Volkswagen Financial Services AG

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This report does not constitute a rating action.

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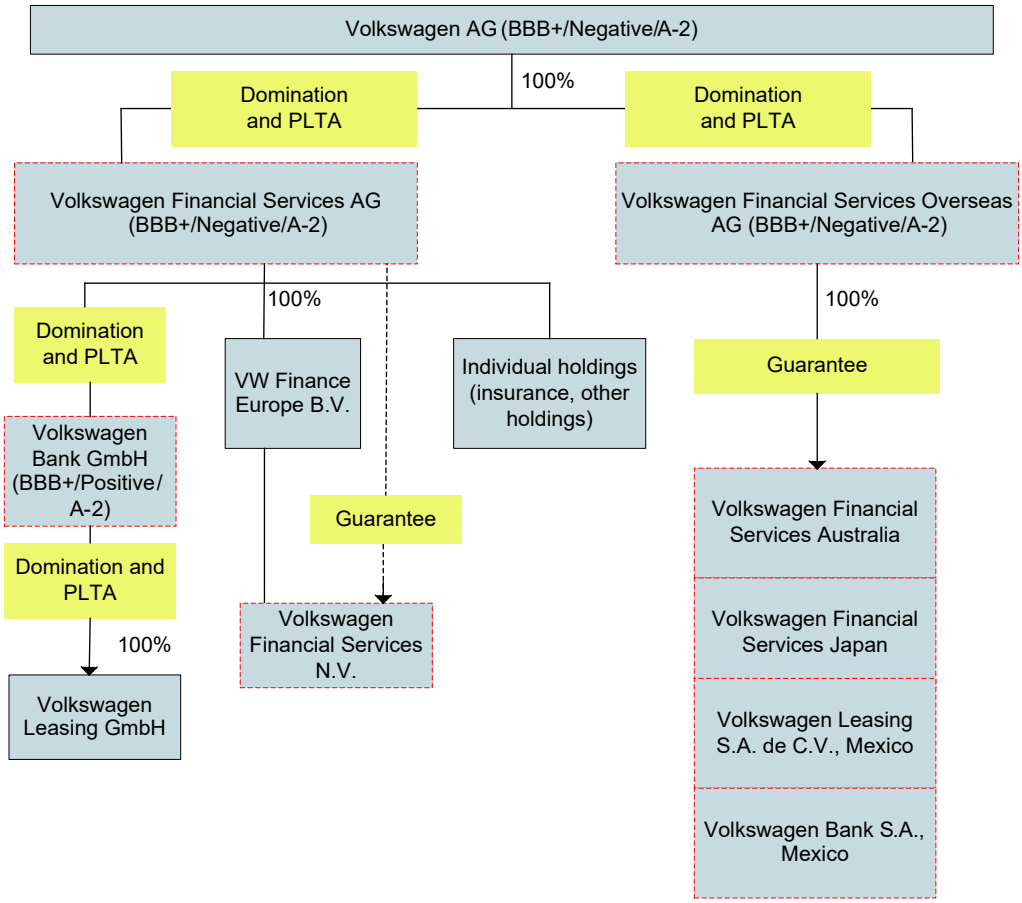
Credit Highlights

Overview

Key strengths	Key risks
Group support from the parent, Volkswagen AG (VW), under any foreseeable circumstances if necessary.	Dependence on VW's franchise, reputation, and credit profile.
Broad business diversification across European markets, with a 45% concentration in Germany.	Business, asset quality, and earnings concentration on car financing, leasing, and related mobility services.
Sound financial risk profile with predictable earnings base from core subsidiaries.	Investor confidence-sensitive wholesale funding profile.

Germany-based non-operating holding companies Volkswagen Financial Services AG (VWFS Europe) and Volkswagen Financial Services Overseas AG (VWFS Overseas) are essential for VW's "MOBILITY2030" captive finance strategy. VW completed the reorganization of its captive finance entities on July 1, 2024, aligning its then newly created VWFS Europe with its core subsidiary, VW Bank GmbH, for its European regulated captive finance business, and VWFS Overseas for its international non-European businesses. VWFS Europe's operating subsidiaries offer car financing and leasing and other mobility services in 17 European markets (in addition to VW Banks' markets in Netherland, Norway, Sweden, Denmark, Czech Republic, Ireland, Luxembourg, and Switzerland), consolidating €214 billion in total assets and employing about 10,500 staff at mid-year 2026. VW Bank is by far VWFS Europe's largest operating entity, active in 10 countries and consolidating €169 billion in assets with around 5,000 staff at mid-year 2026. Its captives are essential for VW's strategy 2030 to growth and diversify business, earnings, and efficiency in its captives which expand into providing holistic, digital and AI-driven broad range of mobility services. This is to strengthen customer loyalty, and vehicle related businesses along the automotive value chain together with the Volkswagen Group brands. We expect VW, one of the world's largest auto manufacturers, to support its fully owned VWFS Europe, including VW Bank, as well as VWFS Overseas under any foreseeable circumstances, if needed, considering their very high strategic importance.

VW's reorganized captive finance entities



PLTA--Profit and loss transfer agreement. Source: S&P Global Ratings.
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We anticipate that under VW AG's "Future Plan 2030" strategy VWFS Europe, its core subsidiary VW Bank, and VWFS Overseas continue expanding their crucial role as efficient vehicle lifetime and mobility service provider across VW's brands. We consider VWFS Europe and its financial services affiliates integral to VW group's key strategic priorities, which is to further optimize under a comprehensive platform VW group customer access to mobility along all vehicle cycles, from car sharing to car subscriptions, leasing, and a particular focus on European vehicle-on-demand offerings.

This further expands VW's captive finance entities' role to provide financial services, lending, and generate increasing income through related services to promote the sale of VW's products, support VW dealers, and strengthen customer relationships. The financed portfolio not only includes new cars from VW brands but also foreign brands and used cars. Further expansion of its battery electric vehicles (BEV) portfolio in all European markets, and accelerated transition to and promotion of BEV sales are essential for the auto maker's strategy (22% European market share mid-year 2026). In turn this emphasizes the importance of the captive finance business and accelerated new business growth in VW Bank's leasing business, funded by accelerated customer deposit growth, remains essential. In addition, VW Bank continues to further leverage

its franchise by increasing fee earnings from other mobility services, including car sharing, parking, refueling, and charging over time.

We expect VWFS Europe to efficiently manage its leading captive finance and leasing business position in European markets. Based on VWFS' strong domestic and European geographical diversification, we forecast relatively lower but predictable 5.0%-6.0% return on average common equity between 2026-2028 compared with peers'. We anticipate sound 2.5%-3.5% business growth, with BEV-related leasing the key driver, margin improvements from policy rate increases, and contained credit cost.

We take into account that auto original equipment manufacturers (OEMs) in Europe generally witness stronger-than-expected auto sales, but Chinese markets are much weaker than anticipated and we see intensifying pressure from Chinese competition (see also "Europe is a sweet spot for light vehicle sales, but for how long?" July 16, 2026). In addition, VW remains pressured by large scale restructuring needs (see also Bulletin: Volkswagen's Profit Warning Signals A More Difficult Path To Recovery, Sept. 22, 2026). We note, however, that European captive finance banks, like VW Bank, currently remain somewhat more resilient, but not immune, to OEMs economic and structural challenges thanks to their more stable earnings (see also Banking Brief: European Auto Captives Might Hold Up Better Than Carmakers, Oct. 5, 2026).

VWFS Europe's and VW Bank's high capitalization remain supported by adequate risk adjusted profitability. In our view, both benefit from strong regulatory supervision by the European Central Bank and are subject to consolidated regulatory capital requirements. In line with our expectations, VW uses its strong financial flexibility and remains highly committed to prudently managing sufficiently strong capital cushions within its captive finance group entities, including buffers for planned leasing growth.

We expect both companies will remain well capitalized, as indicated by their S&P Global Ratings' risk-adjusted capitalization (RAC) ratio (before diversification) forecast of 14.1%-14.9% by 2028 for VWFS Europe, and 16.0%-17.0% by 2028 for VW Bank, which compares favorably to European banks' median RAC ratio of 13.0% at year-end 2025. This contributes to our view of VWFS Europe having slightly weaker stand-alone creditworthiness compared with VW Bank. We also note that VWFS Europe's and VW Bank's capitalization is protected against unexpected full-year losses by VW's groupwide profit and loss transfer agreements. Moreover, we believe VW will ultimately support VWFS Europe and its affiliates business growth in its groupwide capital allocation.

The Single Resolution Board classified VWFS core subsidiary VW Bank under "bankruptcy proceeding" earlier this year and as a result VW Bank's issuer credit rating does not benefit from additional loss-absorbing capacity (ALAC) support. However, we note that VW Bank continues to issue sizable senior non-preferred debt instruments that generally qualify as ALAC and could protect senior creditors in the event of a resolution.

We anticipate VWFS Europe and VW Bank will maintain robust asset quality and prudent risk management balancing their auto sector concentration. In our view, VWFS Europe's and VW Bank's high concentrations in domestic and European auto financing and increasing residual value risk in its leasing business are well managed and adequately captured in our RAC ratio. We also consider VWFS Europe's and VW Bank's granular auto exposures highly collateralized and well managed with efficient groupwide re-marketing skills. At the same time, they have a history of limited and manageable credit losses in line with peers', while there is limited complexity in VW Bank's businesses.

Accordingly, VWFS Europe posted 0.4% risk cost and VW Bank 0.3% at mid-year 2026. VW Europe's gross nonperforming loans over customer loans (NPA) ratio was 2.6% and VW Bank's

2.0% at mid-year 2026, compared with European banks' median NPA ratio of 2.0% at year-end 2025.

VWFS Europe's higher share in price- and market-sensitive wholesale funding compares weaker to many peers'. In our view, VWFS Europe soundly manages its funding and liquidity profile, and we believe VW entities may serve as a lender of last resort in the unlikely event of financial distress. However, VWFS Europe's funding profile is skewed toward weaker, more market-sensitive and costly wholesale funding. This is demonstrated by its customer deposits accounting for only 58% of its funding base or customer loans over customer deposits representing a high 127% at mid-year 2026. Customer deposits are exclusively generated through VW Bank's direct bank customer deposits that are generally more price-sensitive and less stable than those of large retail banks. However, VW Bank's granular deposit and customer base, largely covered by the German statutory deposit protection scheme, has, in our view, proven robust, underlining its deposit franchise.

Outlook

Our negative outlook on VWFS Europe and VWFS Overseas mirrors the negative outlook on their parent VW. If we took a negative rating action on VW within the next 12-24 months, we would take a similar rating action on VWFS Europe and on VWFS Overseas.

Downside scenario

We could lower our ratings on VWFS Europe and on VWFS Overseas if we took a similar rating action on VW. We could also lower our ratings on both entities if we considered that VW's commitment to supporting its subsidiaries had weakened. For example, we might take this view if VW materially reduced its ownership of either subsidiary, or if we no longer considered the captive finance operations crucial to the VW AG group's global strategy.

Upside scenario

We would raise our ratings on VWFS Europe and on VWFS Overseas if we took a similar rating action on VW.

Key Metrics

Volkswagen Financial Services AG--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2024a	2025a	2026f	2027f	2028f
Growth in operating revenue	N.M.	114.6	2.4-2.9	2.8-3.5	2.8-3.5
Growth in customer loans	N.M.	3.5	2.7-3.3	2.7-3.3	2.7-3.3
Growth in total assets	N.M.	5.2	1.9-2.3	2.0-2.4	2.0-2.4
Net interest income/average earning assets (NIM)	N/A	4.0	3.8-4.2	3.8-4.2	3.8-4.2
Cost-to-income ratio	40.7	40.4	39.3-41.4	39.1-41.1	38.8-40.8
Return on average common equity	N/A	4.9	5.1-5.7	5.3-5.9	5.5-6.1
Return on assets	N/A	0.8	0.8-0.9	0.8-1.0	0.8-1.0
New loan loss provisions/average customer loans	N/A	0.6	0.6-0.7	0.6-0.7	0.6-0.7

Volkswagen Financial Services AG--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2024a	2025a	2026f	2027f	2028f
Gross nonperforming assets/customer loans	2.2	2.6	2.6-2.8	2.6-2.9	2.6-2.9
Risk-adjusted capital ratio	16.9	15.7	14.9-15.7	14.5-15.3	14.1-14.9

All figures include S&P Global Ratings' adjustments. a--Actual. f--Forecast. NIM--Net interest margin. N.M.--Not meaningful. N/A--Not applicable.

Rated Subsidiaries

Our Nordic Regional Scale rating on VW FS's subsidiary Volkswagen Finans Sverige AB is 'K-1'. This reflects our view of its core group status to VWFS Europe and that, under any foreseeable circumstances, the entity will receive support if necessary.

Rated Debt

We rate VWFS Europe's senior unsecured debt obligations and debt issued by the following subsidiaries at 'BBB+/A-2'.

Key Statistics

Volkswagen Financial Services AG Key Figures

Mil. EUR	2026*	2025	2024
Adjusted assets	213,576	202,118	192,134
Customer loans (gross)	126,399	125,594	121,404
Adjusted common equity	31,985	31,159	30,360
Operating revenues	2,530	5,415	2,523
Noninterest expenses	1,145	2,188	1,027
Core earnings	803	1,580	829

*2026 data is for the 6 months to end-June.

Volkswagen Financial Services AG Business Position

(%)	2026*	2025	2024
Total revenues from business line (currency in millions)	2,530	5,415	2,523
Insurance activities/total revenues from business line	2.8	1.9	1.6
Other revenues/total revenues from business line	97.2	98.1	98.4
Return on average common equity	4.9	4.9	N/A

*2026 data is for the 6 months to end-June. N/A--Not applicable.

Volkswagen Financial Services AG Capital And Earnings

(%)	2026*	2025	2024
Tier 1 capital ratio	16.8	16.3	18.2

Volkswagen Financial Services AG Capital And Earnings

S&P Global Ratings' RAC ratio before diversification	N/A	N/A	16.9
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	17.5
Adjusted common equity/total adjusted capital	100.0	100.0	100.0
Net interest income/operating revenues	88.4	95.3	87.3
Fee income/operating revenues	5.5	4.8	7.3
Market-sensitive income/operating revenues	5.2	(2.5)	(6.0)
Cost to income ratio	45.3	40.4	40.7
Preprovision operating income/average assets	1.3	1.6	N/A
Core earnings/average managed assets	0.8	0.8	N/A

*2026 data is for the 6 months to end-June. N/A--Not applicable.

Volkswagen Financial Services AG Risk Position

(%)	2026*	2025	2024
Growth in customer loans	1.3	3.5	N.M.
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	N/A	(3.8)
Total managed assets/adjusted common equity (x)	6.7	6.5	6.3
New loan loss provisions/average customer loans	0.4	0.6	N/A
Net charge-offs/average customer loans	N.M.	0.2	N/A
Gross nonperforming assets/customer loans + other real estate owned	2.6	2.7	2.2
Loan loss reserves/gross nonperforming assets	N/A	32.5	34.0

*2026 data is for the 6 months to end-June. N.M.--Not meaningful. N/A--Not applicable

Volkswagen Financial Services AG Funding And Liquidity

(%)	2026*	2025	2024
Core deposits/funding base	57.8	55.4	54.02
Customer loans (net)/customer deposits	126.8	138.9	145.8
Long-term funding ratio	89.2	88.7	90.5
Stable funding ratio	90.8	90.0	94.3
Short-term wholesale funding/funding base	12.8	13.6	11.5
Regulatory net stable funding ratio	--	124.1	117.7
Broad liquid assets/short-term wholesale funding (x)	0.5	0.5	0.9
Broad liquid assets/total assets	5.3	5.4	7.9
Broad liquid assets/customer deposits	11.5	12.1	18.4
Net broad liquid assets/short-term customer deposits	(12.8)	(14.7)	(3.4)
Regulatory liquidity coverage ratio (LCR) (x)	--	152.5	263.1
Short-term wholesale funding/total wholesale funding	30.4	30.4	25.0
Narrow liquid assets/3-month wholesale funding (x)	1.5	1.5	2.0

*2026 data is for the 6 months to end-June.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Brief: European Auto Captives Might Hold Up Better Than Carmakers, Oct. 5, 2026
- Bulletin: Volkswagen's Profit Warning Signals A More Difficult Path To Recovery, Sept. 22, 2026
- VW's Captive Finance Entities Affirmed At 'BBB+/A-2'; VW Bank Outlook Revised To Positive On Potential Resolution, Sept. 10, 2026
- Banking Industry Country Risk Assessment: Germany, Sept. 1, 2026
- Banking Industry Country Risk Assessment Update: August 2026, Aug. 27, 2026
- Europe is a sweet spot for light vehicle sales, but for how long? July 16, 2026
- Inflation Could Stall VW's Cost-Cutting Drive, March 26, 2026
- Industry Credit Outlook 2026, Jan. 30, 2026
- Industry Credit Outlook 2026: Autos, Jan. 14, 2026
- Volkswagen Outlook Revised To Negative On Slower-Than-Anticipated Recovery In Credit Metrics; Affirmed At 'BBB+/A-2', Dec. 17, 2025
- Volkswagen Financial Services AG, Oct. 16, 2025
- Volkswagen AG, Sept. 1, 2025

Ratings Detail (as of November 06, 2026)*

Volkswagen Financial Services AG	
Issuer Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Short-Term Debt	A-2
Issuer Credit Ratings History	
17-Dec-2025	BBB+/Negative/A-2

Ratings Detail (as of November 06, 2026)*	
01-Jul-2024	BBB+/Stable/A-2
Sovereign Rating	
Germany	AAA/Stable/A-1+
Related Entities	
Skofin s.r.o.	
Commercial Paper	
Local Currency	A-2
TRATON Finance Luxembourg S.A.	
Senior Unsecured	BBB
Traton SE	
Issuer Credit Rating	BBB/Negative/A-2
South Africa National Scale	zaAAA/--/zaA-1+
Volkswagen AG	
Issuer Credit Rating	BBB+/Negative/A-2
Volkswagen Bank GmbH	
Issuer Credit Rating	BBB+/Positive/A-2
Commercial Paper	
Local Currency	A-2
Senior Subordinated	BBB
Senior Unsecured	BBB+
Volkswagen Finance Overseas B.V.	
Commercial Paper	
Local Currency	A-2
Volkswagen Financial Services Australia Pty Ltd.	
Senior Unsecured	BBB+
Volkswagen Financial Services N.V.	
Commercial Paper	
Local Currency	A-2
Volkswagen Financial Services Overseas AG	
Issuer Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Volkswagen Finans Sverige AB	
Issuer Credit Rating	
Nordic Regional Scale	--/--/K-1
Commercial Paper	
Local Currency	A-2
Volkswagen International Belgium S.A.	
Issuer Credit Rating	BBB+/Negative/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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