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 Article 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“