



# CHANCEN eG

**Fair. Effective. Profitable.**

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## **Annual Report 2021**



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# Foreword

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Dear members, dear readers, dear interested parties,

We have achieved a net profit for the year for the first time in our history of six-years! For the first time since our founding, our new "Living Costs for Students" product finances a kind of substitute or supplementary BaFög. It is available for all public universities in Germany! For the first time, we also have received an EU guarantee in 2021! All in all, there has been a great amount of work for us and the whole entire team. This was one of the reasons for the delay.

We have more to report beyond these three key data points for 2021. We have grown strongly and are financing 1,322 students or people in professional development (IT-related courses via bootcamps) as of 31 December. This equals an increase of about 40 percent. In addition, 344 former students are now in the repayment phase. This leads to increasing repayment flows for us: an amount of €k 320 was repaid in 2021. This growing flow highlights that the basic idea of the Income Share Agreement is working: Young people receive financial support for their studies or further education; they pay back this support later, based on their earnings, without any risk of over-indebtedness to make it possible to support the following generation.

Our investors acknowledge this model as well. We significantly expanded our equity in 2021, in preparation for our further growth. Thank you, our dear impact investors, for about €m 4 in new equity and mezzanine capital to date! This is giving us the basis for our next planned bond.

Additionally, we were able to celebrate our fifth anniversary (founding meeting on 6 February 2016) last year. Due to Covid 19, we had the solemn festivities for it a little later, when we hosted a panel discussion with four politicians, including the current Parliamentary State Secretary in the Federal Ministry of Education, Dr. Jens Brandenburg, DIW President Prof. Marcel Fratzscher, and Dr. Konrad Schily, the former President of the University of Witten/Herdecke, our "alma mater" at one of our education partners' sites in September. The event was as joyful as it was determined since the four politicians agreed that there is a lot that needs to happen in education. Our mission to "imagine a world where everyone is free to further their

education and develop their full potential" was impressively put at the focus.

In addition to these many pleasant subjects, there have been a few things that are less great, yet still worth reporting, if only for the sake of transparency: We are in consultation with the financial supervisory authorities on specific legal issues relating to our loans and subordinated loans (for details, please refer to page xx in the risk report). If the financial supervisory authority does not waver from its view, we will need to make adjustments that may cost us consulting time and delay our development, though they will not affect our structure.

Finally, we have a note to make on use of this annual report: Its structure has changed a little as compared with the previous year's. It starts out with the section on "Our basis", describing in more detail what we do and what our structures look like including our cash flow statement. The section "Audited part of the annual report" contains the management report on the financial year of 2021 as audited by our auditor. The annual report continues with the audited figures – balance sheet at the end of the year and income statement – and the also-audited notes to the financial statements, including the statement of changes in non-current assets. This is followed by the auditors' report. On page 12, you can see a portrait of a former student we supported.

Enjoy your read!



Florian Kollewijn



Olaf Lampson



# OUR BASIS

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# Our basis

We founded our educational cooperative with the idea of the "Income Share Agreement" (ISA). This financing concept, with roots that can be traced back to U.S. national economist Milton Friedman, was first introduced in Germany by students at the University of Witten/Herdecke. Since 1995, the concept has been available to all students there to help finance tuition at the private university, regardless of the student's economic background. Some of the founders of Chancen eG (CHANCEN) had previously studied at that university. They used the ISA to finance their own studies, as did our two board members.

## Our ISA

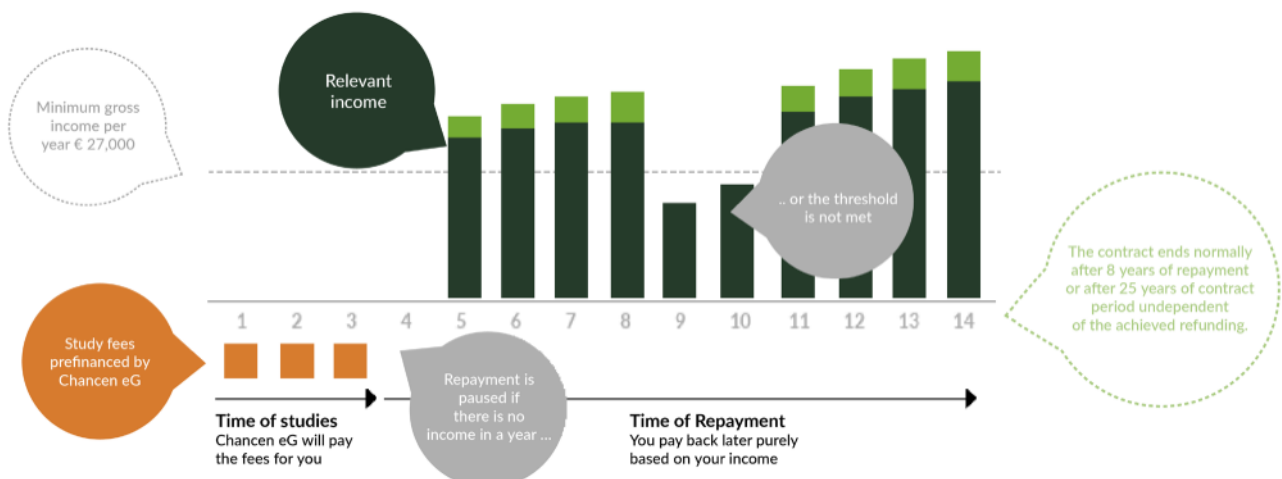
We finance the tuition fees – and recently also partly the living expenses during this educational phase – for studying at a university or continuing vocational training at a BootCamp. Once the student has completed their training, they will repay the loan to us in annual instalments if they exceed a certain minimum income (currently €k 27 gross), in a contractually agreed proportion (in %) of their annual income over a fixed number of years. If the annual income for a calendar year falls below €k 27 gross, repayment will be suspended for that year; this "break year" will be appended at the end of a repayment period of usually 25 years. If a student needs to discontinue their studies, the repayment concept of a ISA will continue to apply: According to the GTC, it will not suddenly turn into a credit with fixed repayment amounts. This is important to us as a company aligned with the common good.

## Our Educational partners

From our founding in 2016 through the end of 2021, we had only offered tuition or bootcamp fee funding for our education partners. This also means that we have only worked with private education providers to date.

## Our Portfolio

We have increasingly funded training in the digital and healthcare sectors since our founding. This is reflected in our assets: Differentiated by degree programmes and occupations, 79 percent of all students and 82 percent of disbursements in the ISA portfolio of our Bildungs-CHANCEN I are composed of occupations in the health-care industry and digital fields. We believe that this structure is suited well for protecting the value of our receivables portfolio against developments on the labour market that are negative for us.



**Table 1: Overview of our educational partners as of 31 December 2021**

	<b>Name of the educational partner</b>	<b>Headquarters</b>	<b>Partner since</b>
	<b>Universities and education institutes with a standard period of study/training exceeding one year</b>		
1	akkon Hochschule für Humanwissenschaften	Berlin	2017
2	Alanus Hochschule	Alfter	2017
3	Asklepios Campus Hamburg (ACH)	Hamburg	2020
4	CODE University of Applied Science	Berlin	2017
5	EBS Universität für Wirtschaft und Recht	Wiesbaden	2021
6	Epitech Berlin	Berlin	2018
7	EBZ Business School	Bochum	2019
8	EU   FH	Cologne	2016
9	EDU Medical College	Malta	2019
10	Hamburg School of Business Administration (HSBA)	Hamburg	2019
11	HHL- Handelshochschule Leipzig	Leipzig	2020
12	Hertie School	Berlin	2016
13	HKS Hochschule für Künste im Sozialen	Ottersberg	2019
14	International Psychoanalytical University	Berlin	2016
15	Karlshochschule International University	Karlsruhe	2017
16	Lancaster University Leipzig	Leipzig	2019
17	LSMU - Lithuanian University of Health Science	Kaunas	2020
18	Medizinische Hochschule Brandenburg Theodor Fontane	Brandenburg/ Havel	2016
19	Merz Akademie	Stuttgart	2017
20	Northern Business School	Hamburg	2019
21	SRH Berlin University of Applied Science	Berlin	2019
22	Steinbeis - School of Management and Innovation	Berlin	2020
23	XU University	Potsdam	2020
	<b>Education institutes with a training period of up to one year</b>		
24	AW Academy	Munich	2020
25	Career Foundry	Berlin	2020
26	Coding Boot Camp Europe	Dortmund	2021
27	Data Science Retreat	Berlin	2018
28	Digital Career Institute (DCI)	Berlin	2020
29	Hamburg Coding School	Hamburg	2021
30	Games Academy	Berlin	2016
31	Helm Sterling Institute (HSI)	Heidelberg	2019
32	Ironhack Berlin	Berlin	2019
33	Le Wagon Coding Bootcamp	Berlin and Munich	2019
34	neue fische	Hamburg and Cologne	2018
35	Pipeline Data Engineering Academy	Berlin	2020
36	SIT Academy	Zurich (CH)	2021
37	Super (Code)	Düsseldorf	2019
38	WBS Coding School	Berlin	2019
39	Wild Code School	Berlin	2019
40	YouGrow Academy	Frankfurt	2020
	<b>Study programs financed at universities without a cooperation agreement</b>		
41	Humane Medicine	States of the EU	2020

## Our Bodies

### The Annual General Meeting

All members have the right to participate at the general meeting, held in the first half of each year; invitations are sent out no later than 14 days before the event, usually by email.

#### 2021

Our general meeting was held as an online conference on 26 June 2021, in light of the pandemic-related change in legislation. Our meeting adopted the annual financial statements for 2020, decided to carry forward the results and discharged the executive bodies. The meeting also elected supervisory board chairman Caspar-Fridolin Lorenz for another three-year term of office until 2024 before the end of his previous term of office in order to maintain a rolling composition of the supervisory board. Two amendments to the articles of association were also adopted with the necessary  $\frac{3}{4}$  majority: Relocation of the registered office from Witten to Hamburg and the introduction of the option of a virtual general meeting.

#### 2022

We held our general meeting this year on 26 June as well. The meeting adopted the annual financial statements for 2021, decided to carry forward the profit of just under €k 40 to new account and discharged the executive bodies. In addition, two members of the supervisory board were re-elected after the regular end of their terms of office; one supervisory board member resigned due to changes of priorities (elected member of the Bundestag since 2021); the three candidates proposed by the Executive Board and the supervisory board were elected. The social committee, established in 2021, was also added to the CHANCEN articles of associations.

### Our Supervisory Board



Since the general meeting of 2022, the supervisory board has consisted of seven members: Caspar-Fridolin Lorenz und David Reichwein, Niklas Becker, Dr. Hans-Georg Beyer, Christin Paul, Franziska Reh, and Dr. Sandra Reich.



## Our Social Committee



Once the amendment to the articles of association has been entered in the register of cooperatives, the social committee with five members will become another body of the cooperative along with the general meeting, the supervisory board, and the Executive Board. It advises and makes binding decisions on cases of hardship if repayers are temporarily unable to meet their obligations for reasons that are not due to their fault. Two of its members are appointed by the supervisory board; three members are nominated by the students or repayers.



The social committee currently consists of Caspar-Fridolin Lorenz and David Reichwein (supervisory board) as well as Liv Reinhold, Melvin Rinkleff, and Vanida Melanie Schwing (students/repayers).

## Our Registered Office

The headquarters were relocated from Witten to Hamburg in the first half of 2022 following the resolution of the 2021 general meeting.

We have also maintained a branch office in Berlin-Kreuzberg, as the majority of our university cooperation partners are located in Berlin or the surrounding area, since 2018.

## Our anniversary celebration

We issued a press release on 6 February 2021 – our actual anniversary – for the fifth anniversary of our founding. The pandemic required us to host the professionally facilitated panel discussion at CODE University for Applied Sciences, one of our partner universities, to discuss and argue the issue of a lack of equal opportunities with four members of the Bundestag or Landtag, a few months later, shortly before the federal elections. In addition to four politicians, Prof. Marcel Fratzscher, president of the DIW, and Dr. Konrad Schily, former president of the University of Witten/Herdecke, were guests of the panel discussion. We strive to particularly raise public awareness of our mission – “Imagine a world where everyone is free to further their education and develop their full potential” this way.



*CEO Florian Kollwijn thanks to the disputants of the panel discussion at the event of our anniversary.*

## Our standards

### Non-financial performance indicators

The CHANCEN business model is based on the vision of offering tuition financing based on ISA, which is equally fair and sustainable. The goal is promoting equal opportunities and self-determination for young people during their studies, training, and career choices. These goals had been reviewed by a Hanover-based sustainability research agency in 2018. The result of this was that CHANCEN is pursuing four of the UN's 17 Sustainable Development Goals: The goal of high-quality education (#4), the goal of gender equality (#5), the goal of sustainable economic growth (#8), and the goal of reducing inequality (#10). The business model can, therefore, be considered sustainable.

As a young company, CHANCEN is addressing environmental concerns by organising its administration as efficiently as possible: Processes are to be handled digitally

and without paper as far as possible; business trips are to be conducted in the most environmentally friendly manner available (rail and public transport). CHANCEN employees have extensive say over the design of work processes and the work environment as a team and through the OKR goal-setting and goal-achievement process introduced in 2020. The small team size enables all employees to contribute well to this process design.

### Our Impact

We measure our impact in accordance with our mission primarily using the criterion of "proportion of students funded by us with an immigrant background" (at least one parent not born in Germany) and the criterion of "proportion of students from a non-academic household" (household in which neither parent has an academic degree). Anonymised disclosure of these individual socio-economic criteria is mandatory when applying for an ISA. We also record gender and the share of BaFög recipients for our impact measurement. We compare these aggregate values of all annual entrants to the rates among all students.

On average, one-fifth of the students across all universities in Germany had an immigrant background in 2016; at our

university, this share started out at 16 percent but recently grew to 50 percent – three times the benchmark. Our impact cannot be demonstrated quite as well for the share of students from non-academic households: Our rate (51 percent) is slightly below the national average. Admittedly, this item must consider that we had offered funding exclusively at private universities, where it is commonly assumed that there is a lower proportion of working-class children, until 2021. We see these values as confirmation that we are making a significant impact on student diversity in this respect.

Criterion	2016	2017	2018	2019	2020	2021	Benchmark
Immigration background	16%	31%	31%	35%	46%	50%	20%
Non-academic household	46%	44%	50%	49%	43%	51%	52%





## Our international appearance: CHANCEN International

In 2018, CHANCEN founded a wholly-owned subsidiary in CHANCEN International gGmbH, a non-profit organisation under tax law, to promote education financing with the ISA concept in Sub-Saharan Africa as well. Both state and private secondary education is usually fee-based there, rendering it accessible to only few young people.

At the end of 2021, CHANCEN International gGmbH supported 1,363 students through the Income Share Agreement. 84% of them were female. 490 of these young people have already successfully completed their studies. CHANCEN International's educational partners, Kepler and the Akilah Institute in Kigali, offer diploma and bachelor's degrees in management, health and hospital management, communications, and IT. Participation in financial literacy courses hosted by CHANCEN International is mandatory for students as well.

In 2020, the Kigali-based "Zamuka Future of Work Fund Plc" (FWF) had been established to mobilise significantly greater resources for education financing in sub-Saharan Africa based on the ISA concept using a mixed,

blended-finance structure. The fund, in which the students themselves, social investors and CHANCEN International each are holding a one-third stake, aims to collect a total of \$m 21 through this structure. It will use the ISA concept to finance the education of 10,000 students from Rwanda, Kenya, and South Africa; it also plans to expand to Senegal and Côte d'Ivoire. The launch of the FWF was enabled by donations from UBS Optimus Foundation and Dell Foundation. Investors include the U.S. development bank DFC and impact investors from Germany. The fund has raised \$m 17 so far (as of the end of June); the remaining equity is expected to be raised by the end of 2022. The fund was already able to finance the studies of 250 young people in 2021; it is to finance another 3,000 new students in 2022.

CHANCEN has published its annual report in English since the financial year of 2019 to support CHANCEN International's funding efforts ([Download here](#)).



# Cashflow statement

**01.01.2021 - 31.12.2021**

Indirect Method

		<b>2021 €K</b>	<b>2020 €K</b>
1.	+/- Result of the period	39.7	-109.9
2.	+/- Write-ups/write-offs on fixed assets	68.3	-15.3
3.	+/- Increase/ decrease of provisions	1.0	-7.8
4.	-/+ Other non-cash relevant income/expenses	-110.1	7.5
5.	- Increase in trade receivables and of other assets which are not attributable to investing or financing activities	-567.9	-115.8
6.	+ Increase of trade payables and of other liabilities which are not attributable to investing or financing activities	943.3	241.5
7.	+ Profit/ loss from the disposal of fixed assets	0.0	0.3
8.	-/+ Interest income/ interest expenses	-35.4	58.9
9.	- Other	-0.7	0.0
<b>10.</b>	<b>= Cashflow from operating activities</b>	<b>338.2</b>	<b>59.4</b>
11.	- Payments for Investments in intangible assets	-101.8	-217.0
12.	- Payments for Investments in tangible assets	-7.2	-5.1
13.	- Payments for Investments in financial assets	-7,547.1	-6,269.9
14.	+ Interest received	707.2	668.0
<b>15.</b>	<b>= Cashflow from investment activities</b>	<b>-6,948.8</b>	<b>-5,824.0</b>
16.	+ Proceeds from additional equity	711.5	48.7
17.	+ Proceeds from subordinated loans	3,043.5	0.0
18.	+ Proceeds from the issue of bonds and from bank loan	0.0	7,990.0
19.	- Interest paid out	-626.5	-619.4
<b>20.</b>	<b>= Cashflow from financing activities</b>	<b>3,128.5</b>	<b>7,419.3</b>
21.	-/+ Changes in financial funds	-3,482.1	1,654.7
22.	+ Cash and cash equivalent at the start of the period	6,368.4	4,713.6
<b>23.</b>	<b>= Cash and cash equivalent at the end of the period</b>	<b>2,886.3</b>	<b>6,368.3</b>



## EXCURSUS

# Student Portrait

### Christian Reinecke, Alanus Hochschule

*"Without the ISA, I wouldn't have been able to study architecture at Alanus. And today, through the ISA, I give back what I have received myself. In this way, I make it possible for others to pursue their studies."*



I had already enjoyed acting a lot during school. That's why I started training as an actor after graduating from secondary school. It was during this time that I first encountered questions like "Why do we do art, theater and acting at all? Isn't it strange to watch people create things for other people?". Especially in plays that deal with topics like revolution and death, I noticed in the creative discussion with the director Bardia Rousti, who had fled Iran as a teenager, how different the view can be - acting sometimes has a view from an "Ivory tower", in the sense where you can find yourself in your own bubble.. As a result, I wanted to educate myself more deeply and began studying Philosophy, Arts and Social Entrepreneurship at Alanus University of Applied Sciences. There, too, we dealt with social issues, such as the reason for art's existence, post-growth theory, or the works of Theodor Adorno. In a nutshell: How do we actually want to live together, how do we get there, and how should the space for this be designed? I had found the focus point within my interests, transformation projects and their design, and switched to studying architecture. There I could combine the artistic with the social and design processes of change and the spaces in which they take place.

In my studies, the drafts we could make every semester were an absolute highlight! The professors always catered to us and what was on our minds. I also have very positive memories of the excursions with the teachers. For example, we went to Vienna and created many sketches in small groups. The close relationship with the professors also made a lot possible - in general, relationships with each other were very important. That's why I would have liked to study longer than the standard period of study - for example, twice the number of semesters instead of six, in order to have more time for courses with artists and sculptures. Unfortunately, this was a financial question - and so I completed the degree in three years.

Alanus is a small, family-oriented university with monthly tuition fees that allow for small course sizes and the free-use studio. However, my family could not cover these tuition fees or my living expenses. Therefore, I needed other financial support in addition to my job. I came across CHANCEN eG at the open day at Alanus and consciously applied for its funding. It was and is important to me that it is more than just a loan: through the principle of solidarity, you give back what you have received yourself. I want to be part of a community of solidarity because I see that as a good and important foundation - if things go well for me, I pay back more and can thus make it possible for others to study. It also takes away the anxiety of my professional future: I can focus on research, for example, and not worry about a fixed repayment. This flexibility was very important to me, in addition to solidarity.

# AUDITED PART OF THE ANNUAL REPORT 2021

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# A. Management Report

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## I. Fundamentals of the Company

Chancen eG (CHANCEN) is a cooperative founded in 2016 to promote its members. Its purpose is to promote science and research, education and upbringing, as well as equal opportunities and self-determination in education and training.

The specific aim of CHANCEN is to promote equal opportunities and self-determination during an individual's studies, training and in his or her career choices: Everyone should be able to educate themselves in the best possible way, regardless of the financial opportunities available to them. For this purpose, CHANCEN offers the "Income Share Agreement" (ISA) financing model. The ISA enables downstream, income-dependent education funding.

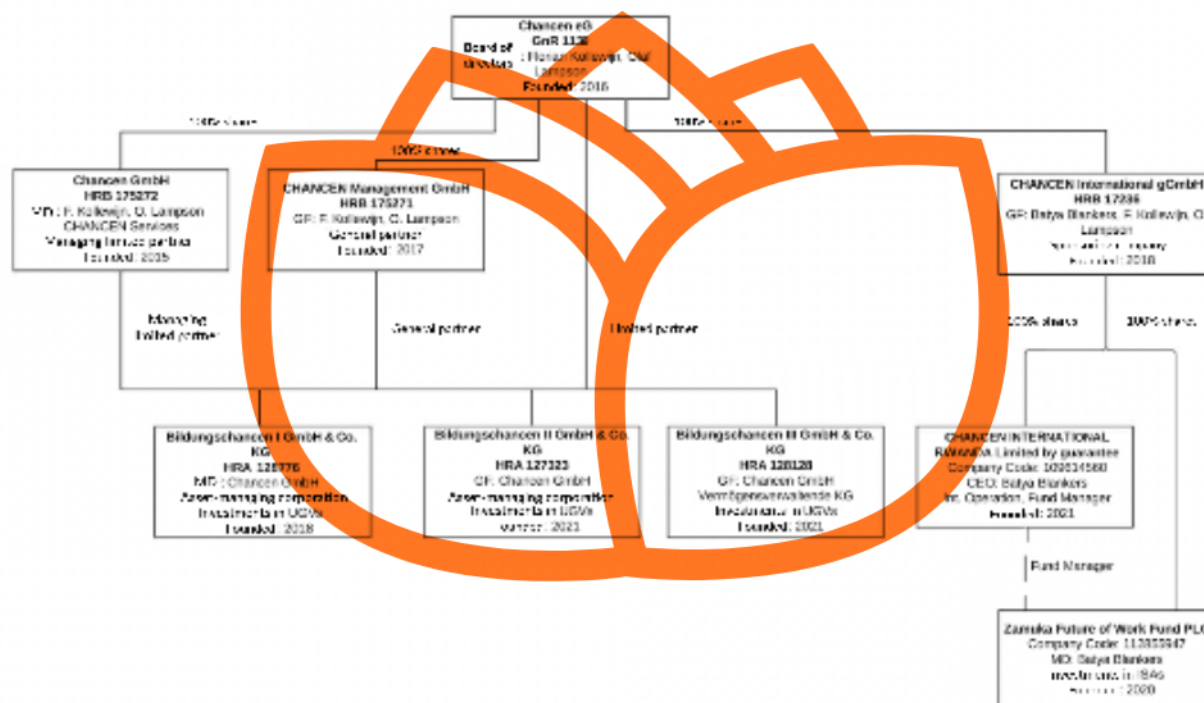
CHANCEN is oriented towards the common good, but is not tax-privileged within the meaning of the German Fiscal Code (Abgabenordnung). It aims for long-term economic sustainability, but not profit maximisation. CHANCEN would like to enable more equal opportunities for young people for a wide range of study courses, as well as training and further education, and strives for the fair sharing of opportunities and risks in education funding. In this, fair means that the young people who receive funding make income-based repayment contributions and that the CHANCEN receive appropriate remuneration for their work and the funding providers receive a market rate of interest.

Essential external factors influencing CHANCEN's activities are the number of cooperating educational institutions and their student numbers, as well as development of graduates' incomes.

Start-up costs in the form of material and personnel expenses as well as refinancing costs were incurred as expected in the first few years, as a result of which the company generated scheduled start-up losses due to the business model aligned with the long term.

In accordance with the resolution of its general meeting of June 2021, CHANCEN relocated its registered office from Witten/NRW to Hamburg in the first half of 2022. Its new corporate address is: Chancen eG, Süderstraße 73 in GER-20097 Hamburg.

## Organisation chart of the companies of Chancen eG



## ISA Portfolio - BildungsCHANCEN I to III

Since 2018, all ISA contracts have been concluded between students and the subsidiary BildungsCHANCEN I GmbH & Co. KG ("BildungsCHANCEN") directly. CHANCEN provides its subsidiary with the corresponding borrowed capital for this purpose. The subsidiaries BildungsCHANCEN II GmbH & Co. KG ("BildungsCHANCEN II") and BildungsCHANCEN III GmbH & Co. KG ("BildungsCHANCEN III") were founded in the course of 2021. As of January 2022, all new ISA contracts that meet the criteria of the European Investment Fund (EIF) guarantee are going to be between students and BildungsCHANCEN II. Those new ISA contracts that do not meet these criteria should be concluded with BildungsCHANCEN III.

In financial year of 2021, BildungsCHANCEN I generated a net loss of €k 1,432 and, as planned, holds equity in the amount of - €k 2,165 and shareholder loans of €k 22,340. BildungsCHANCEN II generated a net loss of €k 3 in the short financial year 2021 and holds equity in the amount of €k -2. BildungsCHANCEN III generated a net loss of €k 3 in the short financial year 2021 and holds equity in the amount of €k 2.

## CHANCEN International

CHANCEN International gGmbH, founded in 2018, has set itself the task of promoting ISA in sub-Saharan African countries as an education financing concept since both state and privately provided secondary education there usually is subject to tuition fees. This makes it accessible to few young people. With selected training institutions and universities as partners, CHANCEN International gGmbH is making many efforts to promote the Income Share Agreement. In the financial year of 2021, the company generated a net profit of €k 14 and is holding equity of €k 86. CHANCEN International Rwanda Ltd. by Guarantee was established as Fund Manager of Zamuka of Work Fund Plc in the financial year of 2021 to comply with regulatory requirements. ISAs are entered into through the Zamuka of Work Fund Plc.

## II. Economic Report

### 1. Overall economic situation and industry

#### Economic development

In the second year of the pandemic, both the global and the German economy returned to growth. The price-adjusted gross domestic product in 2021 increased by 2.8 per cent as compared to the previous year. This means that the domestic economy has not yet quite returned to the level from before the outbreak of the pandemic. Nevertheless, the unemployment rate fell from 5.9 per cent to 5.7 per cent. According to the Institute for Employment Research (Institut für Arbeitsmarkt- und Berufsforschung; IAB), companies assess the current situation as slightly deteriorated; however, expectations have brightened considerably. The labour market is proving resilient.

However, the economy's return to growth does not apply to all sectors – and thus not all occupational profiles – equally. According to the IAB, the hospitality, retail, and tourism sectors are particularly affected. The IAB states that other sectors are going to benefit from the pandemic. This includes in particular all areas of digitisation and the healthcare industry.

#### Study remains an important pillar

According to destatis, the number of students in Germany remained nearly unchanged compared to previous year in the winter term of 2021/2022, at 2,947,500 (previous year 2,944,145). This is an increase of 0.1 per cent as compared to the previous year. This means that the last decade's development with a continuous increase in student numbers has lost momentum for the time being.

At the same time, the number of first-year students in the academic year of 2021 (summer term of 2021 and winter term of 2021/22) reduced by about 4 per cent as compared to the previous year. This is based on two trends: On the one hand, the number of new students from abroad dropped by 22 per cent as compared to the previous year in the second year of the pandemic. On the other hand, the population group of 17- to 22-year-olds in Germany, which provides about three quarters of first-year students, has decreased by 5 per cent in the past four years (demographic change).

In addition to the total number of students, the number of students enrolled in non-public universities is – still – relevant for CHANCEN. In the academic year of 2020/2021, the most recent figures available, their number (306,637; previous year 269,181) and their share in all students (10.4 per cent, previous year 9.1 per cent) continued to grow. The long-standing trend toward non-public universities has thus continued, while student numbers are stagnating overall.

Students for whom federal financial aid under the Federal Student Aid Act (Bundesausbildungsförderungsgesetz; in short: Bafög) is insufficient may see the ISA as an attractive alternative. Barely more than eleven per cent of all students currently use this state aid. Reasons given include being too old at the start of studies, exceeding the standard period of study, studying part-time, or lack of adjustment of the parents' income limit in quite a while.

Based on this, CHANCEN assumes that interest in academic training or further qualification for the labour market is going to continue.



## 2. Important Events in the Financial year 2021

### Receiving an EIF guarantee

Following the application initiated last year, CHANCEN and BildungsCHANCEN II signed an agreement on a deficiency guarantee of up to €m 6 with the European Investment Fund (EIF) at the end of 2021. In order to fully utilise the guarantee, the educational cooperative must achieve a total of 30 per cent of the requested ISA claim volume by the end of the year 2023.

This guarantee covers receivables from ISA contracts with a contractual cap of €k 30 and a total term of 15 years, to be entered into between January 2022 and the end of 2024. If one of these EIF-registered contracts defaults on the claim altogether – for example, in the event of occupational disability – the EIF is going to reimburse the educational cooperative for up to 80 per cent of the funding provided, plus 10 per cent to cover costs, upon request. Loss is also assumed if repayment is suspended for more than one year after graduation. In this case, the educational cooperative must report on the continued progress of the individual ISA through 2037 to the EIF on a regular basis and, if applicable, offset any subsequent repayments with refunds and return them to the EIF. The EIF guarantee covers a loss up to €m 6.0 at most for a portfolio of receivables defined in this way of up to €m 30, under consideration of a non-guaranteed own contribution of 20 per cent.

### Financing of cost of living from 2022 onwards

Preparations for the necessary contractual, organisational, and IT adjustments and costs enable us to offer pre-financing of living expenses for students and participants in bootcamp IT advanced training based on the ISA concept with the EIF guarantee since the beginning of 2022 have been allocated to the year of 2021.

### Slight increase in the number of education partners

We select our educational partners based on the following criteria: Ideally, the sponsor of the educational institution is a non-profit company (such as a gGmbH). For other sponsors, the structure and alignment of the owners are particularly relevant to us since we do not consider education a return-maximising business model. Other important conditions for us are high-quality teaching, innovative didactics, or innovative courses of study, or supplementing a shortage of state study places.

The number of cooperation partners from universities, colleges, and schools for further education increased slightly by 4 to now 40 (previous year: 36), which corresponds to an increase by 11.1 per cent. In addition, financing for medical studies at a private university accredited in the EU has been offered since 2020.

### Steep increase in the number of students supported by ISA

The number of students with ISA increased by 363, from 959 to 1,322, or by 37.9 per cent, in 2021. 1,264 of these students (previous year: 877) had already received payments at the end of the year of 2021. As a result, the volume of loans to sponsored students increased by 44.9 per cent to €k 20,888 at balance sheet date as compared to the previous year (€k 14,410).

### Repayments from ISA contracts increased

The repayment phase started for 174 students in 2021 (previous year: 108). This phase, which can last between five and – depending on the contract – eight to ten years of the basic repayment obligation, always starts in January of the year following completion of a course of study or training. If the income of the previously financed student remains foreseeably below the gross income limit of currently €k 27– e.g. due to pursuing master's degree, an internship, or taking a family break – the student may apply to be exempted from the monthly ISA repayment instalments. Otherwise, the minimum monthly amount is due in accordance with the ISA agreement; in the following year, the final repayment amount for that year is determined on the basis of the income tax assessment to be submitted.

344 students (previous year 148) were in the repayment phase at the end of 2021; this led to an inflow of €k 325 (previous year: €k 116) to BildungsCHANCEN I.

## **“Impact 2024” growth campaign launched**

In connection with the receipt of the EIF guarantee, CHANCEN had decided to continue its growth course under the slogan of “Impact 2024”. Raising of liable capital required for this purpose commenced in 2021; the economic equity ratio increased to 36.7 per cent at the end of the year (previous year: 28.7 per cent). The measures taken for this also include atypical silent partnerships, which were approved by the general meeting in June 2021.

## **Net profit achieved for the first time**

As planned, the financial year 2021 achieved more than a balanced business for the first time, incurring a net profit of €k 39.7. In addition to income from cooperation partners increased by €k 500 (previous year: €k 405), this is mainly due to internally generated income for the granting of loans to subsidiaries (€k 707, previous year: €k 514) and for the management of ISA contracts, including the selection of students (€k 668, previous year: €k 457). It should be noted in this context that the ISA financing model is based on an average financing cycle of around 15 years, which only closes in the last three years – after the loan amount has been repaid in full – with the planned surpluses from repayments.

## **3. Presentation of the situation**

### **Income**

Income from cooperation fees from our education partners increased by 23.7 per cent from €k 405 to €k 500, reflecting the further increase of the number of our university partners and the number of students sponsored.

CHANCEN is also reporting income from collection of management fees in the amount of €k 668 in 2021 (previous year: €k 457) and interest income from affiliated companies in the amount of €k 707 (previous year: €k 532). These payments are made for administration of the ISA contracts as well as towards shareholder loans provided by CHANCEN. This income is offset by corresponding expenses at the BildungsCHANCEN I subsidiary. In total, this results in sales revenue of 1,169 €k in 2021 (previous year: 863 €k).

The item Other own work capitalised includes €k 200 for internally generated software (previous year: €k 148). This reflects the activities for adaptation of standard software and the development and construction of own databases and applications in the past year.

The item Other operating income includes, among other things, intragroup settlements from subsidiaries, from wage reimbursements in case of illness, and write-ups on financial assets. This intra-group income of €k 180 was again significantly lower than in the previous year (€k 336) in 2021. This income is offset by corresponding expenses for personnel. In addition, write-ups of financial assets amounting to €k 45 (€k 73) have been recorded here.

### **Expenditures**

#### **Staff expenses**

Personnel expenditures amounted to €k 898 in the financial year (previous year: €k 707). This increase of almost 27 per cent is based on salary increases as well as the increased number of CHANCEN employees. In the last financial year, CHANCEN had an average of 18.7 full-time equivalents (previous year: 10.4), including the Executive Board. The core team with a headcount of 18 (previous year: 12) was supplemented by interns and student workers.

#### **Depreciation**

Depreciation and amortisation for use of property, plant and equipment, including internally generated software and intangible assets, increased from €k 58 to €k 114, reflecting investments made in IT and software adjustments in previous years. These subsequently lead to an increase in depreciation and amortisation expense.

#### **Other operating expense**

These costs amounted to €k 513 in the past year (previous year: €k 630). Under consideration of costs charged within the group for capital procurement of €k 20 (previous year: €k 188), the expenses thus adjusted amounted to €k 493. By comparison with the previous year (€k 442), this represents an increase of about 11 per cent in other operating expenses after adjustment.

Expenses for financial statements and auditing (from €k 114 to €k 93), expenses for training (from €k 21 to €k 17), and personnel acquisition (from €k 33 to €k 1) down by about 18 per cent were offset first and foremost by increased legal and consulting costs (up 15 per cent to €k 143). This reflects legal consultations required by the

legal structure of CHANCEN Group, regulatory reconciliations, and consultations regarding the new contracts for financing of living expenses. As a precautionary measure, a specific valuation allowance of €k 90 (previous year: 0) was recognised for a loan to CHANCEN International. There were also increases in expenses for license and communication fees (from €k 22 to €k 32 – up 45 per cent) and for representation (from 0 to €k 10) caused by the anniversary celebration and panel discussion on equal opportunities. Expenses for business premises (€k 40) and the costs for the supervisory board with five members (€k 13 as compared to €k 12) remained almost unchanged.

### Financial result

Interest expense decreased from €k 730 to €k 672. This is exclusively due to the placement expense from the bond that will no longer be incurred in 2021 (previous year: expense of about €k 88). The annual interest expense for the bond (€k 390) and the fixed-interest bank loans (€k 82) is identical to that of the previous year. Expenses for interest on the qualified subordinated loans increased by nearly 22 per cent to €k 200. This reflects the stronger increase in mezzanine capital of just under €m 8.5 (€m 5.4) in the context of growth.

### Annual financial result

The cooperative closes the year of 2021 with a surplus of €k 40 (previous year: deficit of €k 110). Under consideration of the transfer of the ISA portfolio to BildungsCHANCEN I, a roughly balanced annual result ("black zero") was planned for the year of 2021. CHANCEN has thus met its own forecast and is satisfied with the 2021 result.

### Net Assets

The balance sheet total increased by almost one fifth from €k 24,131 to €k 28,867 in connection with this growth.

This is essentially based on two opposing changes: Fixed assets – and in particular financial assets – increased by 46 per cent to €k 24,831. The greatest part of this, i.e. €k 23,950, is attributable to loans to BildungsCHANCEN I, which was able to finance the granular ISA contract portfolio in particular. In reverse, cash on hand decreased by more than half from €k 6,368 to €k 2,886.

Within fixed assets, intangible assets increased from €k 306 to €k 502 for the further development of software; this reflects efforts to further develop in-house software for cloud computing solutions that is widely used internationally. Operating and office equipment remained identical at €k 20.

Shares in affiliated companies in the amount of €k 92 (previous year: €k 71) include the full capital shares in Chancen GmbH, founded in 2015, CHANCEN Management GmbH, founded in 2017, and the subsidiaries CHANCEN International gGmbH and BildungsCHANCEN I, both established in the financial year of 2018, as well

as for the first time BildungsCHANCEN II and BildungsCHANCEN III, which were founded within the financial year. Further increase as compared to the previous year is due to the reversal of an impairment loss on investments that was no longer necessary.

Chancen eG has provided this company with long-term loans in the form of loans to affiliated companies to finance the ISA contracts, which are held by the subsidiary BildungsCHANCEN I. The volume of loans to the BildungsCHANCEN I subsidiary increased by 46 per cent in the financial year of 2021, from €k 16,404 (previous year) to €k 23,950.

Current assets decreased by 43 per cent from €k 7,023 to €k 4,014, mostly due to the decrease in cash and cash equivalents. The cash and cash equivalents built up from the bond placement in 2020 were gradually used to issue new shareholder loans to BildungsCHANCEN I to refinance ISA contracts. Trade receivables of €k 381 remained virtually unchanged from the previous year (€k 251). Receivables from affiliated companies increased by 53 per cent to €k 323 (previous year: €k 301); this mainly relates to receivables from CHANCEN International and BildungsCHANCEN I. In addition, other receivables include interest on subordinated loans of €k 193 (previous year: 0), which represent expenses in accordance with the contract but may not yet be paid out due to the existing accumulated deficit.

## Financial Situation

### Equity capital

The cooperative shares of the members of Chancen eG increased from €k 2,541 to €k 2,902. This is due to the increasing number of members (year-end: 1,440, previous year 1,057) and in particular to the subscription of shares by investor members. No credit balances were terminated in the financial year. In addition, one member participated with a silent partnership of €k 300 in 2021.

The equity capital shown in the balance sheet amounted to €k 2,120, under consideration of the accumulated deficit of €k 1,122, the net income of €k 40 for the year, and the silent partnership. Compared to the previous year, this represents an increase of almost half (€k 1,420). As a result, the equity ratio rose to 7.3 per cent (previous year: 5.9 per cent).



## Debt capital

Provisions amounted to €k 132 as of the balance sheet date (previous year: €k 131). This item predominantly includes provisions for acquisition costs and vacation not taken in 2021.

Liabilities amounted to €k 26,613 as of the balance sheet date (previous year: €k 22,581).

Non current financial liabilities with remaining terms of more than one year increased from €k 21,938 to €k 24,982. The increase is due to the increase in subordinated loans, which now amount to €k 8,482 (previous year: €k 5,438). Apart from this, there were bank loans of €k 3,500 and the bond issued in 2019 of 13,000 (identical values as in the previous year) at the end of the year.

Chancen eG is succeeding in refinancing the loans to its subsidiary BildungsCHANCEN I for its financing of the ISA contracts to students with virtually matching maturities with this financing mix. The interest rates for the financial liabilities – most of which have an initial term of ten to 15 years – were predominantly between 2.1 per cent and 3.5 per cent per annum in the financial year of 2021.

Trade accounts payable of €k 1,084 (previous year: €k 346) include tuition fees payable to university partners as of the balance sheet date; the higher increase is due to the reporting date. Other liabilities of €k 9,026 (previous year: €k 5,733) are mainly due to the increase in subordinated loans of €k 8,482 (previous year: €k 5,438), prorated interest obligations from the bond and subordinated loan (€k 514), as well as wage and church taxes not yet paid as of the balance sheet date.

## Economic equity

The economic equity of Chancen eG consists of the paid-in capital, the loss carried forward and the net profit for the year, the silent partnership, and the subordinated loans. It amounted to €k 10,602 at the end of the year (previous year: €k 6,858). The economic equity ratio as of the balance sheet date 2021 was 36.7 per cent (previous year: 28.7 per cent). The increase in this ratio is due to efforts to expand the capital base ("Impact 2024").

## Liquidity

Cash and cash equivalents decreased by more than half as compared to the previous year, from €k 6,368 to €k 2,886. The cash inflow from operating activities amounted to €k 338 (previous year: €k 59); for investing activities, €k 6,949 (previous year: €k 5,824) were used. In return, CHANCEN received €k 3,129 (previous year: €k 7,419) from financing activities.

Solvency of the CHANCEN Group was ensured at all times in 2021.

The credit lines provided had been drawn down in full as of the balance sheet date 2021.

## Financial performance indicators

We use the number of cooperating educational institutions, and the number of ISA-supported students serve as our key financial performance indicators.

The number of cooperating educational institutions has increased by 4 from 36 to 40. In addition, we finance the fees for human medicine at universities in other EU countries, most of which have not yet signed any cooperation agreements with us.

# III. Forecast, Opportunities and Risk Report

## 1. Risks

The following statements on the future business performance of Chancen eG and the assumptions about developments in the training market are based on our estimates, which we assume to be realistic based on the information available to us today. However, they are subject to uncertainties and, therefore, entail the unavoidable risk that the forecast developments will not actually occur, either in terms of their tendency or their extent.

### Individual risks

#### Refinancing risks

This item includes the risk of rising interest rates on the capital market. This may force us to apply higher interest rates to our financing instruments newly entered into than the staggered increases we have been offering for a while now. It would only be possible to absorb a small proportion of these additional costs without adjusting the ISA conditions. In case of a higher increase, we would have to adjust the terms of the ISA accordingly.

We also record the risk of insufficient refinancing volume here, which may at least slow down sustainable adequate growth in the business model. We counter this risk, which may threaten our existence in the worst case, by close cooperation with GLS Gemeinschaftsbank eG, headquartered in Bochum, with a balanced mix of financing options and the ongoing acquisition of new investors from various areas of the capital market.

Chancen eG is planning to refinance its growth in the course of the next two years by issuing one to two bearer bonds with a volume of €m 15 to €m EUR 30. It has held initial preliminary talks with two banks in the first half of 2022 to this end. Due to the terms and conditions, the planning with one bank and an issue volume of up to €m EUR 15 was focused on the turn of the year 2022/ 2023 and prepared in a letter of intent. Work on the issue is scheduled to begin in the second half of 2022. If the issuance turns out to be impossible in this volume or time frame due to market turmoil or legal obstacles, this would impact the planned enrolment of additional new students and development of CHANCEN; however, it would not restrict the cooperative's ability to act or its solvency.

#### Counterparty default risks

The main assets of CHANCEN consist of loans to the educational CHANCEN subsidiaries that in turn finance

young people's tuition fees on the basis of the ISA. These assets are, as a result, subject to the risk that the Bildungs-CHANCEN subsidiaries may not meet their financial obligations at all or only prorated. We counter this risk by spreading it across many ISA funding recipients with comparably small amounts (granular receivables portfolio), a multi-stage selection process of funded students, and careful contract design to cover a variety of possible scenarios over the course of a career as well. Based on this, Chancen eG assumes that there will be no need for value adjustment for the loans to BildungsCHANCEN I included in the balance sheet item "Loans to affiliated companies" in future.

Loans based on the ISA are, among other things, relying on the many years of experience of the Studierenden-Gesellschaft Witten/Herdecke e.V. (SG), a founding member of Chancen eG. The calculation considers income expectations for the various occupations requiring training, the overall economic situation in Germany, and social data on career histories with family breaks, periods of unemployment or part-time work. A default rate of five per cent is also factored in to ensure the business model's sustainability.

#### Inflation risks

The inflation rate in Germany – measured as the change in the annual average consumer price index (CPI) as compared to the previous year – was between 1.0% and 5.3% on an upward trend in 2021. In the second half of 2021 in particular, as well as in the first months of 2022, monthly price increase rates of 3.8 per cent to 7.3 per cent were significantly higher than in the same period of the previous year. A higher rate of price increases is generally expected for 2022. According to general monetary policy conviction, such a development would result in higher interest rates, and this can indeed be observed, as the European Central Bank announced at the beginning of June that it would raise the key interest rate.

Rising inflation rates and interest rates affect the CHANCEN business model in several places:

- ✚ On the asset side, the value of the ISA portfolio would hardly be affected since all ISA contracts provide for indexation of the discount amounts and maximum repayment limits from a 5.0 per cent increase in the consumer price index since conclusion of the contract. This gives rising nominal wages a positive effect, as the repayment flows are thus higher than calculated.

- + Lending volumes may increase beyond the previously projected growth rate, as higher inflation rates could also be reflected in non-state college tuition and bootcamp fees in the medium term.
- + On the liabilities side, higher refinancing costs are expected. As refinancing is secured against short-term fluctuations with an average remaining term of 9.09 years (weighted by volume), this cost increase would be reflected more in the medium term.
- + Earnings may be adversely affected by increases in other material and personnel expenses in the short term.

The total of these effects is difficult to calculate, as a number of assumptions and mechanisms of action staggered in time are at work here. All in all, it can be concluded that a higher inflation rate has both negative and positive effects on the cooperative's business model and profitability; a nominal wage increase has a positive effect on returns. CHANCEN is keeping a careful eye on this development – also in order to adjust the calculation of ISA conditions to these developments if necessary.

### Personnel Risks

Chancen eG operates with a comparatively small core workforce, with an average of 18 permanent employees, including the Executive Board, as well as temporary contracts for highly qualified young people – usually students and doctoral candidates from the fields of computer science, statistics, and psychology. A departure or a longer absence of a regular employee may cause – temporary – unavailability of important know-how. The Executive Board strives to maintain both motivation and personal qualification of all team members by way of regular training and team-building activities. This includes two- to three-day conferences of all regular employees ("team retreats") once a year, regular online meetings, and joint online activities in the leisure area.

### IT Risks

CHANCEN group maps as many routine processes as possible digitally in order to be and remain an efficient company in the interests of its members – in particular in light of the strong growth it has experienced so far. As a result, it is investing more heavily in adapting a licensed cloud based software platform from 'Salesforce' to ensure full student administration and support across all ISA phases (application, selection, contracting, tuition funding, repayment management). Delays or errors in this adjustment represent a risk that Chancen eG strives to minimise by establishing a dedicated development team led by an expert specialising in Salesforce, active project management under the direction of an IT manager, and regular updates and data quality checks. An authorisation concept will have to be developed and an authorisation management system introduced to increase IT security.

### Legal risks

Contracts for tuition funding through the ISA could be subject to legal challenge by funders. There has already been media coverage of such incidents at competitors (see <https://chancen-eg.de/blog/kommerzielle-bildungs-fonds-versus-ugv-wuerde-das-ugv-finanzierungskonzept-der-chancen-eg-auch-vom-gericht-verurteilt-werden>). Chancen eG has secured itself against these risks in multiple manners: 1. By using ISA contracts that ensure fair distribution of opportunities and risks between it and the students. 2. By having its ISA contracts periodically evaluated to ensure that they reflect any trends in recent case law and are adjusted if necessary. 3. By using ISA contracts that are virtually identical to those of the Studierenden-Gesellschaft Witten/Herdecke e.V., which in turn is looking back on more than 25 years of practice with the ISA without any major legal disputes.

In 2021, Chancen eG had submitted an inquiry to the German Federal Financial Supervisory Authority (BaFin) as to whether its business model as a whole – also in light of its subsidiaries – gave rise to any supervisory obligation. In its response of April 2022, the Financial Supervisory Authority addressed three issues that it considered critical and, with reference to sec. 37 para. 1 sentence 1 of the German Banking Act, stated its opinion that CHANCEN was currently engaging in credit transactions that require a license based on the following items a) and b): a) some trust loans of the cooperative that were taken out via a credit institution, b) two loans taken out by CHANCEN International, and c) a phrasing from the contractual subordination agreement in the existing subordinated loans. The cooperative holds a differing legal view upon legal coordination. It has informed the supervisory authority of this in May 2022. The response is still pending.

In detail: a) The trust loans for a total amount of €m 1.75, arranged between private individuals, a credit institution, and the cooperative, may constitute banking transaction subject to licensing. In contrast, the cooperative believes that it had received these trust loans from a – supervised – credit institution and the lenders had not granted a direct loan to the cooperative; in light of this, these relationships, similar to crowdlending, do not constitute banking business. b) BaFin believes that two non-subordinated loans from two organisations to the non-profit subsidiary GmbH may constitute unauthorised banking business. In contrast, the cooperative holds that this borrowing did not constitute either commercial or commercial banking business since commercial banking business requires an operation in one's own name and for one's own account the intention of making a profit and to last for a specific period of time; none of this is the case here. c) In the case of the subordinated loan agreements used to date, BaFin suggested clarifying the agreement of a qualified subordination. The cooperative is coordinating with BaFin on the wording of the subordination agreement here.

If the financial supervisory authority does not or only



partly follow the cooperative's legal opinion, the trust loans to the eG and/or the loans to the GmbH may have to be reversed. This would be possible for both the cooperative and its non-profit subsidiary GmbH without any major adverse effects.

## Competitive risks

There is only a small number of providers in Germany offering financing of tuition fees based on a reverse generation contract. These competitors focus on a selection of subjects such as business administration, law, engineering, or political science. Therefore, an overlap of subjects and universities – and thus a true competitive situation between financing partners of students at private universities – is very small.

CHANCEN pursues the mission of providing fair and sustainable education funding; this is reflected in its advertising slogan: "Fair. Effective. With profit." In this context, fairness means, first and foremost: as favourable and exclusively income-dependent conditions for students as sustainably viable. This distinguishes CHANCEN as a public welfare-oriented company from its commercially motivated competitors. CHANCEN expects that demand for its financing offer will be competitive as a result of this, both if competitors were to expand their offers to additional subjects and for the offer of financing living expenses for students at all German universities, which has been newly included since 2022.

## Macroeconomic risks

In its latest forecast, the German Council of Economic Experts predicts GDP growth of 1.8 per cent for this year and 3.6 per cent for 2023. Nevertheless, the risks to the economy and growth in Germany as well as to the global economy have increased significantly due to the pandemic, disrupted supply chains, inflation, and armed conflicts – in particular in Ukraine. The ISA portfolio, and thus the economic development of the cooperative, would be affected in the case of rising unemployment rates and declining incomes due to recession.

At the moment, the Executive Board of Chancen eG is not seeing any risks that may jeopardise the company's continued existence. If some of the above risks were to occur, they may not only impair positive development, but would likely also lead to restrictive management decisions. In this case, the growth course of the educational cooperative would slow down noticeably. However, the cooperative would only be threatened as a going concern in extreme cases of individual risks that are currently not considered likely.

## 2. Opportunities for future development

Chancen eG was able to put its growth opportunities in the past financial year of 2021 to good use. It expects that it will be able to continue this in 2022.

The market for academic education and vocational training remains a growth market in Germany. This is even more so as the pandemic gradually subsides: After all, digitisation has been boosted with the outbreak of the pandemic and the lockdown measures; such skills are becoming increasingly important on the labour market.

Apart from this, the restricted range of courses on offer in particular in "NC" subjects such as medicine, leads to a higher demand for such places than the supply from public institutions can accommodate. Private universities are expanding their offerings for such subjects as a result of this. Launched in 2020, Chancen eG's offer to finance studies of human medicine in other EU countries was well received until the first quarter of 2022. Since the outbreak of the armed conflict in Ukraine, demand at Eastern European universities has been reduced. The share of medicine in the ISA portfolio, measured by the volume of loans already disbursed, is about 16 per cent at the moment.

Beyond this, the educational cooperative has expanded its offer to include financing of students' living expenses or further professional training. This also eliminated the exclusive focus on private universities. CHANCEN expects this to generate growth impulses: Offering the ISA for student living expenses will open up greater prospects for growth and impact.

Overall, Chancen eG assumes that demand for ISA services will increase in the next few years, from both the institutional and student sides, and that its growth is going to continue. In particular in times of a tight labour market, good education or further professional qualification is an asset for an interesting job. Chancen eG therefore assumes that interest in academic training or further qualification for the labour market is going to continue. We believe that popularity of non-state higher education and the general trend toward more highly qualified education or further training (keyword: lifelong learning) is going to continue. We expect demand for subjects with restricted access, such as human medicine, to keep on rising. These already show a significantly greater demand for student places than public universities can offer. In addition to academic training, the importance of short training and continuing education programs in software and web development and data science, which are also funded by fees, is increasing.

Economically speaking, growth is going to increasingly lead to the exploitation of economies of scale, which will improve the ratio of revenues to costs in the long term and lead to rising net income. The development of hidden reserves in the granular ISA receivables portfolio provides necessary risk buffers.

### 3.Forecast for the financial year of 2022

At the end of 2021, the cooperation partners included a total of 40 education partners, 55 per cent of which were universities offering a multi-year course of study, and 45 per cent of which were IT-oriented continuing education institutes, which are also referred to as coding bootcamps. These offer digital education and training geared to the labour market in intensive courses of three to twelve months. Cooperation with these training providers is particularly interesting for CHANCEN in its growth phase, as training courses lasting several months instead of several years can be financed here. The average ISA financing period for such courses is shorter; repayment, and thus also the earnings phase, start earlier. CHANCEN is pushing these collaborations as a result of this.

Talks were initiated or intensified with further universities and institutes of further education in 2021. We expect that the number of our university partners will continue to grow, albeit at a slower rate than in previous years. As a result, the number of funded students is going to increase. The planned expansion of business is supported by the fact that the cooperative now has become better known.

In light of the forecast of the German Council of Economic Experts as explained in section II.1, the Executive Board of Chancen eG assumes that business is going to develop similarly to 2021 and expects a significantly higher net profit for 2022. If the positive development continues as planned, the loss carryforwards are expected to be offset from the 2025 financial year onwards and retained earnings are expected to continue to grow in subsequent years. However, it cannot be ruled out that growth for 2022 will slow down due to economic uncertainties caused by pandemics, armed conflicts, and inflation and that the annual result for 2022 may not improve as compared to the financial year of 2021.

## IV. Internal control and risk management system

While CHANCEN is still a young company, it has set up an internal control system (ICS) from the beginning in order to identify any undesirable developments at an early stage and to be able to initiate countermeasures. This system has been further differentiated.

The ICS of Chancen eG is divided into the areas of process and portfolio risks.

Litigation risks are such risks that may arise in the normal course of operating business. They are divided into three classes according to their potential frequency and the amount of damage they could cause and are adequately controlled in terms of effort.

The portfolio risks of Chancen eG are countered on several levels:

- + First, the multi-stage application and selection process take place with an eye to ensuring that the supported students fit the cooperative and the solidarity model and have sufficient qualifications and motivation as well as sufficient knowledge of the course of study and professional field.
- + Administration of the selected students through the accounts receivable management system is handled by "DATEV" and a database structure based on the software platform of 'Salesforce', that we developed for these purposes. This database contains an

online portal that students, university partners, and repayers may use to communicate. It also comprises process automations and integrations by third-party service providers for video identification, eSignature, and direct debit collections. The database is fully functional. It is supplemented and optimised with further modules both internally and with a Salesforce development agency.

- + The processes and results for calculating the ISA conditions were differentiated and documented in order to assess the recoverability of the portfolio. In the past financial year, the calculation was tightened up based on the individual contract. The previously included development of a portfolio tool is now being developed further based on readjusted individual contract costing. We are going to be able to use this software to map the recoverability of our receivables portfolio and the associated cash flows in light of a number of scenarios in future. This will enable us to present and use the Value at Risk (VAT, a key figure commonly used for receivables valuations) and the Liquidity at Risk (a key figure relevant for cash flow planning) for different periods and scenarios.

Hamburg, 25 July 2022

The Executive Board



Florian Kollwijn



Olaf Lampson



# B. Balance sheet and profit & loss account 2021

## ASSETS

	31.12.2021 €	Total amount	Previous Year €
<b>A. Outstanding payments on members' shares</b>		<b>12,400.00</b>	63,200.00
<b>B. Fixed Assets</b>			
<b>I. Intangible assets</b>			
1. Self-created industrial property rights and similar rights and assets	494,469.00		299,716.00
2. Acquired concessions, industrial property rights an similar rights and assets as well as liceneses of such rights and assets	7,335.00		5,924.00
		<b>501,804.00</b>	305,640.00
<b>II. Tangible assets</b>			
1. Other equipment, factory and office equipment	20,352.00		20,349.00
		<b>20,352.00</b>	20,349.00
<b>III. Financial assets</b>			
1. Shares in affiliated companies	92,222.66		71,110.64
2. Lending to affiliated companies	24,199,540.02		16,628,360.62
3. Shares with cooperatives	17,500.00		17,500.00
		<b>24,309,262.68</b>	16,716,971.26
		<b>24,831,418.68</b>	17,042,960.26
<b>C. Current assets</b>			
<b>I. Receivables and other assets</b>			
1. Trade receivables	381,308.80		250,561.05
2. Receivables from affiliated companies	322,675.17		300,839.18
3. Receivables from companies in which participations are held	761.85		0.00
4. Other assets	423,080.96		103,507.19
		<b>1,127,826.78</b>	654,907.42
<b>II. Cash and cash equivalents</b>		<b>2,886,266.96</b>	6,368,373.83
		<b>4,014,093.74</b>	7,023,281.25
<b>D. Accrued items</b>		<b>6,455.19</b>	1,435.25
<b>Total ASSETS</b>		<b>28,864,367.61</b>	24,130,876.76

## EQUITY & LIABILITIES

	31.12.2021 €	Total Amount	Previous Year €
<b>A. Equity</b>			
<b>I. Cooperative shares</b>			
1. of remaining members	2,901,070.68		2,540,370.68
		<b>2,901,070.68</b>	2,540,370.68
<b>II. Silent partnership contributions</b>		<b>300,000.00</b>	0.00
<b>III. Profit/ loss carried forward</b>		<b>-1,121,527.54</b>	-1,011,652.01
<b>IV. Annual profit/loss</b>		<b>39,709.99</b>	-109,875.53
		<b>2,119,253.13</b>	1,418,843.14
<b>B. Provisions</b>	132,333.75		131,374.21
1. Other accruals		<b>132,333.75</b>	131,374.21
<b>C. Liabilities</b>			
<b>1. Bonds</b>	13,000,000.00		13,000,000.00
<b>2. Liabilities to financial institutions</b>	3,500,042.51		3,500,042.61
<b>3. Trade payables</b>	1,084,137.52		345,690.68
<b>4. Payables to affiliated companies</b>	3,092.18		2,341.81
<b>5. Other payables</b> -thereof from taxes 7,789.89€ (previous year 10,566.52€)	9,025,508.52		5,732,584.31
		<b>26,612,780.73</b>	22,580,659.41
<b>Total EQUITY &amp; LIABILITIES</b>		<b>28,864,367.61</b>	24,130,876.76

# Profit & Loss Account

**For the Period from 1 January 2021 until 31 December 2021**

Chancen eG, Hamburg

	2021 €	Total Amount	Previous Year €
<b>1. Revenues</b>		1,168,757.63	862,596.24
<b>2. Other own work capitalised</b>		200,058.57	147,912.63
<b>3. Other Operating Income</b>		180,386.86	336,295.38
<b>Overall Performance</b>		1,549,203.06	1,346,804.25
<b>4. Staff Costs</b>			
a) Wages and Salaries	-735,357.00		-582,077.83
b) Social Contributions and Expenditures for Pensions and Support	-162,580.11		-125,048.83
		-897,937.11	-707,126.66
<b>5. Depreciation</b>			
a) on Intangible Assets and Tangible Assets		-113,556.48	-57,878.16
		-113,556.48	-57,878.16
<b>6. Other Operating Expenses</b>		-513,296.29	-629,994.39
<b>Subtotal</b>		<b>24,413.18</b>	-48,194.96
<b>7. Earnings from other Securities and Lendings of the Financial Assets</b>		707,201.49	531,519.21
<b>8. Other Interest and Similar Earnings</b> – thereof from Affiliated Companies: € 20,270.75 (previous year: € 35,450.35)		-20,141.90	136,505.98
<b>9. Write-offs of Financial Assets and of Securities included in the Current Assets</b>		-671,762.78	-729,705.76
<b>10. Interest and Similar Expenses</b>		15,296.81	-61,680.57
<b>11. Result after Taxes</b>		<b>39,709.99</b>	-109,875.53
<b>12. Annual profit /loss</b>		<b>39,709.99</b>	-109,875.53



# C. Notes

## A. General Information

Chancen eG, with its registered office in Hamburg, is registered with the local court in Hamburg under the number GnR 1139.

It is a small cooperative in accordance with sec. 336 para. 2 of the German Commercial Code in conjunction with sec. 267 para. 1 of the German Commercial Code.

The annual financial statements of Chancen eG as at 31 December 2021 were prepared in accordance with the accounting regulations of sec. 242 et seq. and 264 et seq. of the German Commercial Code and the supplementary regulations for registered cooperatives according to sec. 336 et seq. of the German Commercial Code. The profit and loss account was prepared in accordance with the total cost method pursuant to sec. 275, para. 2 of the German Commercial Code. The financial year of Chancen eG begins on 1 January of each year and ends on 31 December of the same year.

There were no changes in the structure of the balance sheet and income statement. The previous year's amounts stated in the balance sheet and income statement are also comparable to the financial year.

In the annual financial statements, commercial calculation rules were observed when determining rounded amounts (full €). Corresponding totals were calculated without rounding before the respective result was rounded.

## B. Explanations on the Balancing and Assessment Methods

The following accounting and valuation methods were applied during the preparation of the balance sheet and the profit and loss account:

Self-created industrial property rights and similar rights and assets are valued at their acquisition or production costs. The option to capitalise internally self-created intangible fixed assets according to sec. 248, para 2, sentence 1 of the German Commercial Code was exercised. The valuation is carried out at the production costs, i.e. with the expenses incurred during development (sec. 255, para 2a of the German Commercial Code); these correspond to the production costs according to sec. 255, para 2 sentences 1 and 2 of the German Commercial Code. The production costs include directly attributable manufacturing costs. General administration costs pursuant to sec. 255, para 2, sentence 3 of the German Commercial Code were not taken into account. The amortisation of the self-created intangible assets is based on the useful life of the assets.

The intangible assets acquired for a consideration were valued at their acquisition costs, less scheduled straight-line depreciation. Scheduled depreciation is based on the depreciation rates according to the estimated useful life.

The tangible fixed assets were valued at their acquisition costs. Scheduled depreciation is based on the depreciation rates according to the estimated useful life.

Depreciation was calculated using the straight-line method across the useful life of the asset, based on the depreciation tables published by the tax authorities.

Low-value fixed assets with an acquisition cost of up to € 250.00 plus statutory VAT have been fully depreciated in the financial year of 2021. Assets with acquisition costs from € 250.01 to € 1,000.00 (each excluding statutory VAT) were allocated to a collective item on a year-by-year basis – as in the previous financial years – and are depreciated over 5 years.

The financial assets were valued at their acquisition costs. In cases of probable impairment, a value adjustment was carried out to the fair value.

The receivables and other assets were assessed at their nominal value. Specific allowances were deducted for doubtful debts.

The cash and cash equivalents were recognised at their

nominal value in all cases.

The nominal amounts of the cooperative shares have been reported under equity capital. Payments in arrears on shares are indicated as cooperative shares and included on the assets side under the heading of "Outstanding Payments on member shares" in accordance with sec. 337 para. 1 sentence 3 of the German Commercial Code.

The other provisions correspond to the expected expenditure. These were recognised at the settlement amount required according to reasonable financial judgement.

Provisions with a remaining term of more than one year were discounted at the average market interest rate of the past seven years according to their remaining term.

In the event of a change in the discount rate, the occurrence of this change was assumed at the end of the reporting period.

Liabilities were recognised at their settlement amount.

Accruals and deferrals were only created for significant items.



## C. Development of the Fixed Assets

All Amounts in €

	Acquisition & Manufacturing Costs at the Beginning of FY	Additions	Disposals	Acquisition & Manufacturing Costs at the End of FY
<b>Intangible Assets</b>				
Self-created Industrial Property Rights and Similar Rights and Assets	349,309.43	294,020.98	0.00	643,330.41
Acquired Concessions, Industrial Property Rights and Similar Rights and Assets as well as Licenses of such Rights and Assets	32,195.08	8,515.94	0.00	40,711.02
<b>Subtotal</b>	<b>381,504.51</b>	<b>302,536.92</b>	<b>0.00</b>	<b>684,041.43</b>
<b>Tangible Assets</b>				
Other Equipment, Factory & Office Equipment	45,749.08	7,186.56	0.00	52,935.64
<b>Subtotal</b>	<b>45,749.08</b>	<b>7,186.56</b>	<b>0.00</b>	<b>52,935.64</b>
<b>Financial Assets</b>				
Shares in Affiliated Companies	90,243.66	1,980.00	0.00	92,223.66
Lendings to Affiliated Companies	16,654,451.18	8,111,074.84	565,986.00	24,199,540.02
Shares with Cooperatives	17,500.00	0.00	0.00	17,500.00
<b>Subtotal</b>	<b>16,762,194.84</b>	<b>8,113,054.84</b>	<b>565,986.00</b>	<b>24,309,263.68</b>
<b>TOTAL</b>	<b>17,189,448.43</b>	<b>8,422,778.32</b>	<b>565,986.00</b>	<b>25,046,240.75</b>



Write-offs at the beginning of FY (total)	Write-offs for FY	Write-ups in FY	Write-offs as at the end of FY (total)	Carrying amount year	Carrying amount Previous year
49,593.43	99,267.98	0.00	148,861.41	494,469.00	299,716.00
26,271.08	7,104.94	0.00	33,376.02	7,335.00	5,924.00
<b>75,864.51</b>	<b>106,372.92</b>	<b>0.00</b>	<b>182,237.43</b>	<b>501,804.00</b>	<b>305,640.00</b>
25,400.08	7,183.56	0.00	32,583.64	20,352.00	20,349.00
<b>25,400.08</b>	<b>7,183.56</b>	<b>0.00</b>	<b>32,583.64</b>	<b>20,352.00</b>	<b>20,349.00</b>
19,133.02	0.00	19,132.02	1.00	92,222.66	71,110.64
26,090.56	0.00	26,090.56	0.00	24,199,540.02	16,628,360.62
0.00	0.00	0.00	0.00	17,500.00	17,500.00
<b>45,223.58</b>	<b>0.00</b>	<b>45,222.58</b>	<b>1.00</b>	<b>24,309,262.68</b>	<b>16,716,971.26</b>
<b>146,488.17</b>	<b>113,556.48</b>	<b>45,222.58</b>	<b>214,822.07</b>	<b>24,831,418.68</b>	<b>17,042,960.26</b>

## D. Explanations on the Balance and Profit & Loss Account

### I. Balance sheet

Effective as of 1 January 2019, Chancen eG transferred long-term loans to sponsored students that were based on the "Income Share Agreement" financing model (in short: ISA) and reported as other loans under financial assets as of 31 December 2018 to BildungsCHANCEN I GmbH & Co. KG.

At the same time, Chancen eG provided Bildungs-CHANCEN I GmbH & Co. KG with corresponding long-term loans in the form of loans to affiliated companies (asset swap).

Since 1 January 2019, the new ISA contracts initially concluded by Chancen eG have been continually transferred to BildungsCHANCEN I GmbH & Co. KG. At the same time, BildungsCHANCEN I GmbH & Co. KG was provided accordingly with financial resources or long-term loans (= loans to affiliated companies).

For the new ISA contracts concluded starting on 1 January 2022 onwards, BildungsCHANCEN II GmbH & Co. KG as well as BildungsCHANCEN III GmbH & Co. KG were founded, into which the lending portfolio for the financial years 2022 until 2024 is to be bundled.

Furthermore, loans to affiliated companies also include long-term deferred receivables in connection with the administration of repayment claims according to the ISA principle, interest receivables as well as passed-on costs, which are left to BildungsCHANCEN I GmbH & Co. KG on a long-term basis on the basis of a loan agreement.

In view of the long-term repayment modalities, the future income expectations of the debtors that can be assumed in principle and in particular, as well as the various hedging mechanisms, the counterparty default risks are classified as very low individually and overall as of 31 December 2021, so that no value adjustments were necessary in this respect at the level of BildungsCHANCEN I GmbH & Co. KG.

Information on companies, insofar as they are participations within the meaning of sec. 271, para 1 of the German Commercial Code:

Name and registered office	Assets	Company's equity		Result of the last financial year	
	in %	Year	€K	Year	€
Chancen GmbH, Hamburg	100.0	2021	13.8	2021	39,899.07
Chancen Management GmbH, Hamburg	100.0	2021	27.1	2021	-122.10
Chancen International gGmbH, Witten	100.0	2021	86.7	2021	14,234.69
Bildungschancen I GmbH & Co. KG, Hamburg	100.0	2021	-3,597.4	2021	-1,431,933.61
Bildungschancen II GmbH & Co. KG, Hamburg	100.0	2021	-2.5	2021	-3,472.62
Bildungschancen III GmbH & Co. KG, Hamburg	100.0	2021	-2.2	2021	-3,239.23

Of the receivables, the following have a remaining term of more than 1 year:

Receivables	Financial Year	Previous year
- other assets	15,541.34	15,541.34

The assets and liabilities listed below fall under several items on the balance sheet: The receivables and liabilities in relation to affiliated companies also include trade receivables and payables.

Indication of a minimum capital specified in the articles of association (sec. 337, para. 1, sentence 6 of the German Commercial Code):

Pursuant to Article 38, para. 5 of the Articles of Association of Chancen eG, the minimum capital of the cooperative is 90.0% of the total amount of credit balances at the end of the previous financial year. The minimum capital as of 31 December 2021 is € 2,286,333.61.

No retained earnings are reported as of the balance sheet date. As planned, Chancen eG only generated negative annual results from its founding in 2016 to the financial year of 2020 due to its long-term financial model. Under consideration of the net income of €k 39.7 generated for the first time in the financial year 2021, an accumulated loss of €k 1,081.8 is reported as of the balance sheet date of 31 December 2021.

The total amount in accordance with sec. 268 para. 8 and 285 no. 28 of the German Commercial Code, which is subject to a distribution block, amounts to €k 494.5 as of the balance sheet date of 31 December 2021. It results from internally generated intangible assets capitalized in financial years 2019 to 2021.

The other accruals include in particular: Provisions for the audit and preparation of the annual financial statements and for employee vacation not taken as of the balance sheet date.

The other payables amounted to € 8,852,265.49 from loans with a subordination agreement.

The "Other payables" item includes the following accrued amounts of a significant size: Accrued interest in the amount of €k 143.0.

Liabilities have a remaining term of up to 1 year or more than 1 year:

Liabilities	up to 1 year		more than 1 year	
	Financial year €	Previous year €	Financial year €	Previous year €
Bonds	0.00	0.00	13,000,000.00	13,000,000.00
to financial institutions	42.51	42.61	3,500,000.00	3,500,000.00
trade payables	1,084,137.52	345,690.68	0.00	0.00
to affiliated companies	3,092.18	2,341.81	0.00	0.00
other payables	544,008.52	294,584.31	8,481,500.00	5,438,000.00

A total of € 24,287,214.60 among the liabilities (previous year: € 21,483,714.48) have a remaining term of more than 5 years. The following items have remaining terms of more than 5 years:

- + Liabilities from bonds in the amount of € 13,000,000.00 (previous year: € 13,000,000.00),
- + Liabilities to financial institutions in the amount of € 2,805,714.60 (previous year: € 3,045,714.48),
- + Other payables in the amount of € 8,481,500.00 (previous year: € 5,438,000.00).

The following of the liabilities are secured by liens or similar rights:

	Granted lien or similar right	€
Liabilities to financial institutions	Repayment claims from the sponsorship agreements with students (other loans) amounting to 120.0% of the loan were assigned to GLS Gemeinschaftsbank eG as collateral for non-current liabilities to banks..	
		<b>total</b> 3,500,000.00

As of the balance sheet date, the following contingent liabilities according to sec. 251 of the German Commercial Code existed:

			thereof vis-à-vis affiliated or associated companies	
all in €	FY	Previous year	FY	Previous year
Liabilities from guarantees, bill and cheque guarantees	10,000.00	10,000.00	10,000.00	10,000.00

The risk of utilisation was estimated based on the following:

In the 2018 financial year, Chancen eG provided a guarantee for the aforementioned amount in favour of an affiliated company. This is a 100.0% subsidiary of Chancen eG. As of the balance sheet date of 31 December 2021, the resulting risk of utilisation is considered very low based on integrated medium-term planning.

## II. PROFIT AND LOSS ACCOUNT

The breakdown of sales revenue is as follows:

all in €	FY	Previous year
Revenues from cooperation fees received under the pre-financed tuition fees contractually agreed with partner universities	500,414.42	405,325.22
Management remuneration Bildungschancen I GmbH & Co. KG	668,343.21	457,271.02
<b>Total</b>	<b>1,168,757.63</b>	<b>862,596.24</b>

In connection with the self-created intangible assets capitalised as of the balance sheet date of 31 December 2021, a total of €k 200,1 (= other own work capitalised) in development costs was incurred in the 2021 financial year and was included in the intangible assets recognised in the balance sheet. No research costs were incurred in the financial year 2021 (sec. 285, para. 22 of the German Commercial Code).

Amount and nature of individual expense items of exceptional significance or magnitude:

individual value adjustments on receivables from affiliated companies in the amount of €k 90.0.



The items in the income statement include the following income and expenses relating to other periods, except as otherwise explained above:

all in €	Amount	P & L items
Income from write-ups to financial assets	45,222.00	Other operating income
Income from recharges to subsidiaries	56,371.13	Other operating income
Expenses unrelated to the accounting period from the area of material expenses	7,037.15	Other operating expenses

The following income statement items include income and expenses from and to affiliated companies:

all in €	FY	Previous Year
Revenues	668,343.21	457,271.02
Other operating income	139,785.17	331,957.76
Other operating expenses	90,000.00	0.00
Earnings from other Securities and Lendings from Financial Assets	707,201.49	531,519.21

## E. Other Information

Chancen eG (issuer) and BildungsCHANCEN I GmbH & Co. KG have entered into an agreement to monitor the application of funds with a trustee (controller of the application of funds) in order to use the funds raised through the bearer bonds issued (securities prospectus of 19 July 2019; international securities identification number: DE000A2TSCT2) in the financial year of 2019 to secure the bondholders' interest and repayment claims. The controller of the application of funds holds the issue proceeds as collateral for the bondholders and will only release any payments from such proceeds to the issuer if certain conditions of the agreement on monitoring the application of funds are complied with. Accordingly, a partial amount of the item "Cash on hand, Bundesbank balances, bank balances and checks" in the amount of €k 1,487.6 (previous year: €k 5,962.6) is pledged.

The following proposal is submitted for the appropriation of the result:

The net income for the financial year 2021 in the amount of € 39,709.99 is to be carried forward in full.

There are the following financial obligations that are not disclosed in the balance sheet or that are disclosed below the line of the statement of financial position and that are relevant for assessment of the financial position:

The student finance agreements entered into with students until the reporting date of 31 December 2021 (Income Share Agreements), initially entered into between the borrower and Chancen eG, paid and then transferred to BildungsCHANCEN I GmbH & Co. KG, lead to tuition fees not yet paid out as of 31 December 2021 and, accordingly, obligations not yet recognised for financial years of 2022 et seq. in the amount of €k 8,451.6 (previous year: €k 6,903.2).

Annual rental expenses for the office premises of Chancen eG amount to approximately €k 37.5.

The average number of employees during the financial year was:

Area	Employees
Operational	14.6
Administration	2.5
Total	17.1

## Membership Changes

	Number of Members	Number of Shares	Liability Amounts €
Initial number	1,057	25,413	0.00
Additions	389	3,656	0.00
Disposal	6	48	0.00
Final number	1,440	29,021	0.00

The cooperative shares of the remaining members increased in the financial year by

€ 360,700.00

Value of one cooperative share

€100.00

## Name and address of the auditing association responsible:

Genossenschaftsverband – Verband der Regionen e.V.  
Branch Düsseldorf  
Peter-Müller-Straße 26  
40468 Düsseldorf, Germany

## Members of the Executive Board

(first name and surname)

Members of the Board since	
Florian Kollwijn	6 February 2016
Olaf Lampson	6 February 2016

## Members of the Supervisory Board

(first name and surname)

	Members of the Board Since	Members of the Board Until
Caspar-Fridolin Lorenz Chairman since 17.11.2018	06.02.2016	
Katharina Beck	10.06.2017	26.06.2022
David Reichwein Deputy Chairman since 2022	04.05.2019	

## Further members

Niklas Becker	06.02.2016
Dr. Hans-Georg Beyer	26.06.2022
Christin Paul	26.06.2022
Franziska Reh	26.06.2022

Hamburg, 25. July 2022

Chancen eG

The Executive Board



Florian Kollewijn



Olaf Lampson

These annual financial statements were adopted at the general/representative meeting on 26 June 2022 and the appropriation of profits was resolved as proposed in accordance with sec. 48 GenG.

# D. INDEPENDENT AUDITOR'S REPORT

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To the Chancen eG, Hamburg

*This is a convenience translation of the German original. Solely the original text in the German language is authoritative.*

## Audit Opinions

We have audited the annual financial statements of Chancen eG (in the following: "cooperative"), which comprise the balance sheet as at December 31, 2021, and the statement of profit and loss for the financial year from January 1, 2021 to December 31, 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of the cooperative for the financial year from January 1, 2021 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- + the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2021 and of its financial performance for the financial year from January 1, 2021 to December 31, 2021 in compliance with German Legally Required Accounting Principles, and
- + the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to sec. 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

## Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with sec. 53 paragraph 2 GenG in connection with sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the cooperative in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

## Reference to an Emphasis of Matter

We draw attention to the explanation of the executive directors in section I. subsection "ISA-Portfolio – BildungsCHANCEN I bis III" of the management report. There is described, that the loans are used to finance the ISA-contracts between the students and the Bildungschancen I GmbH & Co. KG. In section II.2. subsection "Net profit achieved for the first time" the fifteen years finance cycle is explained which contains the realization of the planned overlap due to the reimbursement of the students within the last three years of the cycle. Our opinion on the annual financial statements and the management report is not modified in respect of this matter.



## Other Information

The executive directors are responsible for the other information.

The other information comprises the other parts of the Annual Report – without further reference to external information –, with the exception of the audited annual financial statements and the management report as well as our auditor's report.

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether

- + the other information is materially inconsistent with the annual financial statements, the management report or our knowledge obtained in the audit or
- + otherwise appears to be materially misstated.

## Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors of the cooperative are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to cooperatives, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the cooperative in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the cooperative's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the cooperative's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities

and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the cooperative's financial reporting process for the preparation of the annual financial statements and of the management report.

## Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the cooperative's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- + Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- + Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems)

relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the cooperative.

- + Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- + Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the cooperative to cease to be able to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the cooperative in compliance with German Legally Required Accounting Principles.
- + Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the cooperative's position it provides.
- + Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 15 September 2022

Genossenschaftsverband    Verband der Regionen e.V.

Guido Platten  
German Public Auditor

Jochen Hinrich Krohn  
German Public Auditor

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