accounting Policies – Goodwill” of the notes to the consolidated financial statements; with regard to the related information on judgments by the Board of Directors and sources of estimation uncertainty, we refer to the disclosure in chapter 3.17 “Use of Assumptions and Estimates” of the notes to the consolidated financial statements; and with regard to the information on goodwill, we refer to the disclosure in chapter 5.8 "Selected Notes to the Statement of Financial Position – Goodwill" of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the following other information:

- Key Figures and Report to Shareholders from the Board of Directors"
- "Non-Financial Statement"
- "Corporate Governance Statement Pursuant to Sections 289 f and 315 d HGB"
- "Corporate Governance Report"
- "Shares and Investor Relations"
- "Responsibility Statement"

The Supervisory Board is responsible for the following other information:

- "Report of the Supervisory Board"

Our opinions on the consolidated financial statements and on the group 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, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP 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 Sec. 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 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 group 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 (system) as they have considered necessary to enable the preparation of a group management report that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group 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 group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP 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 group 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 group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group 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 group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by 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 group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group 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 group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group 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 related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 11 May 2017. We were engaged by the Supervisory Board on 12 June 2017. We have been the group auditor of GRENKE AG without interruption since fiscal year 2002.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Werner Frey.

Stuttgart, January 31, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frey	Brixner
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Consolidated Group and that the group management report conveys a true and fair view of business performance including financial performance and the situation of the Consolidated Group and describes the main opportunities and risks relating to the Consolidated Group's anticipated development.

Baden-Baden, January 31, 2018

Wolfgang Grenke
(Vorstandsvorsitzender)

Antje Leminsky
(stellvertretende Vorstandsvorsitzende)

Gilles Christ
(Vorstand)

Sebastian Hirsch
(Vorstand)

Mark Kindermann
(Vorstand)

ANNUAL FINANCIAL STATEMENTS

OF GRENKE AG (HGB) – EXCERPTS

2017

:: GRENKE AG's complete Annual Financial Statements (HGB) are available at www.grenke.de/en/investor-relations/financial-reports

INCOME STATEMENT

EUR		**2017**	**2016**
1.	Income from leases	559,626,945.47	529,662,369.18
2.	Expenses from leases	410,349,178.77	392,147,199.58
3.	Interest income from	7,169,560.15	5,567,995.90
	a) Lending and money market transactions	*7,169,560.15*	*5,567,995.90*
	thereof: Negative interest income from lending and money market transactions	*204,686.26*	*142,959.52*
4.	Interest expenses	12,022,117.42	9,577,795.38
	thereof: Positive interest income from lending and money market transactions	*204,686.26*	*142,959.52*
5.	Current income from	0.00	45,000,000.00
	c) Investments in associated companies	*0.00*	*45,000,000.00*
6.	Income from profit transfer agreements	13,384,665.18	10,663,759.78
7.	Commission expenses	6,503,983.91	5,496,750.61
8.	Other operating income	85,864,233.47	26,122,121.88
9.	General and administrative expenses	71,620,808.68	60,347,584.92
	a) Staff costs		
	aa) Wages and salaries	*26,157,011.83*	*24,963,276.08*
	ab) Social security contributions and expenses for pensions and other employee benefits, thereof: for pensions EUR 99,232.52 (previous year: EUR 92,128.84)	*3,958,820.66*	*3,824,760.47*
	b) other administrative expenses	*41,504,976.19*	*31,559,548.37*
10.	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	111,098,905.92	95,403,214.98
11.	Other operating expenses	268,866.01	4,880,380.73
12.	Write-downs and impairments on receivables and securities as well as additions to loan loss provisions in the lending business	8,187,624.53	8,873,309.09
13.	Expenses from the transfer of losses	87,362.14	238,321.58
14.	Result from normal business activity	45,906,556.89	40,051,689.87
15.	**Income taxes**	**11,039,137.74**	**5,904,607.28**
16.	Other taxes	74,121.57	70,446.77
17.	Net profit	34,793,297.58	34,076,635.82
18.	**Profit carryforward from previous year**	**8,788,074.67**	**560,748.35**
19.	Unappropriated surplus	43,581,372.25	34,637,384.17

STATEMENT OF FINANCIAL POSITION

EUR		**Dec. 31, 2017**	**Dec. 31, 2016**
1.	Cash reserves	90,000,590.11	77,000,286.37
	a) Cash on hand	*590.11*	*286.37*
	b) Cash deposit at central banks thereof: at Deutsche Bundesbank EUR 90,000,000.00 (previous year: EUR 77,000,000.00)	*90,000,000.00*	*77,000,000.00*
2.	Receivables from credit institutions	81,388,328.83	76,796,154.31
	a) due on demand	*31,388,328.83*	*26,796,154.31*
	b) other receivables	*50,000,000.00*	*50,000,000.00*
3.	Receivables from customers	46,700,579.77	52,098,737.88
4.	Investments in associated companies	373,043,632.72	297,834,396.89
	a) in banks	*126,272,355.82*	*96,272,355.82*
	b) in financial services institutions	*27,115,089.71*	*7,934,042.59*
	c) others	*219,656,187.19*	*193,627,998.48*
5.	Lease assets	320,806,068.25	267,342,749.57
6.	Intangible assets	1,664,307.00	2,395,832.00
	b) Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets	*1,664,307.00*	*2,395,832.00*
7.	Property, plant and equipment	22,775,315.81	24,687,498.75
8.	Other assets	28,542,956.71	52,006,621.95
9.	Prepaid expenses	17,241,513.83	12,122,077.62
	Total assets	**982,163,293.03**	**862,284,355.34**

STATEMENT OF FINANCIAL POSITION

EUR		Dec. 31, 2017	Dec. 31, 2016
1.	Liabilities to banks	9,538.80	4,011.87
	a) repayable on demand	*9,538.80*	*4,011.87*
	b) with agreed term or notice period	*0.00*	*0.00*
2.	Liabilities to customers	38,301,403.67	46,811,102.55
	b) other liabilities		
	ba) repayable on demand	*1,703,931.01*	*1,592,113.56*
	bb) with agreed term or notice period	*36,597,472.66*	*45,218,988.99*
3.	Other liabilities	192,111,230.25	206,881,587.23
4.	Accruals and deferrals	333,447,581.61	285,634,295.27
5.	Provisions	20,920,679.81	9,524,487.61
	b) tax provisions	*14,261,902.00*	*0.00*
	c) other provisions	*6,658,777.81*	*9,524,487.61*
6.	Subordinated liabilities	125,000,000.00	50,000,000.00
7.	Equity	272,372,858.89	263,428,870.81
	a) Subscribed capital	*44,313,102.00*	*18,880,774.47*
	b) Capital reserves	*97,376,587.21*	*122,808,914.74*
	c) Retained earnings		
	ca) legal reserves	*5,089.87*	*5,089.87*
	cc) statutory reserves	*48,353.78*	*48,353.78*
	cd) other retained earnings	*87,048,353.78*	*87,048,353.78*
	d) Unappropriated surplus	*43,581,372.25*	*34,637,384.17*
	Total liabilities and equity	**982,163,293.03**	**862,284,355.34**
1.	Contingent liabilities		
	b) Liabilities from guarantees and indemnity agreements	*4,669,714,850.36*	*4,059,062,427.67*

INFORMATION AND CONTACT

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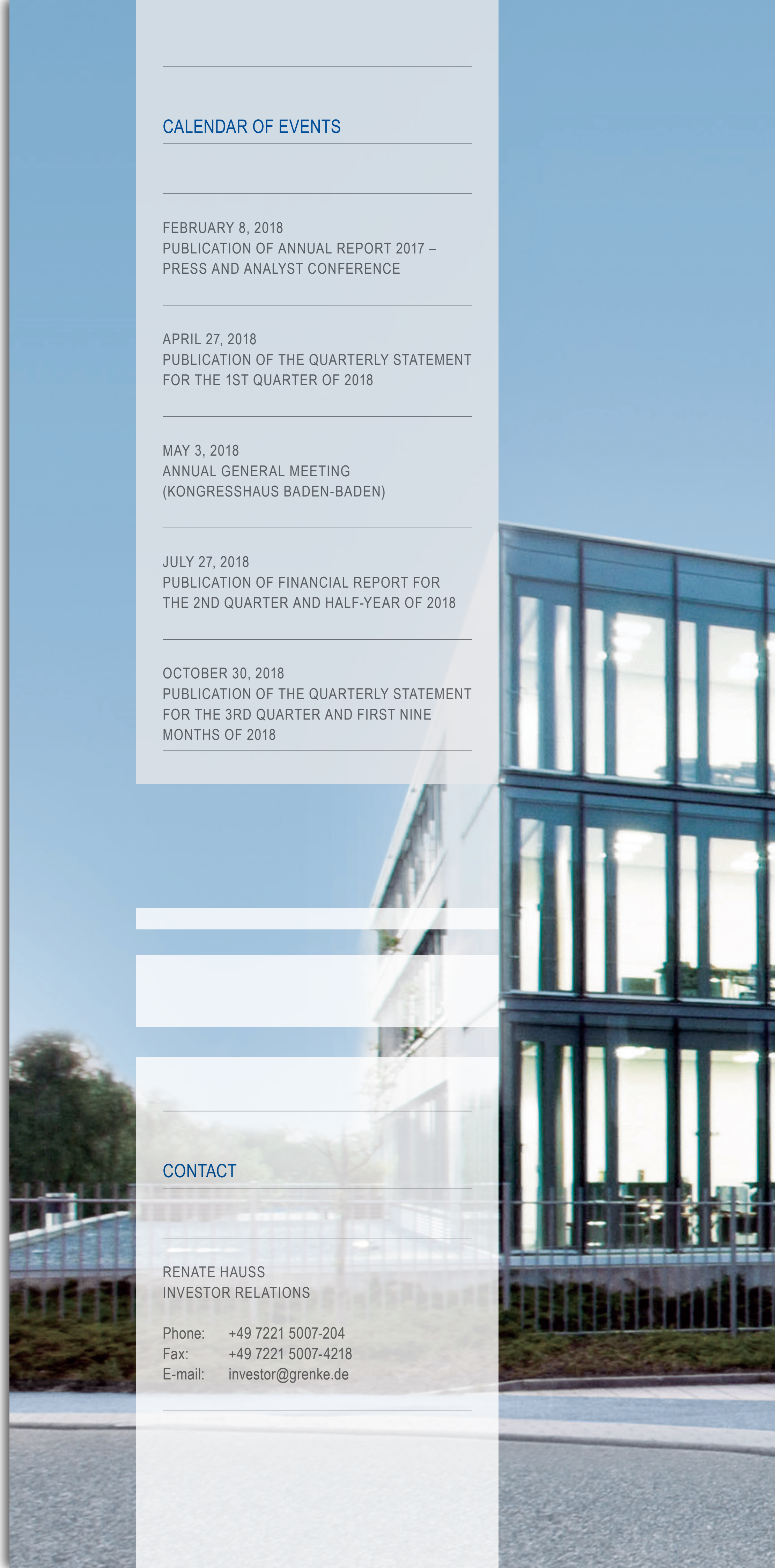
DISCLAIMER

Figures in this Annual Report are generally presented in thousands and millions of euros. Rounding differences may occur in individual figures compared to the actual euro amounts. Such differences are not material in nature. For better readability, gender-specific language was avoided, and the terms used refer equally to both genders.

The Annual Report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail.



CALENDAR OF EVENTS

FEBRUARY 8, 2018
PUBLICATION OF ANNUAL REPORT 2017 –
PRESS AND ANALYST CONFERENCE

APRIL 27, 2018
PUBLICATION OF THE QUARTERLY STATEMENT
FOR THE 1ST QUARTER OF 2018

MAY 3, 2018
ANNUAL GENERAL MEETING
(KONGRESSHAUS BADEN-BADEN)

JULY 27, 2018
PUBLICATION OF FINANCIAL REPORT FOR
THE 2ND QUARTER AND HALF-YEAR OF 2018

OCTOBER 30, 2018
PUBLICATION OF THE QUARTERLY STATEMENT
FOR THE 3RD QUARTER AND FIRST NINE
MONTHS OF 2018

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