Grenke – For Your Fraud Financing Needs

Viceroy puts the spotlight on Grenke’s chicanery: swindling small businesses, laundering money for criminals, & accounting fraud.

September 14, 2020 - Viceroy Research is short Grenke AG (XTRA: GLJ).

Grenke’s global expansion through the purchase of dozens of undisclosed related party franchises is a fraudulent scheme perpetrated on a mass scale, designed to either hide fake cash or siphon off millions of euros to undisclosed related parties, or both.

Grenke’s banking division has been a conduit for the proceeds of crime and money laundering, and could face the loss of its banking license.

Grenke’s leasing model facilitates and encourages rampant fraud from resellers, resulting in bad debt, protracted legal disputes and the defrauding of small businesses, the government, and charities. Legitimate leasing of small ticket tech is becoming increasingly redundant, in outdated and fast diminishing business segments.

Viceroy Research believes Grenke AG’s stock is uninvestable due to blatant accounting fraud, including dozens of undisclosed related party transactions, and the complete lack of internal controls, right down to individual due diligence on customers.

Grenke’s bonds are hovering above junk territory due to capital adequacy stemming from its banking business, which we believe is hiding fake cash, and is actively used to launder money for binary options scams, crypto scams, and fraudulent unregulated trading platform.

The Red Flags

Grenke AG is a German based asset leasing company with operating divisions and subsidiaries across the globe. Its main activity is offering finance leases to businesses, but it also operates a banking business through a bank subsidiary, which serves SMEs and entrepreneurs. We commenced an investigation into Grenke on observation of the following red flags:

▪ The widespread fraud and predatory practices facilitated by Grenke’s business model
▪ Grenke’s habitual practice of buying underperforming franchisee businesses in questionable circumstances, and the failure to disclose that these franchisee purchases are transactions with related parties.
▪ The hoarding of excessive amounts of cash on Grenke’s balance sheet while Grenke continues to frequently tap the capital markets
▪ Anomalies in Grenke’s financial accounts, including:
  - The suspiciously low level of impairments recognized in Grenke’s financial statements
  - The widespread fraud and predatory practices facilitated by Grenke’s business model
  - Apparent round tripping of assets and moving NPLS off balance sheet through a network of finance arrangements.
  - Aggressive accounting practices on valuing “assets” – is a €500 dollar printer on a €10,000 contract really a €10,000 asset? Is a €9,500 service contract really a service contract if Grenke does not service any of its leased assets?
▪ Over 70% of Grenke’s lease finance segments are outdated and diving into redundancy and deflation, including printing, open license software, and telecommunication hardware. Breakdowns of Grenke’s loan book contracts show a complete disconnect between the items leased, the categories of clients leasing them and the value of the leases.
▪ The make-up and high turnover of Grenke’s board and audit committee
The Cover-Up

Our investigations into Grenke’s financial conduct at the corporate level has uncovered what we believe to be a massive cover up:

- Viceroy can confirm that >€100m of acquisitions made by Grenke since 2011 were from undisclosed related parties controlled by Grenke executives and other insiders. We believe these transactions are similar to the Wirecard, Lernout & Hauspie and Steinhoff playbooks.
  - These acquisitions are of franchises that are perpetually loss-making, have no real tangible asset value, and stack on the company’s books as “goodwill”. This is a Fraud 101 way of hiding fake cash, “acquired” through Grenke’s propensity to become involved in bad leases in an opaque franchise structure.
  - This is Fraud 101. Through relationships with undisclosed parties Grenke books profits. We believe these profits are largely fictional. Any cash generated is fictional. By buying out the undisclosed related party Grenke turns fictional profits into fictional goodwill.
  - In Wirecard’s case the fictional profits were similarly buried via the purchase of an asset from Emerging Market Investment Fund 1A, a shadowy Mauritian trust which was almost certainly an undisclosed related party.
  - The tail-end of Grenke’s loans are clearly non-profitable but no impairments have been recognized on its books to reflect this. Subsidiary accounts show Grenke crisscrossing transactions where Grenke is paying premiums for non-performing leases from franchises it immediately acquires.
  - Failure to disclose related party transactions is a serious audit failure and Grenke are in breach of international account standard (IAS) 24.
- That this fraud is happening is strongly supported by the fact that Grenke has hoarded €1b of cash – the equivalent of 2 years pre-COVID revenue – on its balance sheet but for some strange reason continues to:
  - Dilute stock through massive capital raises;
  - Refinance itself by issuing expensive unsecured bonds and commercial paper; and
  - Pay slim dividends (much of which is to hybrid security holders)

Viceroy believes a substantial portion of Grenke’s cash does not exist.

Serious regulatory malfeasance in the banking division

- Grenke’s capital raising activities face serious headwinds, or even a sudden stop or rollback, due to critical internal control failures at Grenke Bank which will undermine the guarantee it has on all bonds. This guarantee is critical to Grenke’s S&P BBB+ rating – which keeps it just two notches above junk status.
- Grenke Bank has been a conduit for the proceeds of crime and money laundering, receiving money from binary options scams and unregulated trading platforms since its inception, the sorts of breaches which could result in the suspension or loss of a bank’s banking license and/or special supervision to protect depositors.
- Bank records from victims show that, even after these platforms were published on BaFin’s blacklist to cease service, Grenke Bank was either willfully blind or purposely continued to process their wire transfers for at least a year, right alongside Wirecard. This is a serious regulatory breach

Consequences faced by Grenke Bank will have fatal repercussions for the Grenke group as whole.

- Among other factors, Grenke’s bank issues together with undisclosed related party transactions and audit failures alone will provide reason for debt recourse.
Grenke’s business is built on malpractice and facilitates fraud

Grenke’s floundering business, which has necessitated the cover-up, is built on malpractice and fraud.

- Grenke’s leasing business is entirely dependent on its relationship with resellers, who onboard end-customers onto a Grenke lease. This program has run wild with rampant international frauds and Ponzi schemes facilitated through Grenke finance leases.

- Grenke conducts little to no due diligence on its resellers or their business schemes, and actively turn a blind eye to their often-fraudulent behavior. Grenke profiteer from outrageously overpriced leases for small ticket items.
  - Documents and videos from Grenke conferences with resellers obtained by Viceroy show the company’s blatant disregard for consumer protection and credit regulations, boasting to resellers that their team can approve a loan with as little as a company name and number of instalments in under 20 minutes. Resellers would be paid out by Grenke within 24 hours.
  - This opportunity to defraud has been taken up by criminal resellers on a massive scale. Many have given fake inducements, incorrectly installed equipment and vastly overpriced small-ticket items, invoicing Grenke for well over 20x their value, and leaving the customer with the bill. Grenke knowingly facilitates and encourages this with its minimal-oversight high-opacity contract structure.

Given how enormous and blatant some of these schemes are, we find it hard to avoid the conclusion that Grenke is complicit in this fraud.

The Frauds Facilitated by Grenke

Grenke’s lending quality is demonstrated by their vast propensity to associate with and finance Ponzi-schemes, con artists, and bottom-of-the-barrel scammers to the tune of hundreds of millions of dollars.

- Viewble Media, Rebl Media and Rhino media were three separate, large-scale international, hundred million-euro Ponzi-schemes enabled by Grenke’s lease financing. The schemes leased €500 televisions to thousands of SMEs, financed by Grenke, valued at €10k-15k each, which would allegedly be funded by “future advertisement revenues displayed on screens”. These advertising revenues inevitably never came through, and customers were left holding the bag. Grenke let this scheme perpetuate for ~3 years.
  - Viceroy interviewed many victims of this fraud. Grenke’s actions suggest it was party to a larger conspiracy to defraud, as it knocked back complaints, denied knowledge of the existence of the scheme (despite it being written into its contracts), and continued to allow these scammers to write new contracts to the tune of hundreds of millions of dollars.
  - Our research shows Grenke have no regard for basic credit regulations across the globe. Regulators are investigating financiers internationally, and we expect litigation to plague Grenke for years to come.
  - It has been confirmed that the UK’s FCA is currently examining evidence regarding the finance arrangements provided by Grenke in the Viewble fraud.

- Direct Technology Solutions defrauded schools across the UK through the lease of overpriced IT equipment. DTS told schools it would effectively donate the laptops, and they would not have to pay for the equipment lease. DTS made the first few payments then went into administration.
  - When the leases were examined, the laptops were found to have a retail price of £350-400 each but were charged at £3,750. Each school received 100-200 laptops.

- In September 2019 UK charity Missing Kind was approached by Plan Corporate Services with an offer: a £10,000 donation to a charity and covering the lease on three new printers for a year to the tune of £23,000, which PCS would install and was cancellable after one year. None of the payments pledged by PCS were ever made leaving Missing Kind solely responsible for >£100k in leases.

These are not isolated frauds, but merely the first page of Google. Users would be hard pressed to find a single good review of Grenke’s services, excluding fake reviews from resellers and Grenke’s own employees.
Viceroy’s non-exhaustive list of small-business, charities and government agencies defrauded by Grenke suggest billions of dollars of Grenke’s loan book are the result of similar schemes across the world.

- Grenke has ruthlessly continued collecting overvalued asset-backed lease repayments from defrauded small businesses, charities, and even government agencies with interest rates at unsecured loan levels. These collections have even persisted aggressively through Covid-19 and include letters of default.
  - Viceroy has connected with dozens of consumer advocacy and business communities internationally, from the UK & France to Australia & Brazil, which have been victims to frauds perpetrated by – or enabled by – Grenke.
  - Through discussions with regulators and consumer protection groups, we expect a wave of class actions and enforcement actions to plague Grenke’s amoral business practices for the foreseeable future.

The Management

- **Grenke is onto its 3rd audit committee chairperson since May 2018.** The last chair to be a registered accountant was Gerhard Witt, who left Grenke in May 2018. The other members of the Audit Committee are long-standing insiders, including Wolfgang Grenke himself, who is the largest shareholder of the company.
- **Grenke management and board had a mass exodus over the last 2 years.** One supervisory member appears to have been fired due to insider trading.
- Grenke does not appear to have a CFO. The COO oversees “accounting” and does not appear to have a chartered accounting designation. Given the complexity of Grenke’s accounts and frequent capital allocations, this is astounding.

The Bond Valuation

- Grenke’s €5b of debt is guaranteed by Grenke Bank, which is largely responsible for keeping Grenke’s ratings barely out of junk debt territory. This poses a grim reality to debt investors, such that:
  - Grenke Bank is in violation of KYC and AML obligations, processing money for known unregulated trading platforms and binary options frauds already detected by BaFin.
  - Viceroy believes substantial portions of Grenke’s cash does not exist.

We believe Grenke’s credit rating will sink into junk territory once fraud & financial misconduct is exposed

- Grenke’s bonds derive value against the company’s lease asset book. From our analysis, the lease asset book appears to be well into junk grade. Simply put, asset values are massively inflated and uncollectible at default. For instance, a €10,000 printer loan is accounted for by a €500 printer. The loan value is simply unrecoverable in the case of default.
- Grenke is entitled to little of its cash flows because it has securitized them, but it is nevertheless on-risk for any defaults via guarantees and subordinated loans
- When Grenke is finally forced to properly recognize impairments – or Grenke Bank’s viability is called into question – Grenke will be shut out of the capital markets and the house of cards will collapse. Loss of the ability to raise funding is a major risk factor associated with any bond rating downgrade.

Based on this, we see a Grenke’s bonds as junk grade.

Summary

The best case scenario we see for Grenke AG (XTRA:GLJ), which requires us to ignore the pervasive fraud, money laundering and impending redundancy of Grenke’s business lines, shows a wildly overvalued quasi-unsecured small-ticket lender transitioning into a niche bank – still uninvestable in a comparison to peers and a junk status rating for its bonds. It would be a disservice to provide a price target given the above.
Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Grenke Group, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

Viceroy Research LLC are an investigative financial research group registered in Delaware, USA. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

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1. About Grenke

Grenke AG (XTRA: GLJ) is a German-based asset leasing company, with operating divisions and subsidiaries across the globe. It operates in three divisions:

Finance Leasing

Grenke’s primary business and source of revenue is the leasing of equipment and other assets to businesses, which includes the offering of finance leases and insurance. In 2019, Grenke’s leasing business generated 96% of the group’s gross interest income.

Grenke’s lease book is heavily weighted towards equipment and technology that is quickly becoming out-of-date and redundant, such as printing, telecommunications hardware and software licensing.

Much of Grenke’s business is generated by suspect 3rd party resellers under a system that facilitates not only sharp and unscrupulous business practices amongst resellers but fraud on a massive scale, as we discuss later in this report.

Banking

Grenke Bank markets itself as an SME financing partner, mostly in Germany. Grenke claims its bank offers start up financing and provides development loans for SMEs and entrepreneurs. Despite this niche market the bank’s deposits have suspiciously increased by >40% in H1 2020 alone. Viceroy’s investigations find that it is a popular conduit among money launderers, binary options scams, and fraudulent unregulated trading platforms (we are unsure if these are classified under Grenke as “SMEs”).

The banking division is also used as a guarantor for Grenke’s group debt, effectively meaning that their credit score is upheld by a money laundering conduit with potentially material portions of fake cash.

A run on the bank would materially compromise its capital adequacy and tier 1 capital ratios as it would fail to meets its guaranteed obligations, which are already exponents on the “alleged” available cash on account.

Factoring

Grenke’s factoring business is relatively miniscule and contributes negligible amounts to earnings.

Reference Guide

<table>
<thead>
<tr>
<th>Parties of Interest</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>CTP Handels-und Beteiligungs (“CTP”)</td>
<td>Undisclosed related party controlled by insiders, secret owner and seller of franchises acquired by Grenke.</td>
</tr>
<tr>
<td>Garuna AG</td>
<td>Undisclosed related party controlled by former insiders, secret owner and seller of franchises acquired by Grenke.</td>
</tr>
<tr>
<td>Pro Gulf FZE</td>
<td>UAE company of unknown ownership and control, secret owner and seller of franchises acquired by Grenke.</td>
</tr>
<tr>
<td>Wolfgang Grenke</td>
<td>Grenke AG founder. Supervisory board member of Grenke Bank AG and Grenke Service AG. Controls CTP and its parent entity.</td>
</tr>
<tr>
<td>Thomas Konprecht</td>
<td>Former Grenke CFO and board member, departed in 2010. Controls CTP and its parent entity.</td>
</tr>
<tr>
<td>Grenke Finance</td>
<td>Irish Grenke subsidiary. Provides overnight finance and purchases receivables from Grenke operating subsidiaries and franchises. Arranges issuances of asset-backed notes through special purpose vehicles for outsider investors to finance these receivables.</td>
</tr>
<tr>
<td>Grenke Bank</td>
<td>Grenke banking subsidiary generally catering to SMEs. Also involved in laundering money for unregulated, BaFin sanctioned trading platforms.</td>
</tr>
<tr>
<td>Joanna Bielicka</td>
<td>CTP lawyer and signatory, as well as signatory for Grenke franchises prior to acquisition. Also worked for a fund directed by Konprecht and Wolfgang Grenke. No official Grenke position but known within the organization.</td>
</tr>
</tbody>
</table>
2. Cleaning Up and Cashing Out: Franchise Acquisitions

A major cause for concern regarding the Grenke group stems from its well established and regular practice of purchasing its franchises, which are then merged into the Grenke group as subsidiary companies.

These franchises are purchased from an undisclosed related party, CTP Handels- und Beteiligungs GmbH (“CTP”), which is owned by – and would therefore benefit – Grenke insiders. Through this structure, Grenke appears to have paid CTP millions over the past decade.

The “franchise program” operates more like a regular geographical expansion with CTP, employees and insiders establishing, operating, and owning the franchise as opposed to an independent outsider. Grenke also effectively bankrolls these operations through overnight financing arrangements and purchasing of lease receivables and maintains a call option to buy the franchise after several years.

This structure is sort of similar to Valeant’s relationship with Philidor. Grenke, like Valeant, has options to buy all of its franchisees almost at their inception, and effectively controls all of their operations, given that they are controlled by Grenke’s own management. While Valeant used Philidor to channel stuff toe fungus creams, we believe Grenke actively exercises its Franchisee call options as a means to hide fake earnings.

The non-disclosure of the related party nature of a transaction is an enormous audit failure and a breach of Grenke’s basic reporting obligations under International Accounting Standards (IAS) 24.

These acquisitions are clearly not in the regular course of business nor priced at market conditions, as the parent company effectively holds a call option to purchase these franchisees from inception.

Fake cash & Fraud 101

Grenke has allegedly spent over €100m since 2011 on undisclosed related party acquisitions of Grenke franchises. We say “allegedly spent” over €100m because we don’t believe this cash exists at all, and that Grenke uses these acquisitions to move cash off its balance sheet into goodwill, a far more opaque asset class.

The acquisitions of undisclosed, related party franchises that generate zero income, have no tangible asset value and stack on the company’s books as “goodwill” is a “Fraud 101” playbook way of hiding fake earnings.

It was done by Wirecard in its Indian business acquisition\(^1\). It was done by Lernout & Hauspie. It was done by Steinhoff. We believe it is happening at Grenke.

\(^1\) https://www.iasplus.com/en/standards/ias/ias24
\(^2\) https://www.ft.com/content/b3672388-200a-11ea-b8a1-584213ee7b2b

Viceroy Research Group
The driver behind this activity is Grenke’s need to account for fake cash, which appears on Grenke’s balance sheet from the understating of bad debt, which in turn stems from Grenke’s immoral and disastrous business model (as discussed in section 6) and its failing business segments.

Grenke covers up bad and impaired leases through the following means (see further discussion about this in section 5);

▪ the opaque operating structure of franchisees; and
▪ the recording of fake cash on its balance sheet. We draw attention to Grenke’s propensity to hoard excessive amounts of cash yet, for some strange reason, still to conduct capital raising (as discussed in section 9).

History Lesson – Lernout & Hauspie

The 2000 collapse of Lernout & Hauspie involved the faking of their accounts by selling everything to undisclosed related party entities – in this case software developers. For example, they would sell $100m of core technology to the entity booking $100m or so of profit. The incremental margin on software is 100%.

The entity would then owe Lernout & Hauspie $100m, which it had no ability to repay as it was often just a shell company. Lernout & Hauspie would then purchase the entity for $1 but in the accounts the consideration would be $100,000,001 – $100m debt assumed plus a $1 payment.

That balance would be represented in the accounts as goodwill. Lernout & Hauspie had turned a dodgy sale and profit generated from a dodgy party into fake goodwill.

Hiding of Fake Cash by Grenke

We believe Grenke is using franchise acquisitions to hide fake profits from its overstated operations by directing what we believe to be fake cash into fake goodwill.

The tail-end of Grenke’s loans are clearly non-profitable but no adjustments have been made on the books to reflect this (as discussed in section 5). So much so that even subsidiary accounts show multiple confusing intra-group transactions, including where Grenke is paying premiums for non-performing franchise leases right before buying them outright.

\[ \text{GRENKE Finance PLC pays a premium to agents who are a franchise to buy leases which become non performing. The franchisees to whom these premiums were paid have all since become GRENKE AG group companies. The amortisation relates to leases written when they} \]

\[ \text{Figure 2 Extract from Grenke Finance Financial Report – 2018} \]

Acquisitions also entail the extinguishment of substantial portions of financing liabilities of franchisees to the Grenke group, which consolidate out when the franchise becomes a Grenke group subsidiary.

We believe this has resulted in a large reservoir of fake cash, which needs to be diverted into other, less-transparent asset classes like goodwill.

This scheme would explain the undisclosed, insider-controlled nature of the seller, CTP: for this scheme to work the seller needs to be complicit. Its Austrian domicile and undisclosed insider ownership also afford CTP a large amount of secrecy, tax benefits – necessary to hide the other end of these transactions – and resources.

Here is the Catch-22: even if Viceroy is wrong, this all means that Grenke insiders must be consciously stealing hundreds of millions from shareholders through premeditated, undisclosed related-party transactions.
Who is CTP Handels-und Beteiligungs GmbH?

CTP is an Austrian company controlled by current and former Grenke employees: Wolfgang Grenke and Thomas Konprecht. The company is the founder and owner of most Grenke franchises later purchased by Grenke, a scheme we believe continues today.

- Wolfgang Grenke is the founder of Grenke AG and currently serves as the Deputy Chairman of the Grenke Bank AG supervisory board as well as in supervisory and director roles across the Grenke Group.
- Konprecht is the former chief financial officer at Grenke. From company disclosures he currently has no official standing at Grenke.

At this point, this structure is a spitting image of Weise’s undisclosed related party scheme at Steinhoff.

Despite owning, founding, controlling and financing most of Grenke’s franchise acquisitions over the years, CTP has never been disclosed as a related party by name in the company’s filings, nor is any mention made of it in the “business combination” segment of its annual reports. By Grenke’s own definition, CTP meets the criteria for a related party.

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3 https://www.firmenabc.at/ctp-handels-und-beteiligungs-gmbh_BMYQ
4 https://viceroyresearch.files.wordpress.com/2017/12/steinhoff-article-viceroy2.pdf
In fact, it’s ironic that the only related party transactions disclosed outside of direct management compensation is how many millions Grenke board and management members have withdrawn from their deposit accounts since the start of 2020.

Those familiar with our Steinhoff report can guess what happens here...

![Spot the difference...](image)

In Schedule 1 (Examples of Franchise Purchases) of this report we examine in detail each acquired franchise’s link to CTP but before referring to this, it’s important that readers are familiar with the key players in the scheme and how it operates. Steinhoff now operates as a shadow of its former self and it still under investigation by the authorities following Viceroy’s report on the company in 2017.
Joanna Bielicka

A key player in CTP’s operation whose name keeps appearing is Joanna Bielicka. WhoIs data for CTP’s non-descript website www.ctp-holding.at lists her as the current responsible person and she has held that role since December 30, 2010. The record for this date lists Bielicka’s organization as EECA Consulting-und Beteiligungs GmbH, a precursor to CTP.

She was educated in Warsaw and Berlin and specialized in tax law. Her work experience lists her role as a “specialist” at General Police Headquarters in Warsaw and as a legal analyst for Dombank. Almost all her endorsements are from Grenke personnel, including an endorsement for “cross border transactions” from Marco Vaz Souta, former managing director of Grenke Portugal.

Our belief is that Bielicka functions as a front and go-between for CTP operations with Grenke franchises, and this belief is corroborated by interviews conducted with former employees.

Those interviewed clearly knew about Bielicka’s involvement with Grenke but were generally unsure as to her position, duties, and responsibilities. The general view was that she was an employee of the company although that does not appear to be the case. Bielicka is also the attorney for WGW Investment GmbH, an investment vehicle owned by Wolfgang Grenke and directed by Wolfgang Grenke and Konprecht.

Bielicka may be used as a “fall-person” for when the scheme is eventually brought to light. Bielicka acts as CTP’s representative in several transactions as shown in legal documents, which we go through in Schedule 1 (Examples of Franchise Purchases) section below.
The CTP network

CTP’s beneficial owner is the Swiss company Sacoma AG, which through a convoluted set of links is also controlled by Wolfgang Grenke and Konprecht. The company is part of a larger constellation of Grenke-insider controlled companies but CTP seems to be the largest and most active of the companies. These include:

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Link to Grenke/CTP</th>
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<tbody>
<tr>
<td>EECA Consulting -</td>
<td>Listed as Bielicka’s organization in Whols lookups</td>
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<tr>
<td>und Beteiligungs GmbH</td>
<td>Managing directors:</td>
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<tr>
<td></td>
<td>o Joanna Bielicka</td>
</tr>
<tr>
<td></td>
<td>o Friedhelm Gruber – MD of Senat MEA Management Consultancy7</td>
</tr>
<tr>
<td></td>
<td>o Heinz Pippan – Managing partner of EMCH Consulting and Holding company</td>
</tr>
<tr>
<td>Garuna AG fka CS Beteiligungs</td>
<td>Domiciled at the same Swiss address as Sacoma AG.</td>
</tr>
<tr>
<td>GmbH8</td>
<td>Directors are Thomas Konprecht and Simona Corina Stingaciu (relation unknown)9</td>
</tr>
<tr>
<td></td>
<td>Former directors include Dr Jorg Erich Wilhelm, also former director of Sacoma AG.</td>
</tr>
<tr>
<td>Soft-Line Aktiengesellschaft</td>
<td>Liechtenstein company and possible first iteration of CTP.</td>
</tr>
<tr>
<td></td>
<td>Created GC Leasing Slovensko s.r.o. with CTP, later sold to Grenke as Grenke</td>
</tr>
<tr>
<td></td>
<td>Leasing (Slovakia)10.</td>
</tr>
<tr>
<td>Pro Gulf FZE</td>
<td>UAE-domiciled company of unknown ownership and management.</td>
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<td></td>
<td>Coincidental ownership of several Grenke franchisees.</td>
</tr>
<tr>
<td></td>
<td>Active since 2016</td>
</tr>
<tr>
<td>Sacoma AG</td>
<td>Often listed as the beneficial owner of CTP Handels- und Beteiligungs GmbH.</td>
</tr>
<tr>
<td></td>
<td>Directors signed in as of January 2019: Thomas Konprecht, Wolfgang Grenke,</td>
</tr>
<tr>
<td></td>
<td>Marcel Gross (relation unknown).</td>
</tr>
</tbody>
</table>

**Mutation Sacoma AG, Weggis**


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*Former directors include Dr Jorg Erich Wilhelm.*

**Figure 11 Sacoma AG change of directors announcement**

**Figure 12 List of CTP-related third parties**

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7 https://www.advisoryexcellence.com/experts/friedhelm-gruber/
8 https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=2655367
9 Visit https://www.sogc.ch/ and search for “Garuna AG”
10 Visit http://www.orsr.sk/ and search for “Grenkeleasing” as a business name
Financial performance of franchisees

Before going through the mountain of evidence of this scheme annexed in this report, readers should look at how these franchisees perform. On a standalone basis, the franchisees acquired by Grenke appear to be perennially loss making (see Figure [17] below – Grenke Franchisee Acquisition Analysis). Even when accounting for the after-costs flow-through structure of their leases sold to Grenke Bank, these acquisitions make no financial sense.

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Acquired</th>
<th>Consideration (EURk)</th>
<th>Cash acquired (EURk)</th>
<th>Annualised Net Interest Income (EURk)</th>
<th>Annualised Net Profit (EURk)</th>
<th>Liabilities eliminated (EURk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GC Leasing Middle East FZCO</td>
<td>UAE</td>
<td>31-Mar-18</td>
<td>11,558</td>
<td>576</td>
<td>2,848</td>
<td>(299)</td>
<td>not stated</td>
</tr>
<tr>
<td>Grenke Hrvatska d.o.o fka GC Renting Croatia</td>
<td>Croatia</td>
<td>31-Mar-18</td>
<td>22,461</td>
<td>3</td>
<td>(166)</td>
<td>(1,916)</td>
<td>not stated</td>
</tr>
<tr>
<td>GC Locacao de equipamentos Ltda</td>
<td>Brazil</td>
<td>30-Jun-17</td>
<td>660</td>
<td>859</td>
<td>not stated</td>
<td>(4,205)</td>
<td>not stated</td>
</tr>
<tr>
<td>GC Renting Malta Ltd</td>
<td>Malta</td>
<td>31-Mar-17</td>
<td>5,346</td>
<td>592</td>
<td>not stated</td>
<td>(446)</td>
<td>not stated</td>
</tr>
<tr>
<td>GC Leasing Ofis Donanimlari Kiralama LinTurkey</td>
<td>Turkey</td>
<td>31-Mar-16</td>
<td>1,700</td>
<td>1,215</td>
<td>not stated</td>
<td>(2,308)</td>
<td>11,479</td>
</tr>
<tr>
<td>GC Leasing d.o.o.</td>
<td>Slovenia</td>
<td>5-Mar-15</td>
<td>7,980</td>
<td>271</td>
<td>not stated</td>
<td>(458)</td>
<td>818</td>
</tr>
<tr>
<td>Grenkefactoring AG</td>
<td>Switzerland</td>
<td>15-Jun-14</td>
<td>3,919</td>
<td>524</td>
<td>1,143</td>
<td>95</td>
<td>5,732</td>
</tr>
<tr>
<td>GCLUX Location Sarl</td>
<td>Luxembourg</td>
<td>31-Mar-14</td>
<td>2,511</td>
<td>60</td>
<td>not stated</td>
<td>(232)</td>
<td>455</td>
</tr>
<tr>
<td>Grenkeleasing Oy</td>
<td>Finland</td>
<td>24-Jun-13</td>
<td>5,184</td>
<td>645</td>
<td>143</td>
<td>(127)</td>
<td>945</td>
</tr>
<tr>
<td>Grenkeleasing s.r.o. fka GC Leasing Slovensko</td>
<td>Slovakia</td>
<td>21-Jun-13</td>
<td>650</td>
<td>7</td>
<td>599</td>
<td>(246)</td>
<td>5,025</td>
</tr>
<tr>
<td>Grenke Renting S.A.</td>
<td>Portugal</td>
<td>14-Sep-12</td>
<td>32,748</td>
<td>321</td>
<td>1,151</td>
<td>(770)</td>
<td>not stated</td>
</tr>
<tr>
<td>Grenke Rent S.A.</td>
<td>Spain</td>
<td>13-Jul-12</td>
<td>5,280</td>
<td>117</td>
<td>343</td>
<td>(1,033)</td>
<td>4,213</td>
</tr>
<tr>
<td>SC Grenke Renting S.r.l.</td>
<td>Romania</td>
<td>17-May-12</td>
<td>4,553</td>
<td>37</td>
<td>771</td>
<td>(389)</td>
<td>6,638</td>
</tr>
<tr>
<td>Grenkeleasing Magyarorszag Kft</td>
<td>Hungary</td>
<td>6-Jun-11</td>
<td>2,400</td>
<td>57</td>
<td>195</td>
<td>187</td>
<td>1,641</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>106,950</td>
<td>5,284</td>
<td>7,027</td>
<td>(12,147)</td>
<td>36,946</td>
</tr>
</tbody>
</table>

Beginning in 2017, Grenke provided a geographical breakdown of revenues and earnings before tax for each country. In several of its geographies, the only operating segment is an acquired franchise and in the table below, we can see that financial performance has stagnated, or worsened in a lot of these geographies over time.

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Date acquired</th>
<th>Country</th>
<th>Annualised profit at acquisition</th>
<th>Profit (EURm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GC Locacao de Equipamentos Ltda</td>
<td>30-Jun-17</td>
<td>Brazil</td>
<td>(4.2)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Grenkeleasing Magyarorszag Kft</td>
<td>6-Jun-11</td>
<td>Hungary</td>
<td>0.1</td>
<td>(0.3)</td>
</tr>
<tr>
<td>SC Grenke Renting S.r.l.</td>
<td>17-May-12</td>
<td>Romania</td>
<td>(0.4)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Grenke Rent S.A.</td>
<td>13-Jul-12</td>
<td>Spain</td>
<td>(1.0)</td>
<td>3.2</td>
</tr>
<tr>
<td>Grenke Renting S.A.</td>
<td>14-Sep-12</td>
<td>Portugal</td>
<td>(0.8)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Grekeleasing Oy</td>
<td>24-Jun-13</td>
<td>Finland</td>
<td>(0.1)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>GCLUX Location Sarl</td>
<td>31-Mar-14</td>
<td>Luxembourg</td>
<td>(0.2)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>GC Leasing d.o.o.</td>
<td>5-Mar-15</td>
<td>Slovenia</td>
<td>(0.5)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>GC Leasing Ofis Donanimlari Kiralama Ltd.</td>
<td>31-Mar-16</td>
<td>Turkey</td>
<td>(2.3)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>GC Renting Malta Ltd</td>
<td>31-Mar-17</td>
<td>Malta</td>
<td>(0.4)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Grenke Hrvatska d.o.o.</td>
<td>31-Mar-18</td>
<td>Croatia</td>
<td>(1.9)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>GC Leasing Middle East FZCO</td>
<td>31-Mar-18</td>
<td>United Arab Emirates</td>
<td>(0.3)</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>

Figure 13 Grenke Franchisee Acquisition Analysis – Viceroy Research
Figure 14 Franchise Performance Analysis Viceroy Research
The scheme

<table>
<thead>
<tr>
<th>Step 1</th>
<th>CTP &amp; Grenke Employee set up new franchise under a “GC” related name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grenke employee</td>
</tr>
<tr>
<td></td>
<td>Takes minority stake</td>
</tr>
<tr>
<td></td>
<td>New “GC” franchise</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 2</th>
<th>Subsidiary operates for a few years with financing and debt from CTP and Grenke Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grenke Finance</td>
</tr>
<tr>
<td></td>
<td>Overnight &amp; factoring financing</td>
</tr>
<tr>
<td></td>
<td>“GC” franchise</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 3</th>
<th>Before acquisition by Grenke, subsidiary repays CTP loan through Grenke Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grenke Finance</td>
</tr>
<tr>
<td></td>
<td>Repayment of debt</td>
</tr>
<tr>
<td></td>
<td>“GC” franchise</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 4</th>
<th>Grenke acquires franchise but does not disclose related party aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grenke TopCo</td>
</tr>
<tr>
<td></td>
<td>Acquires franchise from CTP</td>
</tr>
<tr>
<td></td>
<td>“GC” franchise</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 5</th>
<th>Subsidiary debt to Grenke Finance is eliminated upon acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grenke TopCo</td>
</tr>
<tr>
<td></td>
<td>Now wholly owners</td>
</tr>
<tr>
<td></td>
<td>“GC” Franchise</td>
</tr>
<tr>
<td></td>
<td>Intra company debt eliminated</td>
</tr>
<tr>
<td></td>
<td>Grenke Finance</td>
</tr>
</tbody>
</table>

Figure 15 Step-by-step demonstration of the Grenke “Franchisee” scheme

The structure of this cash siphoning is simple:

1. CTP, and sometimes a Grenke employee, set up a franchise in a new geography with CTP retaining the majority stake. Often this is named “GC [insert name]” to avoid appearing in searches.

2. The undisclosed related party franchisee operates for a few years through overnight financing from Grenke’s subsidiary Grenke Finance Ltd and debt from CTP. During this time the franchise operates as part of the Grenke company.

3. Before being acquired by Grenke, the franchisee repays CTP’s loan through additional debt from Grenke Finance.

4. Grenke acquires the company from CTP and the employee but does not disclose the related party aspect of the transaction on its financials. We believe the main purpose of the acquisition is to move fake earnings into fake goodwill.

5. The subsidiary’s debt to Grenke Finance is consolidated upon acquisition.

The only sign of this in Grenke AG’s finances are “intra-group liabilities from refinancing the leasing business”, which are debts owed by the acquired entity to Grenke Finance which are eliminated on consolidation. The only way to find CTP’s involvement in this process at all is to look at franchisee accounts prior to acquisition.

Accounts strongly suggest debts owed to CTP by the franchise are repaid prior to acquisition by borrowing from Grenke Finance. This hides CTP’s involvement and obfuscates how much of the “intra group liabilities consolidated on acquisition” originate from the sale of receivables to Grenke Finance.

Every franchise acquisition we could obtain filings for has been an undisclosed related party transaction with CTP and this constitutes almost all the acquisitions undertaken by Grenke. These are documented in Schedule 1 (Examples of Franchise Purchases). We believe every franchise acquisition made by Grenke in the last decade is an undisclosed related party transaction.

Due to geographical differences in disclosure, we do not have the same level of transparency into every franchisee, however several steps in the process above are virtually the same across these companies. We believe the scheme detailed above occurred at all the franchisees referred to in Schedule 1 (Examples of Purchased Franchises).
Who is next?

We have identified other franchisees that we believe will soon be acquired by Grenke and set these out in Schedule 2 (Who’s Next) to this report. If, as we believe, these acquisitions are used to remove fake cash from Grenke’s balance sheet then it follows that the company must have a healthy pipeline of “franchise acquisitions” to continue this activity. In any case these franchisees offer insiders an opportunity to cash out of the business at Grenke’s expense.

Grenke itself publishes no data on its franchisees but a 2019 debt prospectus lists all Franchise Partners in which it holds no interest.

![Figure 16 Grenke Finance debt prospectus dated February 17, 2020](image)

We have proof that most, if not all, of these are partially owned by CTP, Pro Gulf and Garuna which we present below. There are also other “GC” companies that function as franchisees but are not mentioned above, leading us to believe some choice companies are intentionally left out of shareholder disclosures.

Key takeaways

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We believe Grenke’s franchise program is fraudulent and constitutes a massive breach of basic reporting obligations. These audit breaches should have been easily picked up by its auditors: KPMG.

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Obviously mass and sequential purchases of franchisees from undisclosed related parties is a way that insiders could siphon cash from the company in massive scale. But mass theft here is not the Viceroy short case. What we think is happening is that mass fake profit is being converted to mass goodwill.

It is possible that there is a bit of both—some theft, some profit faking. However as the franchisees are substantially unprofitable we think the vast bulk of these purchases are not siphoning of cash away, but rather the transformation of fake profits (booked through the P&L) into difficult to audit fake goodwill.

Senior Grenke employees are complicit in the scheme, although their contribution and benefits are limited based on their extremely small stakes in these businesses. It is possible that these “franchisee” opportunities are a promotion within the company or a sort of long service reward.

We believe Wolfgang Grenke, Thomas Konprecht and possibly Mark-Antonius Kindermann to be the ultimate perpetrators of CTP. Regardless, their position as directors of CTP places them in direct conflict of interest considering at least one of them has an ongoing relationship with Grenke. We urge shareholders and BaFin to move for an immediate independent investigation into Grenke’s franchise operations past, present and future.
3. Grenke Bank – for your fraud financing needs

In order to provide a truly comprehensive solution for its devious clientele, Grenke has also set up its own banking division. The standards of compliance maintained in the banking division in basic areas such as know-your-customer and other anti-money laundering (AML) responsibilities are woeful to say the least and have led to the proceeds of crime passing through Grenke bank accounts.

The most glaring example of the complete lack of KYC oversight present at Grenke Bank is its maintenance of bank accounts for numerous unlicensed, unregulated trading platforms, all of which ended up being frauds, and in which retail investors lost all of their investment.

Behind the scenes, Grenke Bank is the institution that upholds Grenke’s credit rating through its liquidity requirements and guarantees of Grenke’s debt and securitized asset portfolios.

BaFin’s Naughty List

Despite our disagreement with BaFin’s (lack of) action towards financial fraud conduits, it does actually maintain a hefty list of business prohibitions for the benefit of consumers.

You can find these on BaFin’s “News for Consumers” website section and in many of those lists you will find Fintech Service GmbH.

Fintech Service GmbH

Fintech Service GmbH was originally flagged by BaFin in May 2018 for its back-end services provisions to unregulated trading platforms (FX, equities, suspicious cryptocurrencies, you name it) located in financial powerhouses such as Estonia, Kazakhstan, Bulgaria, and the Marshall Islands. These trading platforms were obviously all frauds. Investors lost billions. BaFin therefore ordered the immediate cessation of all unauthorized activities, including international money transactions, by Fintech Service GmbH on May 8, 2018.

22.08.2018 | Topic Unauthorised business

FinTech Service GmbH: BaFin orders the cessation of supporting unauthorised proprietary trading

As of 8 May 2018, BaFin ordered FinTech Service GmbH, Düsseldorf, to cease and desist from supporting cross-border proprietary trading conducted by trading platforms.

Exercising back office activities for unlicensed trading platforms as www.weissfinance.com (Owner: Pairs Ltd., Marshall Islands), www.sternoptions.com (Owner: BP1 LP, Bulgaria) and www.olssoncapital.com (Owner: Carter Enterprises OU, Estonia), FinTech Service GmbH is involved in their proprietary trading without the required authorisation from BaFin. FinTech Service GmbH offers support of and communication with clients on behalf of the platforms.

As of 10 August 2018, FinTech Service GmbH’s application for the reinstatement of the suspension of the decision has been denied by the Administrative Court of Frankfurt am Main.

By law, the order is immediately enforceable, but not yet final.

Figure 17 Extract – BaFin Unauthorized Business

11 NB: In our experience, regulators have always been much quicker to act on matters of consumer protection than, say, international terror financing, payment processing for child pornography, insolvent trading, or defrauding the government.

Fintech Service GmbH continued to raise fraudulent invoices and launder money out of the country for unregulated trading platforms and binary options scams *all the way through 2019 from its Grenke Bank account*. This was after several BaFin actions against the company. This is a massive regulatory breach on the part of Grenke Bank for which it should receive substantial fines.

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**Fintech Service GmbH’s crucial role in perpetuating these trading scams was to raise fraudulent invoices to private individuals for payment into its business bank account, and to then launder this money into said trading platform scams**\(^\text{13}\).

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**Blue Trading**

Blue Trading was one of the numerous cryptocurrency and FX trading platforms which “lost” all of its investors’ money overnight, sending a note to clients from anonymous proton mail accounts stating that there was a software issue which effectively eliminated all funds.

Obviously, investors came together to commence an investigation, and a database is widely available to the public which shows all the international conduits used to launder cash by Blue Trading. Here we see Fintech Service GmbH, and their Grenke Bank account:

![Figure 18 Blue Trading Investigation – Dispatch Weekly](https://dispatchweekly.com/2019/02/blue-trading-has-suspended-trading-is-the-spam-over/)

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\(^{14}\) https://dispatchweekly.com/2019/02/blue-trading-has-suspended-trading-is-the-spam-over/
This was corroborated by the European Funds Recovery Initiative (EFRI) and FinTelegram, who represent hundreds of investors who have collectively lost tens of millions of Euros to trading platform scammers. Fortunately, EFRI also keep a database of all IBAN numbers and banks to which scammed investors have deposited funds for fraudulent trading platforms.

From their complainants alone, EFRI deduced almost €700k of investor capital was lost to FinTech Services’ Grenke Bank accounts through 2019 – right next to Wirecard on the list – and “regularly ignored” BaFin and European Financial Market Supervisory Authorities warnings and prohibitions:

From their complainants alone, EFRI deduced almost €700k of investor capital was lost to FinTech Services’ Grenke Bank accounts through 2019 – right next to Wirecard on the list – and “regularly ignored” BaFin and European Financial Market Supervisory Authorities warnings and prohibitions:

12. It is particularly blatant that the publicly warnings and prohibitions on individual fraudulent companies issued by the European financial market supervisory authorities are not taken into account in any way by German financial service providers when opening accounts or maintaining account connections. There were warnings from foreign supervisory authorities that were ignored by the German banks in offering accounts for fraudulent companies.

13. The fact that even warnings by the German supervisory authority (BAFIN) are also regularly ignored by the German banks is demonstrated by the example of GRENKE Bank, which maintained an account of FinTech Services GmbH and enabled the acceptance of illegal funds, despite the prohibition of the business activities of Fintech Services GmbH as early as 8 May 2019.

14. BAFIN has not commented on our money laundering report on Wirecard Bank AG on or on the money laundering report of Deutsche Bank/Postbank. Based on media reports we know learned that BAFIN just felt not responsible for WIRECARD – evidently not even for the Bank.

15. Thousands of desperate European consumers, who for many years have been seeking help from BAFIN after the crime committed against them had been realized, have also been kindly but firmly rejected over the years.

Figure 19  EFRI Initiative Letter to FATF/GAFI – EU Cybercrime and Money-Laundering Challenge – 30 Jul 2020

Grenke Bank, like Wirecard, has failed to comply with its obligations as a regulated bank to prevent money laundering.

The Big Picture

While Grenke Bank does not account for much of the group’s profits, it is still a critically important Grenke Group company because it guarantees roughly €5b of Grenke’s debt and up to 25 percent of Grenke’s asset portfolios that have been securitized via its ABCP programmes (please refer to Section 5 for further information about Grenke’s ABCP programmes).

Given that Grenke’s capacity to raise debt finance and the operational viability of Grenke’s ABCP programmes therefore depend on the support of Grenke Bank, our findings of serious malfeasance and regulatory breach at Grenke Bank mean that these business-critical activities are in serious jeopardy and subject to the risk of a sudden stop should Grenke Bank run into financial difficulty or face the suspension of its banking license.

We note Grenke’s S&P rating stands at BBB+ with negative outlook already. These broad KYC/AML breaches and our substantiated evidence of fake cash pose a grim reality to Grenke debt investors.

A combination of the above means Grenke bonds will likely fall deep into junk territory. We strongly believe that should Grenke Bank face an existential cash crunch, BaFin will take measures to contain the fallout but not before significant damage has been done.
Key Takeaways

As far as this matter is concerned, BaFin followed necessary procedures to inform banking sectors and customers that Blue Trading/Fintech Service GmbH were frauds.

Upon this information coming to light, what steps did Grenke take – per KYC/KYB and AML regulations – to quash the issue? **None.**

BaFin only regulates the bank; it does not do their job for them. It was brought to Grenke’s attention that a bank customer was committing international wire fraud and money laundering. This is irrevocable evidence that Grenke conducts virtually no customer or transaction checks on its customers, even customers that have:

- had all operations banned by BaFin, publicly
- been publicly outed as money launderers
- been publicly known to issue and receive cash payments for fraudulent invoices
- had a wide net of complaints from customers for illicit transactions

How Grenke’s internal controls did not red flag these transactions is beyond belief. It is fitting then, that it sits alongside Wirecard in the list of European money laundering banks in a summary provided by EFRI.

Trouble at Grenke Bank could lead to a sudden stop in Grenke’s capital raising activities, including its bond issuances and the securitization of its assets via its ABCP programmes. This would likely result in the total collapse of the Grenke Group.
4. Grenke’s diminishing finance lease segments

Before we examine the various malpractices and frauds, it is important to add some context into the background of Grenke’s antiquated asset book, being one of the only major players with virtually no innovation in sales or marketing channels over the last 20 years.

**IT “equipment”**

Grenke’s largest leasing segment remains IT equipment.

One would expect this to be a highly profitable and future proofed segment, given that the innovation cycle of tech equipment is quite quick – let’s say 3 years, and that one 3-year Grenke lease should be able to perpetually roll into another 3-year Grenke lease as technology requires upgrade and renewal. However, in the case of Grenke, this is not the case. This is because certain of Grenke’s main IT leasing sub-segments have become totally redundant with the advent of new technologies.

For example, analysts who have followed Grenke since the 00’s will know that the company had a history of constantly boasting about its various finance agreements with software companies Microsoft and Sage. Microsoft and Sage do not sell any hard assets (or at least, did not in the 00’s). Therefore, lease agreements were for the financing of software licenses.

These arrangements are now redundant and have been extensively replaced with Microsoft’s enterprise software and Sage’s cloud based accounting solutions, which require no financing as they are already software as a service (SaaS) models, paid for as you go and provided directly to end users.

The only other major IT equipment we can see being required at a large scale in the future, outside of computers, are servers. For many businesses these are generally more cheaply outsourced on a SaaS cloud model which returns a lower Total Cost of Ownership when computational and storage requirements are reasonable.

As Grenke is almost entirely reliant on commercial resellers, the abundance of leases also include installation, maintenance, and whatever fees the reseller can get away with.

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Printer? Never heard of her

Printers are now out of fashion with the younger generation, the environmentalists, the retirees – basically anyone who doesn’t own a filing cabinet. Electronic distribution is substantially cheaper and easier than physical mailouts, and social media are much more efficient than flyers.

The position is the same for office and commercial printers. Unless your business is printing things for people, most businesses have moved into digital filing for many simple reasons, the main one being you don’t have to buy ink.

Xerox, HP and Canon were pioneers in the ‘80s, ‘90s and ‘00s and are now scraping for pennies in a crowded, undifferentiated, and declining market. The earnings on printing are so slim that the only profitable sub-segment of this industry is the sale of ink which fetches higher wholesale prices and margins than a beer at a sports stadium.

All major suppliers’ commercial and consumer hardware sales in printing have dropped significantly since 2010. The preservation of ink sales is so important, you can buy an inkjet printer for less than the cost to fill it with ink (printing 160-off pages) and that PaaS (Printing As A Service) is now a thing.

How is it then that Grenke’s photocopy and printer sales appear to have grown on aggregate over the last 10 years on the back of printer sales, and continue to do so?

Photocopying machines alone made up almost 20% of Grenke’s new business in 2019 – accounting for ~€650m of new business.

Grenke’s printer new volume sales have doubled in the last 10 years and the company is doing more printer volume sales now than substantially all its new business volume in 2011, which is the last time we got this breakdown. Based on figures from Statista, the volume of printers sold from 2012 to 2019 actually fell by 13% with price per unit remaining flat over that time.

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For comparison industry data from Hewlett-Packard Enterprise figures for printer volumes shows stagnating volumes from 2015 onward, and prices falling through the floor:

Is Grenke privy to toner and ink sales? No.

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Telecom Equipment

The 3rd largest Grenke sales segment includes the financing, installation, and maintenance of landline technology which is completely redundant for the modern company. We understand that the service contracts from telecoms, whose partnership Grenke also frequently boasted about to the market, were included in the pricing of Grenke finance leases.

Sorry, how much?

Given Grenke’s top 3 segments by business volumes are effectively redundant or declining, there must be some great catch or deal to get customers involved. Does Grenke offer a better deal? No.

Prospectuses for Grenke’s Asset Backed Commercial Paper programs give much more granular detail into its finance leases. For instance, the AVERAGE copy machine contract was for a nominal amount of €7,146! This would be roughly the price of top of the line copiers, but it is the mean price Grenke was charging for a machine.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Contracts</th>
<th>Original Nominal Amount</th>
<th>Avg Contract Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Office IT</td>
<td>1,171</td>
<td>8,008,410</td>
<td>6,839</td>
</tr>
<tr>
<td>Telecommunication Equipment</td>
<td>5,145</td>
<td>42,103,444</td>
<td>8,183</td>
</tr>
<tr>
<td>Security Equipment</td>
<td>3,058</td>
<td>21,732,781</td>
<td>7,107</td>
</tr>
<tr>
<td>Machines, fittings</td>
<td>3,688</td>
<td>25,880,455</td>
<td>7,017</td>
</tr>
<tr>
<td>Medical Equipment</td>
<td>2,166</td>
<td>21,579,791</td>
<td>9,963</td>
</tr>
<tr>
<td>IT Equipment</td>
<td>14,905</td>
<td>77,100,242</td>
<td>5,173</td>
</tr>
<tr>
<td>Copy Machines</td>
<td>15,524</td>
<td>110,929,613</td>
<td>7,146</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45,657</strong></td>
<td><strong>307,334,736</strong></td>
<td><strong>6,731</strong></td>
</tr>
</tbody>
</table>

(Figures 26 & 27 Goals Financing 2009 Limited Prospectus dated January 27, 2010 and Analysis)

This is even more staggering when you consider that the vast majority of contracts are for consumers, self-employed persons and sole traders, and that traditional office clients (consulting, accounting, legal, public sector) do not even account for 20% of total outstanding contracts.
Grenke’s Basel 3 reports show that “Households”, which include sole traders, accounted for over €1bn of book leases in 2019. It is unfathomable to us that Grenke has leased printers that cost such a high price but perhaps this is not surprising given the nefarious practices indulged in by its resellers and facilitated by Grenke. We discuss these practices further in section [ ], but now we would like to turn one of the major structural frauds being perpetrated by Grenke.

\[\text{https://media.grenke.com/download/downloadgateway.dll/getfile?p_inst_id=32279944&p_session_id=&p_obt_id=2812805&p_spec_id=n1}\]
5. Junk lease receivables and failure to book impairments

We can gain preliminary insights into the poor (probably junk) quality of Grenke’s finance lease book by examining offering materials from its securitization programmes. There is a massive disconnect between the way Grenke presents its lease receivables to the market and how it presents them to Asset Backed Commercial Paper (ABCP) investors. Put simply, there is no way Grenke is accurately impairing its asset book due to:

1. The size of the subordinated loan guarantees it is required to give in support of its securitization SPVs, being up to 25% of the NPV of the securitized lease receivables (suggesting the guaranteed assets are of very poor quality)
2. The makeup of the SPVs’ loan books, being mostly small businesses and sole traders
3. The interest being charged on the lease receivables, with most over 10% interest

All the above are what would be expected from unsecured retail lending which has an impairment level far higher than that which Grenke is admitting publicly i.e. well over 10%, not ~5% as Grenke claims.

ABCP – A window into the debt book

Grenke securitizes its lease receivables via what it calls its “asset backed commercial paper programmes” (“ABCP programmes”). Under these programmes, Grenke Finance sells a bundle of lease receivable to an SPV.

The SPV funds the purchase of the receivables by selling bonds or notes to outside investors, whom then receive payments of interest and principle based on the payments the SPV receives from the lease receivables.

In the case of the Grenke’s ABCP programmes, the SPVs are consolidated into Grenke’s group financial statements because Grenke retains risk in the non-performing lease receivables. It does this by providing subordinated loans to the SPVs, which essentially act as a guarantee of any non-performing lease receivables, and also by repurchasing non-performing lease receivables from the SPVs (see figure [93] below).

In the event that a securitized lease receivable becomes non-performing, there must, therefore, be some sort of settlement between Grenke AG and the conduit of the relevant ABCP program. This could occur in one of two ways:

1. Either a write down of a subordinated loan or a cash settlement occurs, where in either case Grenke AG simply provides the ABCP conduit cash to “make up” for impaired loans. This would be visible on the company’s financial statements but we only see:
   - <£5m as cash settlement for ANY impairments in Grenke AG accounts for >€1b of ABCP loans; and
   - No impairments to the subordinated loans. This scenario is simply impossible.

2. The company buys back non-performing loans by replacing them with another loan from its books. Given the impossibility of the first method discussed, this must be the primary settlement method, which is supported by the Grenke Finance annual report 2018 (see Figure [93] above).

However, despite the fact the Grenke must be buying non-performing assets back, we still do not see a believable level of impairments on Grenke’s books. We believe that Grenke is avoiding recognizing losses because it is able to continue to categorize bad assets as simply “non-performing loans” (which means that Grenke still believes recovery is likely) rather than impaired (which means recovery is doubtful).
Grenke have fabricated an environment where its junk leases are being cashed upfront and presented with a default rate comparable to prime bonds.

We have not yet touched on the rampant reseller fraud being facilitated by Grenke and already its accounts have presented us with an impossibility.

The loan quality farce

The subordinated loan guarantees provided by Grenke are massive, sometimes totaling ~25% of the NPV of the securitized lease receivables. This suggests that the receivables being securitized are very poor quality and that recoveries would be deep into junk territory.

Sure enough, a 2010 prospectus for the SPV of Grenke’s least delinquent geography, Germany, shows that:

- Well over 50% of the total contracts are on effective interest rates of >10%, with 21% of lease finance loans issued with rates over 14% - well into the rates usual for the unsecured lending space.
- About 40% of the contracts are sole proprietors or personal ventures, and only ~17% of the loans come from Germany’s richest regions of Bavaria and Berlin. The mean loan amount of the portfolio is <€5k making recovery far from profitable.
Despite this, Grenke has never taken an impairment on its subordinated loan agreements and, despite having arrangements to buy back non-performing receivables, has only recorded 3% doubtful receivables in the same geography.

This is more in line with American Express, not equipment leases for sole proprietors.

Readers need only to look as far as comparable lease books, such as car leases, where approximately 10% of car loans in the USA are non-performing. Cars have much higher residual and fire-sale recoverable values than office printers – which are by far the most common leased asset by Grenke.

Key Takeaways

Investors should seek an independent investigation to enquire whether Grenke’s loan book is comparable to AMEX.

What is apparent from the subordinated loan percentages and the Goals Financing 2009 prospectus is that these loans are at **significant risk of default**, with lease amounts so low as to make recovery pointless.

By securitizing its lease receivables, the company loses much of its upside but retains full exposure to default on these leases, like the structure we uncovered at Steinhoff.

**Obscurity is contained within Grenke’s definitions and treatment of non-performing leases versus impairment leases.** Numerous subsidiary accounts refrain from “impairment” terminology and persist in the language of “non-performing”. This is because non-performing leases, which are overdue leases, don’t necessarily have to be impaired, so long as the company believes recovery is likely. History tells us that recovery of junk leases is highly unlikely.

There are further questions surrounding the amount of lease receivables currently held by SPVs and Grenke’s total exposure.

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*How did Grenke’s loan book become junk rated?*

*Welcome to the Bait and Switch.*
6. Grenke’s immoral business model: The Bait and Switch

Grenke as a regulated financial institution

Before we start looking at the Grenke business model, its relationships with resellers and the nefarious practices they indulge in, it is worth reminding ourselves of the high standards required of regulated firms operating in the EU and beyond.

As a regulated entity, Grenke has regulatory obligations in the jurisdictions in which it operates. For example, in the UK, the Financial Conduct Authority Handbook sets out Principles for Businesses (PRIN) which apply to firms such as Grenke. These include the requirements to:

1. Act with integrity;
2. Observe proper standards of market conduct;
3. Pay due regard to the interests of its customers and treat them fairly;
4. Pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading; and
5. Manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

And these are just the broad, principle-based obligations. There are a plethora of other, more detailed and granular regulatory requirements that firms must comply with such as requirements to determine the suitability and appropriateness of a particular product for their customers. Similar requirements can be found in other EU jurisdictions and breach of them can result in very substantial fines or the suspension of a firm’s license.

From the evidence available and the cases described below, it appears that Grenke shows a complete disregard for such regulatory obligations, habitually fails to comply with them and falls well short of the standards expected of a regulated financial institution.

How to unload your risk on Grenke

Our research shows that Grenke’s business is almost completely reliant on its relationships with resellers, who onboard their customers into a Grenke lease asset as a purchase alternative: only 15% of Grenke’s sales are direct. This has resulted in Grenke establishing business practices which are extremely accommodating to resellers and which, in turn, facilitate and encourage unscrupulous and illegal behavior from resellers. We believe Grenke is fully aware of this but, nevertheless, acquiesces in it given their reliance on resellers.

Figure 33 Sales channels snippet – Grenke Analysts Conference, Feb 11, 2020

https://media.grenke.com/download/downloadgateway.dll/getfile?p_inst_id=32279944&p_session_id=&p_obt_id=2782006&p_spec_id=1
Selling to resellers – Grenke Brazil Reveal

First off, let’s explore Grenke’s loan approval process.

In footage from a sales conference hosted by Grenke Brazil and local resellers, Managing Director W. Tadeu Gardenghi advises the audience that the beauty of the Grenke leasing system is that clients can be onboarded and approved with only a company number, state issued ID, and a maximum approval wait of 20 minutes. The reseller can trigger almost-instant lease agreements between the end-customer and Grenke, who will pay the reseller within 24 hours in cash.

“‘In 20 minutes, we have to give you an answer. Up to 20 minutes. This is our edge. You can close your deal at the client’s office.’” – Tadeu Gardenghi, Grenke Brazil.

From a cashflow perspective of the reseller, this is a huge win and creates an even bigger opportunity for fraud as the reseller effectively conducts a no-risk transaction for which they do not have to bear the consequences should the end customer default. Grenke doesn’t seem to be concerned with this and takes no measures to mitigate it. On the contrary, the Grenke business model appears to actively facilitate it, as we discuss below.

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20 [https://www.youtube.com/watch?v=rcCAbiEQsGM&feature=youtu.be](https://www.youtube.com/watch?v=rcCAbiEQsGM&feature=youtu.be)
The Play

Because of this incentive structure, the end customers are leased overpriced assets with unsustainable repayment schedules. Often the resellers make minimal or no effort to complete or maintain the installation or contract as they have already been paid out.

1. Resellers approach an end-customer regarding the leasing, installation, and maintenance of equipment

2. The customer signs two separate but effectively linked contracts: one with the reseller itself and an extremely expensive finance lease with Grenke.
   - The reseller’s agreement with the customer states that the reseller is responsible for the installation and maintenance of the equipment.
   - Grenke’s agreement with the customer stipulates that the customer is responsible for the choice of equipment, its installation and maintenance.
   - There is no agreement between Grenke, the customer and the reseller.

3. Grenke pays the reseller the full purchase price in cash once the contract has been signed.

4. When the reseller is unable to install or maintain the equipment or the equipment proves unsuitable, the agreement between the reseller and customer is effectively cancelled. The reseller packs up shop and “phoenixes” their entity: effectively filing for bankruptcy protection to absolve all debt and restart the business anew.

5. Due to the separate nature of the two agreements entered into by the customer, they are still required to make the substantial payments on their finance lease regardless of what happens with the reseller.

Three bills in, the customer realizes they are paying $500 a month for 36 months for a television that costs $500. In addition to that, resellers often fail to properly select, install or maintain equipment leased this way as they’ve already been paid by Grenke.

We recommend readers watch the documentary: Dirty Money, Season 1, Episode 2 (on Netflix), concerning payday loans in America and the extent and ease with which consumers can be defrauded.

Grenke Keep Collecting

Of course, customers are often incensed at these arrangements once it becomes clear what has happened, but Grenke’s objective is to continue to recover payments at all costs. A review of the legal proceedings against Grenke confirms how Grenke and the resellers structure their arrangements to the disadvantage of their customers and that Grenke uses some particularly underhand and potentially fraudulent tactics to make sure they can continue to claim payments at the end of the lease term.

French appeal court documents reviewed by Viceroy’s team show:

1. Grenke France operates extensively through resellers who set up contracts with the end customer. Generally, the end customer signs 2 or more contracts, one with Grenke to finance the purchase, and one with the reseller for installation/maintenance/etc.

2. Contracts are egregiously priced, for example: 5 photocopiers at a cost of €213.33 incl. tax for 63 months\(^2\) (total €63,999). 60 months appears to be the default Grenke France term for these contracts according to forum posts and court documents.

3. The nature of the Grenke contract is that the end customer bears all responsibility for the selection, installation, and maintenance of the equipment. This creates a legal grey area where while Grenke and the reseller have no agreement with each other they are effectively interdependent contracts. The reseller effectively selects the equipment, but this is not taken into consideration.

\(^2\) Cour d’appel de Colmar, Chambre 3 a, 22 mai 2017, n° 16/00526
\(^2\) Cour d’appel de Colmar, 29 octobre 2014, n° 13/00566
4. The effect of the above means that any fault with the equipment, installation or maintenance is legally not Grenke’s problem\(^23\). This creates a situation where the customer’s sole recourse is to the reseller, which as we’ve seen is usually an unscrupulous or unreliable entity which Grenke has courted and encouraged but which it hasn’t vetted in any sort of effective way, leaving the customer with zero protection\(^24\). This is exacerbated by Phoenix’ed entities leaving the client in limbo.

5. Grenke pays the reseller the total of the lease payments upon the signing\(^25\).

6. When the term of a lease is up, customers claimed Grenke will attempt to extend it through any means, some of which are fraudulent. These claims have been upheld in court, including\(^26\):
   a. Sending a third-party to take back the equipment so it could later claim it had not received it or that the end customer was obligated to return it to Grenke and not the third party.
   b. Not specifying an effective return address.
   c. Falsifying date of receipt of termination letters to challenge compliance even when equipment had been returned.

7. In one case a company replaced a Grenke-leased photocopier with another. Once the reseller had taken back the Grenke-leased photocopier Grenke continued to claim payments based on the fact that the contract required the end-customer to return the photocopier to Grenke and not the reseller. This was despite the fact that the reseller did not deny it took delivery of the photocopier\(^27\).

The prevalent use of these underhanded tactics makes us believe that the tail end of Grenke’s loan book will eliminate its slim profit margins. Note that Grenke appears to take any measures to avoid repossessing the asset and keep the lease on their books.

Grenke’s responsibilities to ensure its resellers are legitimate

Grenke firmly pushes back on every complaint received by it, stating that it conducts credit checks on all customers prior to offering a loan. The problem is that if you sell a £20,000 printer to a charity with no pre-existing credit history, you don’t really know if they can repay your lease.

And is this even the main issue here. What has been completely glossed over is Grenke’s legal and moral responsibility to conduct due diligence against its resellers. Grenke should be ensuring that the resellers that it enables are legitimate, dealing fairly and transparently and not taking advantage of their customers by way unscrupulous practices or fraud. At the absolute minimum, Grenke would be under an obligation to ensure that it does not facilitate crime by resellers.

We remind readers that, as a regulated credit firm, Grenke would have regulatory obligations such as the PRIN mentioned at the beginning of this section, including to observe proper standards of market conduct and pay due regard to the interest of their customers.

It is evident from the cases that Grenke was either totally reckless and conducted little to no due diligence on its resellers or otherwise it turned a blind eye to their predatory schemes and illegal conduct, which would essentially mean that Grenke has aided and abetted unscrupulous practices and fraud on a massive scale. So evident in fact, that many clients even advised that Grenke actually offered a support line to resellers in order to ‘sell’ its lease financing option.

In Grenke’s conference show to resellers in Brazil, it advises that it has a dedicated line to provide “professional assistance with client dialogue” to resellers. We have since found this in numerous geographies.

\(^23\) Cour d’appel de Paris, Pole 4 - chambre 9, 13 juin 2019, n° 16/11196
\(^24\) Cour d’appel de Colmar, Chambre 3 a, 9 septembre 2019, n° 17/05381
\(^25\) Cour d’appel de Colmar, Chambre 3 a, 22 mai 2017, n° 16/00526
\(^26\) Cour d’appel de Colmar, 29 octobre 2014, n° 13/00566
\(^27\) Tribunal de grande instance de Paris, 5e chambre 1re section, 11 juillet 2017, n°16/12085
It’s clear here that, far from seeking to protect its customers from nefarious schemes and fraud, which, given how blatantly obvious some of the schemes have been, would have required only a modicum of vetting of its resellers and their deals, Grenke is very much on the side of the resellers, encourages them with reckless abandon, turns a blind eye to their predatory and illegal practices or even actively facilitates them.

Key Takeaways

This section sets the outline and general playbook for the Bait and Switch, which Grenke’s business model encourages and facilitates while Grenke turns a blind eye. This is a breach of the basic standards expected of a regulated consumer credit firm.

In effect, Grenke has cultivated an environment that delivers the opportunity for fraud on a silver platter.

- Section 7 (The Frauds – Defrauding the Holy Trinity) of this report examines numerous cases of how resellers and Grenke insiders play the bait and switch opportunity in massive magnitudes.
- Section 8 (Conspiracy to Defraud) will examine case files to establish Grenke’s conspiracy to commit fraud.

Viceroy has translated the entirety of Grenke Brazil’s presentation to resellers: it is annexed to this report. French court cases examined can be searched for free on France’s judicial database.
7. The frauds – Defrauding the Holy Trinity

...and then there are the frauds, in which resellers, through devious tactics, actively attempt to defraud customers by signing as many as possible up for over-priced finance leases including exorbitant servicing costs. Grenke appears to have been party to every single major bait-and-switch leasing fraud over the last 5 years.

From $100m+ video advertising frauds to everyday cold callers ripping off pensioners with fax machines – it is no surprise that Grenke’s average rating on any site is 1 star, with scores of unhappy customers speaking up with their complaints in the comments sections.

Grenke Australia’s Trustpilot account was only established in 2020, after the Viewble scam, and scores highly because the only reviews are from resellers, who generally comment in bundles on the same day in an attempt to wash out Viewble Media consumer complaints.

We have put together this list of frauds perpetrated or enabled by Grenke: our only challenge in setting these out was that there were so many well documented frauds to choose from. The numbers of frauds facilitated by Grenke suggests substantial tail-ends of Grenke loans will become impaired.

Viceroy has made an effort to present the amorality of Grenke’s business practices and to show that not only was it negligent in the shadow of resellers, but that it really played an active role in facilitating these schemes (on this point also see our further discussion in section 9 (Conspiracy to Defraud) below).

In this instance, the “Holy Trinity” that Grenke has helped to defraud form the backbone of society: Taxpayers, Small Businesses, and Charities.

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28 We have reported as such to Trustpilot
29 https://au.trustpilot.com/search?query=grenke
Defrauding Small Business

Viewble Media

Viewble was a large scale international, multi-hundred million-euro Ponzi-scheme enabled by Grenke’s predatory lease financing operations.

The premise was that local shop-owners would install a leased screen on the premises to display advertising which would be rented by advertisers via Viewble. The proceeds of this would repay the loan and net a small profit for the shop-owner.

The scheme worked as follows:

1. Viewble creates an out-of-the-box, worthless piece of technology which rotates advertisements on televisions. Children could literally make this.
2. Viewble salespeople approach small business owners in brick-and-mortar retail and offer to install (usually) more than one television worth at most £500, instantly rendered worthless by Viewble’s programming restricting any other use.

The Bait

3. The television will allegedly cost retailers nothing, as Viewble will lease the television airtime to plug advertisements. In fact, they were even told they could net a small profit from showing ads in their shop!
4. Retailers’ advertisements will also be shown at other retailers in their local area who are leasing TVs, so it is effectively free marketing. At this point, it is clear that there are few to no paid advertisers.
5. Viewble will mount and install the internet connection required as part of this package.

The Switch

6. Viewble writes up the contracts between the client and the financier – Grenke – for the televisions, the advertisement plug, and installation.
7. Viewble invoices Grenke tens of thousands of euros for a couple of £500 televisions, worthless advertisement plug, and installation.
8. After 2-3 months, Viewble is no longer able to pay the retailer because of a predictable “slump” in advertising revenue, leaving the customer with a bill for tens of thousands of Euros for a couple of £500 televisions.

Viewble were simply paying portions of this overpricing excess to its users to cover Grenke’s fees, until the scheme could no longer grow at such a rate. The company collapsed and the directors disappeared.

You may think in this instance that Grenke is being defrauded. Yes, it does rack up bad debt.

However, the company claims that a contract for AU$15,500 for one television was put through “enhanced due diligence” procedures and that customers were presented a “clear and transparent” financing contract.

One PM, Arko, UCFS and LDF were unable to comment. Grenke said it had provided “clear and transparent” funding terms in relation to RMG precursor Viewble Media. Referencing “enhanced due diligence” procedures, a spokesperson said it was “difficult to understand why customers believe they have been mis-sold the finance contract.”

Figure 37 Extract from Better Retailing article – Trading Standards Investigating Rhino Media

You would give Grenke the benefit of the doubt if this Ponzi scheme accounted for a couple of loans a month from Grenke, however Viewble’s bankruptcy filings show hundreds of millions of creditors across two ends of the globe.

The same scam run by the same individual was taking place in the UK and Australia using the similar company names: Viewble Media and Shoppers Network31.

These programs facilitate Grenke collections where they otherwise might not exist. It is unfathomable to us that Grenke is not aware of this behavior as it is actively occurring.

Viceroy received confirmation via UK non-departmental public body The Consumer Council32 that the Financial Conduct Authority “are currently examining evidence regarding the finance arrangements provided by Grenke Leasing Limited...for display equipment.”. According to Viewble’s UK successor, Rhino Media Group, Viewble also failed to offer customers a 2-week cooling off period for their contracts-

![Figure 38 Response from The Consumer Council regarding Display equipment finance arrangements](https://www.smh.com.au/business/small-business/it-s-destroying-me-small-businesses-paying-15-500-for-a-tv-in-alleged-scam-20181113-p50fdl.html)

**Viewble Media (Australia)**

Viewble Media is now under investigation by the Australian federal small business ombudsman after receiving over 1,100 complaints regarding the company’s devious bait and switch tactics.

Of the four financiers used by Viewble, two were not members of the Australian Financial Complaints Authority: Grenke and Northern Managed Finance. This is significant as non-AFCA members do not have to abide by the AFCA complaints process, however they must abide by the law.

> The intent to continue to make all the payment for the entire contract period is indisputably false. As an experienced operator there is no way that Grenke cannot be aware of the ‘bait and switch’ scams

As of February 2019, Northern Managed Finance has said that it will stop pursuing debts related to Viewble. Grenke has not: after all, it is their business plan.

Grenke has allegedly continued to issue invoices to its defrauded customer base, claiming only that it will not “enforce” payment (i.e. they will not issue a wind-up order or seize assets). There are two reasons for this:

1. Seizing an AU$500 television for an AU$15,500 debt will be more expensive than forgiving the debt.
2. Forgiving the debt would remove it from its books

If you think it can’t get any slimier, Grenke has also tried to file creditor claims against one of the Bankruptcies of Viewble to participate in any recoveries the liquidator can make for its non-performing customers.

32 [https://www.consumercouncil.org.uk/about-us/who-we-are](https://www.consumercouncil.org.uk/about-us/who-we-are)
You will notice that Grenke’s Australian division claiming in the Bankruptcy is a franchise broker funded by Grenke. This is fundamental, as:

1. The accounts are obscured
2. It is an undisclosed related party owned by Grenke executives. – More on this later.

This also clearly implies that Viewble, and not its defrauded customers, are the lessee of Grenke’s televisions. We get further clarity on this through the UK’s liquidation of Viewble.

**Viewble Media UK & Rhino Media**

The BBC reported loans from Grenke and other financiers in relation to the Viewble scam were over £10,000 for a screen worth less than £500. When Viewble media collapsed in June 2019, the shop owners were left holding the bag because Viewble Media was not a party to the various finance agreements with companies including Grenke.

When the retailers joined forces to oppose the continued charges, many of the third party financiers allowed the retailers to exit “without significant additional costs”. Grenke did not.

In extraordinary fashion, Viewble media was then acquired by Rhino Media who effectively offered the same deal as Viewble media.

Not only did Rhino acquire Viewble’s backlog, they commenced the Ponzi scheme again with the help of the same financiers, despite Viewble customers still being in default! It is mind boggling how Grenke claims to conduct any due diligence into these programs.

Rhino predictably stopped making payments in September 2019 and issued warnings it may enter liquidation in November 2019 leaving the retailers in the same lurch.

The legal battle continues between the victims of the scam and Grenke. Viceroy attended a meeting of RetailNI, an association of independent retailers, whose objective was to appeal and cancel all contracts with Grenke. We will upload a video of the presentation and a transcript after publication of this report.

The RetailNI presentation showed that 90% of the leases induced in the scam were to Grenke, with the remaining 10% to various other finance companies. This split appears to be based on the creditworthiness of the customer, with Grenke taking the most creditworthy.

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33 Document available to purchase through ASIC.
34 https://www.youtube.com/watch?v=A4n9pCj3iN4
What’s more is Viceroy were able to obtain valuable data surrounding the circumstances of the “transparent” agreement they signed with Grenke.

It was so blatantly obvious to Grenke that the revenue generated from advertising and promotions would fall through, that once Rhino Media took over for Viewble, they made victims sign a sub agreement to expel Rhino from liability:

![Figure 40 Extract from Grenke Rhino Media financing agreement]

Other customers have advised Viceroy that they never even saw an agreement with a financier and claim that their signatures were lifted from ID to fill Grenke paperwork. Again, it is absurd to think that Grenke didn’t know they were defrauding their customers.

Similar to Viewble UK, the Rhino Media financing was brokered through a Grenke franchisee, “GC Financial Solutions”, which as mentioned is an undisclosed related party. This is revealed in the transcript of the RetailNI presentation.

The Norfolk Trading Standards (NTS) and Financial Conduct Authority (FCA) are now investigating the agreements between Rhino Media, retailers and the associated finance companies including Grenke. We believe Grenke being on both sides of the transaction as broker and leasing company will not play well with regulators.

**Documenting Victim Experience**

Viceroy has, with permission, also recorded volumes of our interviews of victims of the Viewble fraud regarding how the fraud played out, and their ongoing struggles with Grenke. All recordings were made with the consent of those being recorded.

All believed the contracts were linked and that if the advertising contract was stopped, so would the leasing contracts. We note that some parties were signed up despite the business already having serious questions raised regarding their creditworthiness. Below are some quotes from those interviews.

“*It wasn’t like I was signed up for massive profits!*”

“I’m a sole trader and I’ve been advised not to pay anything. I owe around £5,600! I was scammed by a reseller approved by Grenke. There’s no way Grenke couldn’t have known about this.”

“How could Grenke approve such a scheme? It became obvious to me Grenke could not of known about the fraud as it had been repeated so many times?”

“Having taken advice it’s my intention to sue Grenke for damages and all the payments I’ve made. They’ve financed a scheme that defrauds me and they take no ownership of this.”

“When I spoke to Action Fraud, FCA and FSO, they all said they were investigating Grenke for financing a fraudulent scheme.”

“I am left with maybe having to repay a fraud, where the TV is likely worth €200. How did Grenke not know it was a fraud? It says in a BBC article they had conducted a ‘enhanced due diligence’.”

“Grenke are taking legal action against me. Despite my business being impacted by corona [COVID19]. They just bully you into paying.”

According to several individuals interviewed, Grenke were made aware of the potential fraud in 2018. Audio and video from the interview will be available from our website following publication of this report. These have been filed with the relevant financial authorities.
Common scheme

Rebl was another scheme which operated virtually the same way as Rhino Media and Viewble in Australia. The outcome was the same.

Once again, GC Leasing Sydney Pty Ltd (Grenke) was the financier and continues to issue claims to creditors.

![Image](image)

Figure 41 Extract from Media Rebl Pty Ltd Liquidation Progress Report

This scheme is so popular that we have found the same iterations by multiple entities across the globe. It is a google search away.

Defrauding Schools

UK School Tech fraud

A BBC investigation titled “Schools kit scam could cost schools millions” detailed how UK company Direct Technology Solutions told UK schools they had been selected as a “flagship school” for various pieces of IT equipment. DTS told the schools it would not have to pay for the equipment lease, as DTS would cover the cost of the lease of 100 computers. DTS made the first few payments then went into administration.

When the leases were examined, the laptops – which were found to have a price of £350-400 each – were charged at £3,750 each. This scam was repeated at several schools across the UK, with each receiving 100-200 laptops. Grenke was a major beneficiary of this scam.

A Freedom of Information report for Slough county showed that one of the schools involved with the DTS scam, St Joseph Catholic School, was supplied by (among others) Grenke Leasing Ltd.

![Image](image)

Figure 42 FOIs received and answered July 2012 – Slough county council

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36 Available for purchase on ASIC.
In the investigative podcast by BBC Radio 5\textsuperscript{38}, they found that DTS also allegedly offered inducements including cash in exchange for signing up with DTS. Herein is a fine example that Grenke’s model, left unchecked, leads to the bribery of public officials and defrauding the crown. Taxpayers, you foot the bill.

Defrauding Charities

In September 2019 UK charity Missing Kind was approached by Plan Corporate Services (PCS) with an offer: as part of their ESG mandate, the PCS was obliged to make a £10,000 donation to a charity and pay the lease on three new printers for a year to the tune of £23,000\textsuperscript{39}. None of the payments pledged by PCS were ever made leaving Missing Kind solely responsible for the leases, which were obtained from Grenke.

The charity was also informed that they could terminate the lease after 1-year, which Grenke claims is not true and that they must pay out the full 5-year term of the lease, worth £110,000 in payments.

Missing Kind director Tom Gaskin claims that he never saw the full agreement with Grenke and that his signature had been lifted from another agreement onto the Grenke agreement. Another charity, YMCA Henley was also scammed by PCS although unlike the situation at Missing Kind, they did receive the donation and the first instalment of the printer lease.

Grenke claimed it had no awareness of the contract between PCS and Missing Kind, and that as far as it was concerned, Missing Kind had leased the printers from Grenke subject to the normal terms.

As it turns out, the printers weren’t even new – they were refurbished.

We have found dozens of other charities impacted by these frauds through Grenke with minimal effort.

\textsuperscript{38} https://www.bbc.co.uk/programmes/b0194msd
\textsuperscript{39} https://www.edp24.co.uk/business/charity-missing-kind-mis-sold-printer-contracts-1-6341355
8. Conspiracy to defraud

A large part of Viceroy’s fact-finding mission was liaising with consumer groups, some of which had been formed purely to deal with injustices committed or facilitated by Grenke. What puzzled us the most from the documents Viceroy were sent from these groups and individual victims is Grenke’s persistence at denying any knowledge of side agreements end-users signed with resellers.

Documents sent to GC Leasing UK from victims of the Viewble fraud include the following correspondence between the broker GC Financial Solutions and the retailer:

We empathise with position you have outlined and while it was understood there was an element of Media, we had no knowledge that you had agreed a cashback arrangement and if we had known we would not have proceeded with the transaction. Your complaint thereto should be redirected to your supplier and the media companies who you agreed this arrangement with, not Grenke. Unfortunately the service that you claim was “agreed upon” was only known and accepted by you, your supplier and your media company, so any claims as a result must be directed to the correct party. We really hope you find an amicable resolution and appreciate this is not the outcome you are hoping for but Grenke can only take responsibility for our contract, our agreements and the products we finance. Our contract was clearly set out and we had no knowledge of these side arrangements, therefore your liability under the finance contract remains, you my therefore wish to seek further advice.

I have attached the following:
- Finance Application Form
- Call recording to confirm delivery and understanding of lease agreement with GRENKE
- Signed Lease Contract

Kind Regards

Sarah Launchbury
Sales Belfast

GC Financial Solutions Ltd
GRENKE Agency

Figure 43 Viewble/Rhino Victim – Email Correspondence w/ GC Financial Solutions

The assertion that Grenke “would not have proceeded with the transaction” if they had known and “had no knowledge of these side arrangements” is totally untrue.

We know from the evidence that, at the absolute minimum, Grenke was aware that side arrangements were likely to exist and was willing to recklessly proceed regardless, which would still show a grossly negligent lack of due diligence on Grenke’s part and a total lack of regard for its customers’ interests. However, much more likely is that the evidence shows that Grenke knew full well that these side arrangements not only existed but were a key part of the inducement to enter the contract and therefore we can reasonably conclude that Grenke had an intention to defraud. For example, the recording attached in the correspondence with Ms. Launchbury from Grenke includes the customer confirming:

- The business owner’s name, address and postcode
- The number of lease payments and duration
- That any revenue generated with media specials, advertising or promotions with that equipment is strictly between the business and the relevant providers, and has no bearing on the contract with Grenke

This recording was made when the customer originally signed the lease although at the time the customer was not informed as to who the recording party was.

Viceroy has also been in contact many victims of the Viewble media scam and have seen multiple contracts signed by those victims. These contracts are written to purposely obfuscate the separate nature of the advertising and lease contracts. We will upload this contract with additional documents on our website in conjunction with this report.

40 All relevant documents will be published on our website following publication of this report.

Viceroy Research Group 40 viceroyresearch.org
Analyzing Viewble Contracts

The contracts were drafted in such a way that it deviated from common practice of other market participants. The lease contract itself is written on Viewble Media’s letterhead, with the word “Grenke” only mentioned once: there appears to be a concerted effort to avoid association with Grenke and maintain a false premise that the this is a two-party contract. However, this is technically Grenke’s paperwork meaning the company ultimately accepted the use of a finance lease contract that mentions Viewble Media (technically not a party to the agreement) more than Grenke itself.

This obfuscation and lack of transparency is strictly against standards of proper market conduct where communications with clients must be clear, fair and not misleading. Clients must be given full information about who they are contracting with.

![HIRE AGREEMENT REGULATED BY THE CONSUMER CREDIT ACT 1974](image)

Figure 44 Vision Asset Finance Grenke Hire Agreement

The broker for all Grenke leases was an undisclosed related party called GC Financial Solutions owned by Grenke insiders and operated by a former and current Grenke employee (more on this later). As pointed out above, when Rhino Media took over from Viewble after its collapse, Grenke made customers sign a sub-agreement explicitly stating that advertising revenues had no bearing on the lease contract. By this point, Viewble-related defaults had already started piling up; so they knew these leases were part of an unsustainable scheme.

![Figure 45 Extract from Grenke Rhino Media financing agreement](image)

Conspiracy to defraud

These contractual disclaimers indicate that Grenke knew of the scam (or the high likelihood that there was a scam) being run by Viewble and needed to absolve itself of responsibility. Their knowledge that a zero-cost agreement existed, or was very likely to exist, between Viewble and the customer and that the customer would likely be unable to cover the cost of the screen without Viewble revenue shows that they are equally as complicit in the scam.

Given the opportunity and plethora of complaints it received, Grenke ultimately chose to continue allowing Viewble and Rhino media to issue these leases, while denying that they were aware of any “side-arrangements”.

Grenke has therefore engaged in a premeditated scheme to dishonestly and actively defraud its customers in provisions of unsuitable credit products. Legally, this opens up Grenke to several liabilities arising from the Viewble scam especially considering Viewble has already been liquidated, as has Rhino, the successor entity.

We believe Grenke may be party to a conspiracy to defraud as defined by UK common law.

Grenke continues to deny any knowledge of reseller side agreements and continues to collect outrageous loans for small ticket items with the assistance of shady resellers.
9. Valuation

Digging into cash flows

Simplification of Grenke’s mess of their Statement of Cash Flows is required, as the company presents it in an unreadable font color and borderline incomprehensible line items without note references.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow From Operating Activities</td>
<td>109,299</td>
<td>20,408</td>
<td>27,951</td>
<td>(16,241)</td>
</tr>
<tr>
<td>Payments for PPE &amp; Intangible Assets</td>
<td>(22,289)</td>
<td>(15,565)</td>
<td>(17,167)</td>
<td>(11,832)</td>
</tr>
<tr>
<td>Proceeds from the sale of PPE &amp; Intangible Assets</td>
<td>1,523</td>
<td>941</td>
<td>1,506</td>
<td>370</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>88,533</td>
<td>5,784</td>
<td>12,290</td>
<td>(27,703)</td>
</tr>
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</table>

Viceroy Adjustments

| Hybrid Capital Interest repayments           | (9,375)  | (6,786)  | (4,125)  | (1,711)  |
| Grenke Bank cash deposits                    | (192,480)| (178,746)| (102,118)| (67,785) |

Free Cash flow from Operations                | (113,322)| (179,748)| (93,953) | (97,199) |

Figure 46 Adjusted Free Cash Flow – Viceroy Research

Operating Cash Flow = €140,749k

For the sake of analysis and valuation, we have made the following amendments to free cash flow to reflect the business’ operating performance more accurately.

Less: Increase in liabilities from deposit taking business = €192,480k

We have backed out increased deposits from Grenke’s operating cash flows because:

- They do not represent a refinance of existing assets;
- They mostly take shape of a financing cash flow;
- Their contribution to the P&L is almost immaterial; and
- The inclusion of deposits in an operational analysis would not be reflective of Grenke’s major income-earning business. Grenke Leasing accounts for 95% of the group’s gross interest income.

Add: Interest Coupon Payments to Hybrid Capital = (€9,375k)

Because of the relatively small value and high interest rate of Grenke’s Hybrid Capital notes, we have backed coupon payments into operating cash flow as the notes are used to subsidize operating cash flow and the coupons are effectively interest. These are, also, extraordinarily expensive, with some notes fetching upwards of 8% interest.

Viceroy Adjusted Free Cash Flow

<table>
<thead>
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Free Cash flow from Operations                | (113,322)| (179,748)| (93,953) | (97,199) |

Figure 47 Adjusted Free Cash Flow – Viceroy Research

This does not begin to touch on the vast, >€2b of refinancing Grenke undertakes on its portfolio every year, which allows Grenke to perpetuate its growth via terrible-loan model by obscuring its actual level of impairments.
With almost pinpoint precision, Grenke’s loan book additions are entirely refinanced every 12 months, at which time they would no doubt otherwise go bad:

| Viceroy Research Group | 43 | viceroyresearch.org |

Figure 48 Cash Flow Analysis – Viceroy Research

This effectively means Grenke is not making any money from the receivables in its asset book, as the tail end of lease income is assigned to its creditors. The cash crunch that will occur in any business interruption will crumble this house of cards.

COVID will not be the cause of Grenke’s demise, but it will accelerate symptoms.

Outside of taking on debt, the company has also issued ~€400m in capital and hybrid notes since 2015, most of which seemed to be completely unnecessary based on the fact that the company holds over €1b in cash as of H2 2020 and is allegedly well above its liquidity buffer requirements.

Again, we reinforce our belief that Grenke have and will continue to engage in apparent, completely mispriced related party transactions for the purpose of hiding non-existent cash.

Skipping to Q2 2020, Grenke now has >€1b on-hand in cash, but nevertheless the company still issued €75m of hybrid notes in November 2019. Why? If its financial statements are truly reflective of its financial position, it had plenty of surplus cash. In addition, no acquisitions have been made or announced.

Figure 49 Grenke AG Annual Report 2019

There is no requirement to strengthen liquidity other than, perhaps, an undisclosed limited restricted cash balance for its deposit business.
Oversight – Where is the CFO?

It is highly irregular for a public finance company to not have a dedicated CFO who has an accounting designation. As far as we can make out, Grenke does not appear to have a fixed CFO. Mark Kinderman is the only executive whose bio states he oversees accounting, but he also appears to be office administrator and head of HR. He is not registered with the German Chamber of Public Accountants (WPK) – no one in management is.

The supervisory board appears to have had a mass exodus in the last 2 years. Grenke is now onto its 3rd Audit committee CHAIRPERSON since Gerhard Witt (also Co-Chair of the Grenke AG). Witt was also the only registered accountant with WPK41.

Highlighted below are members of Grenke’s audit committee:

<table>
<thead>
<tr>
<th>Supervisory Board</th>
<th>Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof Dr Ernst Moritz Lipp</td>
<td>-</td>
</tr>
<tr>
<td>Wolfgang Grenke</td>
<td>-</td>
</tr>
<tr>
<td>Tanja Dreilich*</td>
<td>14 May 2019</td>
</tr>
<tr>
<td>Claudia Krcmar</td>
<td>-</td>
</tr>
<tr>
<td>Dr Lijiana Mtic</td>
<td>-</td>
</tr>
<tr>
<td>Heinz Panter</td>
<td>20 Aug 2019</td>
</tr>
<tr>
<td>Jens Ronnberg</td>
<td>-</td>
</tr>
<tr>
<td>Florian Schulte*</td>
<td>-</td>
</tr>
<tr>
<td>Erwin Staudt</td>
<td>14 May 2019</td>
</tr>
<tr>
<td>Gerhard E. Witt*</td>
<td>03 May 2018</td>
</tr>
</tbody>
</table>

* Chair of Audit Committee

Figure 50 Viceroy Analysis – Note change of revenue recognition from leases in 2019.

It is extremely concerning that Grenke has had to replace 4 supervisory board members since 2018.

Heinz Panter, for instance, left his post after just 3 months. This may have been related to insider trading investigations BaFin initiated after he sold ~€50k of shares before a huge price collapse, then swooped them back up at a lower price, and failed to document the purchases with regulators and filings42.

As an aside, management bumped salaries by ~50% in 2019, while the supervisory board’s salary packages doubled.


Placing a value

Even if we exclude the catastrophic issues highlighted in this report, Viceroy believe Grenke is wildly overvalued relative to its peers. Larger parts of Grenke’s book growth, especially now, are derived from its banking segments, which should command an even lower valuation.

Grenke continues to move into the banking sector to make up for rental leasing segments which will stagnate. Interest rates across its leasing business have already flattened.

The best case scenario we see for Grenke AG (XTRA:GLJ), which requires us to ignore pervasive fraud, money laundering and impending redundancy of Grenke’s business lines, shows a wildly overvalued quasi-unsecured small-ticket lender transitioning into a niche bank – still uninvestable in a comparison to peers and a junk status rating for its bonds.

In the real world, a business like this would trade at around 10x earnings, not 26 – we are not giving a forward analysis for obvious COVID reasons.

<table>
<thead>
<tr>
<th>Year</th>
<th>New Leasing Business Growth</th>
<th>Interest income from leasing Growth</th>
<th>Interest income from leasing</th>
<th>Interest expenses from refinancing Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,332.8</td>
<td>207.4</td>
<td>48.7</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1,359.9</td>
<td>232.8</td>
<td>12.3%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1,592.5</td>
<td>253.9</td>
<td>9.1%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1,975.7</td>
<td>280.8</td>
<td>10.6%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>2,409.8</td>
<td>319.3</td>
<td>13.7%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>2,849.1</td>
<td>409.8</td>
<td>14.7%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 51 Viceroy Analysis – Note change of revenue recognition from leases in 2019.

Even if we ignore pervasive fraud, money laundering, impending redundancy of business lines, and likely onslaught of litigation, Grenke is still wildly overvalued, trading at 26x earnings.

It would be a disservice to our readers to provide a price target for a company whose financial statement veracity we call into question, as we cannot ignore these underlying issues.
Valuing the Bonds

Grenke’s €5b of debt is guaranteed by Grenke Bank, which is largely responsible for keeping Grenke’s ratings out of junk debt territory. This poses a grim reality to debt investors, as:

- Grenke Bank is in violation of KYC and AML obligations, processing money for known unregulated trading platforms and binary options frauds already detected by BaFin.
- Viceroy believe substantial portions of Grenke’s cash does not exist.

We believe Grenke bonds will dip into junk territory as is financial misconduct becomes known.

Due to the inflated value of Grenke’s loans, their bonds are effectively unsecured but derive value against the company’s book: a €10,000 printer loan is accounted for by a €500 printer and €9,500 in “services”. The loan value is simply unrecoverable in the case of default. Grenke’s offering is also largely of fast depreciating items, not that there’s any value in second-hand fire sales of white goods and tech anyway.

Grenke’s corporate structure and ABCP program means it is entitled to truly little of its cash flows as represented in its accounts as SPVs are largely consolidated. Based on this we see a significant overvaluation of its bonds at their current price, and short-term serious risks of capital adequacy.

At the date of writing, Grenke bonds are trading above par.

In reality, it would be impossible to truly value Grenke until a thorough investigation into its business conduct, undisclosed related party transactions, and bad debt has been undertaken.

Viceroy has submitted its report with regulators across Europe where pertinent.
Schedule 1
Examples of Franchise Purchases

Grenke Luxembourg fka GCLUX Location Sarl (Luxembourg)

Grenke Luxembourg was registered as GCLUX Location Sarl on November 25, 2009 by CTP with a paid-up capital of €100,000 for the entire volume of 1,000 shares. Guillaume Cuny was appointed as its sole manager.

Figure 53 & 54 GCLUX Location Sarl registration document

Guillaume Cuny was the head of Grenke France at the time and now heads up Grenke’s Singapore office. The site also states that Cuny founded Grenke Luxembourg, which is not entirely true.

Figure 55 Guillaume Cuny – Grenke Management page

On March 31, 2014 Grenke AG acquired CTP’s shares in GCLUX Location Sarl from CTP and on April 14, 2014 acquired the remaining shares from Cuny’s investment vehicle (we cannot find when the latter was given its 44% share). According to Grenke AG financials, this resulted in a combined €2.5m cash windfall for CTP and Cuny. An intra group liability of €394k was eliminated as part of the consolidation.

Grenkefactoring GmbH (Germany)

Grenkefactoring GmbH was founded in Baden-Baden, Germany in April 2005 by CTP and Jurgen Filla.

Figure 56 Grenkefactoring annual report 2009 and translation

Filla’s LinkedIn profile claims his equity investment was 49.9% leaving CTP with the controlling 50.1% majority.

43 To access all GCLUX Location Sarl documents, visit https://www.lbr.lu/ and search for company number B149514
45 All Grenkefactoring documents were found hosted on the Grenke.com domain, we will reupload them if necessary.
The reported interest expenses in the amount of €k 256 (previous year: €k 380) mainly relate to interest expenses from the compensated loan to CTP Handels- und Beteiligungs GmbH / Vienna in the amount of €k 111 (previous year: €k 97) and interest expenses against the affiliated company GRENKE FINANCE Plc / Ireland in the amount of €k 145 thousand (previous year: €k 283).

Liabilities to affiliated companies
The liabilities to affiliated companies are a loan from the company CTP Handels- und Beteiligungs GmbH / Vienna in the amount of €k 1,410 (previous year: €k 400). The loan bears annual interest of 11.4%. As well as the loan as well as the interest, a withdrawal of the partner has been agreed.

Liabilities to affiliated companies are essentially a liability from the refinancing of the factoring business GRENKE FINANCE PLC / Ireland in the amount of € 3,470 (previous year: € 1,819 thousand) Cash pool account with FINANCE plc / Ireland and a liability towards GRENKELEASING AG in € 49 thousand (previous year: TEUR 7). These are all due within three months.
Once again, insiders ensure maximum transaction volume is exchanged for goodwill on transactions to related parties. In this case not only did CTP benefit from the acquisition itself, but from interest payments and effectively guaranteed repayment prior to the acquisition.

Grenke Slovenia fka GC Leasing d.o.o (Slovenia)

GC Leasing d.o.o was established on September 17, 2010 by CTP alone with €100k in paid-up capital. 4 years later on August 7, 2014 CTP would grant a 44% interest in the venture to Ernest Plej. According to his LinkedIn profile and company filings Plej served as managing director of GC Leasing from November 2010 to March 2015. This was his first position at Grenke.

On March 5, 2015 Grenke acquired GC Leasing for €5.184m, also consolidating €945k of intra-company debt, presumably from Grenke Finance.

Grenke Kiralama Ltd fka GC Renting Donanimalari Kiralama Limited (Turkey)

According to Turkish business gazettes, GC Renting Donanimalari Kiralama Limited was established on February 17, 2011 with a paid-up capital of TL200k. The equity was split between CTP and Mehmet Aslan: CTP took 95% and Aslan the other 5%.

Aslan was previously General Manager at Grenke Leasing Vienna and served at GC Renting Donanimalari Kiralama until late 2016 according to his LinkedIn profile.

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47 www.linkedin.com/in/ernest-plej-865aa540

48 Turkiye Ticaret Sicilii Gazetesi editions: 17 February 2011 no:7754 and 6 July 2011 no:7852
On March 31, 2016, Grenke AG purchased GC Renting Donanimalari Kiralama for €1.7m in cash. Interestingly, Grenke’s financials for that year mention a €1.334m loan from a “former shareholder” that was also assumed.

Grenke Finance’s figures for “amounts due from Grenke AG Group Companies” shows a Turkey balance of €11.761m which roughly tallies with the €11.479 “intra group liabilities from refinancing the leasing business”. As such we assume the €1.334m loan to be from CTP as there were no other shareholders apart from Aslan, and we doubt he would be able to front a €1.334m loan. Grenke did not disclose any further details about the “former shareholder” despite both possible contenders meeting the criteria for related parties.

Another link with CTP’s shadow network of Grenke employees is Joanna Bielicka appearing as CTP’s signatory on an amendment in July 2011.

Grenke Hrvatska d.o.o. fka GC Renting Croatia (Croatia)

Grenke Hrvatska is Grenke’s Croatian subsidiary and a former franchise but a quick look at their filings shows CTP and others in their orbit had a hand in bringing this about. The company was founded on August 29, 2014 by CTP along with Ernest Plej and Zdravo Pilic. This appears to be Pilic’s first interaction with CTP and Grenke; Plej’s stake in GC Leasing d.o.o. was only granted 3 weeks prior.

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49 Visit https://sudreg.pravosudje.hr/ and search for “GC Renting Croatia”
Grenke Hrvatska was established with a total paid up capital of HRK800k with CTP putting up HRK548k (68.5%) and Plej and Pilic contributing HRK126k (15.75%) each.

The difference in this particular case is the involvement of two other companies: Pro Gulf FZE and Garuna AG (then called CS Betiligungs AG). Pro Gulf was added on December 20, 2017 and Garuna at some point prior to December 8, 2016.

Grenke acquired GC Hrvatska d.o.o on March 31, 2018 at which point CTP, Plej, Pilic, Garuna and Pro Gulf were all shareholders. The total payout was €22.461m, with an unstated amount of liabilities eliminated on acquisition.

Grenkeleasing s.r.o. fka GC Leasing Slovensko (Slovakia)

Grenkeleasing s.r.o. is Grenke’s Slovakian subsidiary and former franchise, formerly under the name of GC Leasing Slovensko. A search of the Slovakian business registry quickly shows CTP’s work here. Grenkeleasing s.r.o. was incorporated on January 10, 2008 by Soft-Line AG and CTP with €100k in paid up capital; CTP contributing 99% and Soft-Line contributing the remainder. On August 20, 2011, both parties increased their capital twofold and four months later, Soft-Line appears to sell its stake to Marian Hitka. CTP either sold or granted Hitka an additional 4% of the company. Hitka, according to his LinkedIn profile, has been the managing director of Grenkeleasing s.r.o. since its inception.

At this point the structure of Grenkeleasing s.r.o. was very similar to other pre-acquisition franchisees: a minority stake held by an employee and the majority held by CTP. On June 24, 2013 Grenke AG acquired Grenkeleasing s.r.o. for €650k and eliminated €3.025m in intra-company liabilities as part of its consolidation.
Grenkefactoring AG (Switzerland)

Not to be confused with Grenkefactoring GmbH, Grenkefactoring AG is the Swiss franchise acquired by Grenke in 2014. The first available filing for Grenkefactoring AG shows paid-up capital of CHF150,000 and lists the board of directors as Joanna Bielicka, Frank Ziegler, Oliver Gasser and Martin Wepfer. Wepfer is a partner at Swiss law firm Mathys & Schmitt Partners and Ziegler has previously served as sales director at Grenkeleasing AG according to his LinkedIn profile.

On August 20, 2010 Joanna Bielicka was removed as a director and Wolfgang Grenke and Mark-Antonius Kindermann were added as directors. Kindermann at the time was a sitting member on Grenke’s board of directors. In the disclosure of his other directorships for the year, Kindermann’s directorship of Grenkefactoring AG was not disclosed.

On June 15, 2014, Grenkefactoring was acquired by Grenke AG for €3.919m in cash and eliminated €5.732m in intra company liabilities. Unlike most other acquired subsidiaries, Grenkefactoring was actually profitable on acquisition, but this does not diminish the fact that again, insiders profited from selling an entity they already controlled to Grenke.

GC Locacao de Equipamentos (Brazil)

GC Locacao de Equipamentos is a former Grenke franchise based in Sao Paulo, Brazil and acquired by Grenke on June 30, 2017. GC Locacao is one of only two franchises to retain their “GC-” name post-acquisition, the other being GC Middle East FZCO.

The first mention of GC Locacao de Equipamentos and CTP is in the Sao Paulo business gazette which shows on October 14, 2011 CTP and Sergio Nunes invested €198,578 and €10,442 respectively, which prior had no subscribed capital. This gave CTP a roughly 95% share with Nunes the remaining 5%.

Nunes had previously worked as managing director at Grenke Portugal from January 2008 to October 2012 according to his LinkedIn profile. He also states he served as managing director at Grenke Brazil from October 2011, which fits the timeline of events so far.

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51 http://www.radaroficial.com.br/d/668835
52 www.linkedin.com/in/sergiopnunes

Viceroy Research Group 52 viceroysresearch.org
Thanks to an unlisted video posted by Grenke Account manager W. Tadeu Gardenghi, we can see that other Grenke staff were working at GC Locacao prior to its acquisition. Gardenghi himself\textsuperscript{53}, Sergio Nunes and Jose Capitao, who lists his employment at Grenke Portugal prior to his stint at Grenke Brazil.

![Figure 70 Jose Capitao LinkedIn profile\textsuperscript{54}](https://virre.prh.fi/novus/home?execution=e5s1 and search for “Grenkeleasing”)

The video also shows that GC Locacao started operating on January 2, 2012 and makes no mention whatsoever of this operation being a franchise of the main Grenke business. This would be the case until June 30, 2017 when Grenke acquired GC Locacao for €660k in cash and €659k in contingent consideration. Intra company liabilities of €4.205m were eliminated on consolidation.

**Grenkeleasing Oy (Finland)**

Grenkeleasing Oy was a Finnish Grenke subsidiary acquired by Grenke AG in on June 24, 2013 for €5.184m eliminating €945k of intra-company liabilities. The company itself was registered more than 5 years earlier, on January 25, 2008\textsuperscript{55}. Minutes from shareholder meeting dated July 2010 show that CTP was the sole shareholder of the company, represented by Joanna Bielicka.

\textsuperscript{53} [www.linkedin.com/in/w-tadeu-gardenghi-77457525](https://www.linkedin.com/in/w-tadeu-gardenghi-77457525)

\textsuperscript{54} [www.linkedin.com/in/joseaugustocapitao](https://www.linkedin.com/in/joseaugustocapitao)

\textsuperscript{55} Visit [https://virre.prh.fi/novus/home?execution=e5s1](https://virre.prh.fi/novus/home?execution=e5s1) and search for “Grenkeleasing”
Another set of minutes from August 10, 2011 shows CTP retaining full control.

The sign-offs for its last year under CTP’s control were by Managing Director Teemu Simola and Board Member Thomas Konprecht. Note that this was after Konprecht had resigned from Grenke AG’s board of directors.

GC Renting Malta (Malta)

GC Renting Malta was a Maltese Grenke franchise acquired on March 31, 2017 for €5.346m (liabilities eliminated on consolidation were undisclosed). Due to Malta being a secrecy haven, information on GC Renting Malta is fairly thin on the ground, however it does appear in the ICJ offshore leaks database.

According to the ICJ database, GC Renting Malta was incorporated on August 17, 2012 and its shareholder as of 2016 is CTP. The ICJ’s Malta corporate registry data is only current through 2016, so we can take the diagram below to be a snapshot of the company prior to its acquisition by Grenke.
A very positive piece in the Times of Malta published in early 2015 confirm the company’s managing director to be Paolo Dellamano, formerly of Grenke’s Italian operations. Dellamano’s LinkedIn\(^{57}\) states he was working at Grenkeleasing Srl in Milan, Italy from April 2010 to the present day. The article goes on to state (incorrectly) that Grenke Group was a co-investor in the Maltese operation.

Grenke Finance shows that the Maltese office did a roaring trade, with the company reporting €7.7238m in lease receivables due in 2016. We believe the ultimate beneficiary of all this activity to be CTP, who were again an undisclosed related party in the acquisition.
Schedule 2
Who’s Next

GC Factoring Limited (UK)

GC Factoring was incorporated on December 19, 2012 with James Williamson as sole managing director and CTP as the sole shareholder. Williamson’s LinkedIn profile shows him working at Grenke UK as a “branch manager” until December 2012. At this time, the only disclosed UK Grenke operation was Grenke Leasing Ltd.

![Figure 76 GC Factoring Limited Memorandum of Association](image)

As we have seen at other Grenke franchisees, CTP provided financial support to GC Factoring in the form of debt. The last year for which the exact amount of said debt is disclosed is 2016 when GC Factoring disclosed a related party debt of £736,788. The company also disclosed a guarantee of £4m from Deutsche Bank signed by Grenke Leasing AG. There appear to be no payables to Grenke Finance.

![Figures 77 & 78 GC Factoring Annual Report 2016](image)

The last available figures from GC Factoring do not disclose the amount owed to CTP but does disclose a £2m letter of support from CTP and its bankers.

![Figure 79 GC Factoring Annual Report 2018](image)
It also looks like CTP has brought friends to the party as well, with a confirmation statement dated December 5, 2017 showing that Garuna AG, Pro Gulf FZE and Williamson all having shares in GC Factoring.

<table>
<thead>
<tr>
<th>Shareholding</th>
<th>Name</th>
<th>Shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CTP HANDELS- UND BETEILIGUNGS GMBH</td>
<td>299 ORDINARY shares held as at the date of this confirmation statement</td>
</tr>
<tr>
<td>2</td>
<td>JAMES WILLIAMSON</td>
<td>429 ORDINARY shares held as at the date of this confirmation statement</td>
</tr>
<tr>
<td>3</td>
<td>PRO GULF FZE</td>
<td>299 ORDINARY shares held as at the date of this confirmation statement</td>
</tr>
<tr>
<td>4</td>
<td>GARUNA AG</td>
<td>100 ORDINARY shares held as at the date of this confirmation statement</td>
</tr>
</tbody>
</table>

*Figure 80 GC Factoring Limited Confirmation Statement dated December 5, 2017*

We await Grenke’s announcement that it has acquired GC Factoring although the publication of this report may make them think twice.

**GC Faktoring Polska**

GC Factoring Polska was incorporated on October 17, 2016 with a paid-up capital of ZL308k (€71.24k) split between (CTP 85.72%) and Michal Kotlarek (14.28%). CTP was once again represented by Joanna Bielicka. Garuna and Pro Gulf are also represented in the list of associates in their 2017 activity report.

The following took part in the Ordinary Shareholders’ Meeting:

1. **MICHAIŁ ŁUKASZ KOTLAREK**, PESEL number: 79070310618, holding 100 (one hundred) shares with a total nominal value of 44,000 PLN.
2. **CTP HANDELS- UND BETEILIGUNGS GMBH**, a company incorporated under Austrian law entered into the company register under number: FN 233986 t (register authority: Commercial Court in Vienna), with its registered seat in: 1010 VIENNA, Marc-Aurel-Straße 5/6, with 600 (six hundred) shares with a total nominal value of 264,000 PLN, represented by the proxy Joanna Bielicka.

**DANE IDENTYFIKACYJNE PODMIOTU**
- Firma: GC Faktoring Polska sp. z o.o.
- Forma prawna: spółka z ograniczoną odpowiedzialnością
- Siedziba: Poznań
- Adres: ul. Baranowska 89B, 61-131
- Rejestr Sądowy: Sąd Rejonowy Poznań – Nowe Miasto i Włochy w Poznaniu, VIII Wydział Gospodarczy Krajowego Rejestru Sądowego
- Numer KRS: 0000642184
- Data wpisu: 17.10.2016.
- NIP: 777-32-79-50
- REGON: 365648557
- Podstawnowy przedmiot działalności: Faktoring
- Kapitał zakładowy: 440,000 zł
- Współwłaściciele: Michał bukser kotlarek, CTP Handels- und Beteiligung GmbH, Garuna AG, Pro Gulf FZE

*Figures 81 & 82 GC Faktoring Polska Shareholder Meeting Minutes and 2017 Activity Report, respectively*

While Garuna and Pro Gulf are listed as associates, they don’t seem to hold any shares until a shareholders meeting dated June 19, 2019, when Garuna and Pro Gulf were issued 100 and 200 shares, respectively. Pro Gulf was represented by Bielicka, while Garuna was represented by Kotlarek.

**Garuna AG**, a company incorporated under the laws of Switzerland entered into the company register under number CHE-463.750.379 (register authority: Commercial Register of Canton Zürich) with its registered seat in: 8704 Herrliberg, Giessbüsstrasse 18, with 100 (one hundred) shares with a total nominal value of 44,000 PLN, represented by Michał Kotlarek on the basis of a power of attorney granted on June 17, 20...

*Figures 83 & 84 GC Faktoring Polska Shareholder Meeting Minutes dated June 19, 2019*

GC Faktoring appears to outwardly operate as part of the Grenke business: an employee review on Google states her responsibilities include debt collection and her employer as GC Faktoring Polska. Despite this her LinkedIn profile identifies her employer as Grenke Factoring.

55 Visit [https://ekrs.ms.gov.pl/df/pd/search_df](https://ekrs.ms.gov.pl/df/pd/search_df) and search for "0000642184" as the KRS Number

Viceroy Research Group

Viceroyresearch.org
GC Leasing Norway AS

GC Leasing Norway AS is a Norwegian Grenke franchise incorporated on November 5, 2005. Perhaps as a function of its early creation, it diverges from the pattern established by other Grenke franchises. Firstly it doesn’t appear on the Grenke’s list of franchises it holds no stake in despite never having been a shareholder. Secondly, it was apparently not majority-held by CTP during its inception with a company called “Smallticket Finance AS” owning 75% of the franchise until 2010.

Note 7 - Aksjonærinformasjon

<table>
<thead>
<tr>
<th>Aksjonærer</th>
<th>Aandel</th>
<th>Aandel</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTP Handel- und Beteiligungs GmbH</td>
<td>1,222,200</td>
<td>25%</td>
</tr>
<tr>
<td>Smallticket Finance AS</td>
<td>3,647,000</td>
<td>75%</td>
</tr>
<tr>
<td>Sum antall aksjer</td>
<td>4,869,200</td>
<td>100%</td>
</tr>
</tbody>
</table>


Jurgen Filla is also listed as a director of GC Leasing Norway, which would coincide with his involvement at Grenkefaktoring GmbH detailed above. Smallticket Finance declared bankruptcy in 2011 and CTP took full ownership of GC Leasing Norway.
In 2016, Kenny Huy Nguyen was declared as a 12% shareholder. According to Nguyen’s LinkedIn profile he served as Managing Director of GC Leasing Norway in August 2015 after serving as an Account Manager at Grenke Hamburg.

One year later, Garuna and Pro Gulf would also join the shareholders list, with Nguyen’s share moving up to 42%. This shareholding pattern continued through to the last available filings for 2019.

GC Leasing Norway also appears to be almost entirely funded by CTP at 8.5% interest per annum – eye-watering considering comparable demographics and definitely not “arms’ length”. Another difference between GC Leasing Norway and other franchises is that it appears to actually be profitable.

GC Credit Bail Quebec

GC Credit-Bail was incorporated on April 9, 2013 in Quebec and also goes by the name Grenke Franchise as of 2016. According to its profile on the enterprises registry, its shareholders are Fabrice Carpanen, Pro Gulf and CTP. Furthermore, the registry specifically notes that “the first shareholder (Carpanen) is not the majority shareholder”. This leaves CTP or Pro Gulf as the major shareholder.
Carpanen is a Grenke employee and his LinkedIn shows he previously worked as a managing director responsible for large accounts at Grenke Location SAS in Lyon, France. His employment at GC Credit Bail started on May 2013, a month after its creation.

**GF Faktor Zrt**

GF Faktor Zrt is a Grenke franchise incorporated on November 16, 2012 operating in Budapest, Hungary. Curiously, GF Faktor Zrt is wholly owned by CTP at the time of writing and its joint senior representatives are Joanna Bielicka, Thomas Konprecht and Zsombor Baltay.

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62 Visit [https://www.ic.gc.ca/app/scc/cc/CorporationsCanada/fdrlCprSrch.html](https://www.ic.gc.ca/app/scc/cc/CorporationsCanada/fdrlCprSrch.html) and search for “GC Credit Bail”
We suspect Bielicka and Konprecht used their residential addresses for this company’s filings, as Konprecht’s Dusseldorf address is completely blurred out on Google Streetview.

GF Faktor’s operations appear to be managed by Zsombor Baltay based on his inclusion as a senior representative and his representation of himself as GF Faktor’s CEO on his LinkedIn profile.

GC Rent Chile

GC Rent Chile was incorporated on January 31, 2014 with a subscribed capital of CLP75m (€98.667k). The contributors were CTP with 57% of shares and Paulo Cesar da Gama Gomes Alves with 43% of shares. On his LinkedIn Alves lists his employment at Grenke Chile and previously held a position at Grenke Renting SA for 5 and a half years.

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Visit [https://www.e-cegjegyzek.hu/?cegkereses](https://www.e-cegjegyzek.hu/?cegkereses) and search for GC Faktor.
Garuna and Pro Gulf also make an appearance later in the story: on July 9, 2018 the shareholders of the company are listed as Alves, CTP, Garuna and Pro Gulf as of May 11, 2018.

No financial information is available for GC Rent Chile either on the relevant business register or on any Grenke Finance filings.

**GC Leasing Melbourne and GC Leasing Sydney**

We can analyze these two franchises simultaneously as they are almost identical. Both were established on October 7, 2016 with two directors and AUD150,000 in paid-in capital. This capital was split in the following manner:

- Pro Gulf FZE 30,000 shares (20%)
- Garuna AG 15,000 shares (10%)
- CTP Handels- und Beteiligungs GmbH 42,000 shares (28%)

Haub is formerly of Grenkeleasing AG in Munich and Ferreira is formerly of Grenke Renting SA in Portugal.

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64 [https://www.linkedin.com/in/pauloalves1/](https://www.linkedin.com/in/pauloalves1/)
65 ASIC Filings for GC Leasing Melbourne and GC Leasing Sydney
These businesses have been operating in Australia for years but seem to have started in 2017 and taken off in 2018 based on Grenke Finance’s disclosure of “amounts due from Grenke AG Group Franchises”. This timing coincides with the timeline of the Australian Viewble scam, where we can see a massive uptick in Australian revenues attributed to the scam over those years.

<table>
<thead>
<tr>
<th>Amounts due from GRENKE AG Group franchises</th>
<th>2018</th>
<th>2017</th>
<th>1 January 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>€31,855,506</td>
<td>€19,440,786</td>
<td>€10,038,655</td>
</tr>
<tr>
<td>Croatia</td>
<td>-</td>
<td>€18,324,310</td>
<td>€738,626</td>
</tr>
<tr>
<td>Dubai</td>
<td>-</td>
<td>€19,718,660</td>
<td>€17,352,672</td>
</tr>
<tr>
<td>Ireland</td>
<td>€6,953,258</td>
<td>€3,070,473</td>
<td>€1,888,670</td>
</tr>
<tr>
<td>Singapore</td>
<td>€15,738,015</td>
<td>€5,368,968</td>
<td>€2,194,682</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>€6,007</td>
<td>€4,012</td>
<td>€2,010</td>
</tr>
<tr>
<td>Poland</td>
<td>€5,187</td>
<td>€480,649</td>
<td>-</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td><strong>€17,976,166</strong></td>
<td><strong>€1,448,460</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td>Latvia</td>
<td>€50,097</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€72,574,036</strong></td>
<td><strong>€39,861,258</strong></td>
<td><strong>€31,220,315</strong></td>
</tr>
</tbody>
</table>

Figure 102 Grenke Finance Annual Report 2018

Grenke’s entire Australian presence consists of these two entities, which are both insider controlled and benefit from the ABCP program at Grenke Finance. Effectively this is a completely risk-free business for CTP, Garuna, Pro Gulf and the directors.

**GC Financial Solutions**

GC Financial Solutions is a different beast from other franchises described above. In this case we believe its purpose is to give Grenke plausible deniability from the scams we covered above. The company was the broker for Grenke loans in the UK Viewble media scam and we were informed GC Financial Solutions were the ones “playing hardball” with retailers in their legal dispute.

GC Financial Solutions is controlled by a former and current Grenke employee. Its sole shareholder is Stephen Lewis Nesbitt whose LinkedIn profile shows him to currently be a Managing Director at Grenke Northern Ireland. He erroneously lists his employer for his time at GC Financial Solutions to be GL Connect, a name that does not appear on the companies register.

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The 2017 restatement is insignificant
A statement of capital dated October 2015 shows ownership of GC Financial Solutions was split between CTP (49%), Garuna (then CS Beteiligungs) (9%) and Nesbitt (42%).

The details below relate to individuals / corporate bodies that were shareholders at 07/10/2015 or that had ceased to be shareholders since the made up date of the previous Annual Return.

A full list of shareholders for the company are shown below:

| Shareholding 1 | Name: STEPHEN NESBITT |
| Shareholding 2 | Name: CTP HANDELS- UND BETEILIGUNGS GMBH |
| Shareholding 3 | Name: CS BETEILIGUNGS AG |

CTP and Garuna appear to have relinquished their holdings on October 4, 2017 but continued to fund the business through debt.

RELATED PARTY DISCLOSURES

During the year, additional loans of £95,000 were received from a shareholder of the Company.

Interest of £35,609 was charged on this loan during the year.

The balance outstanding on the loan at the year end was £417,642.

From 4 October 2017, they ceased to be a shareholder of the Company.