Volkswagen Financial Services AG

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This report does not constitute a rating action.

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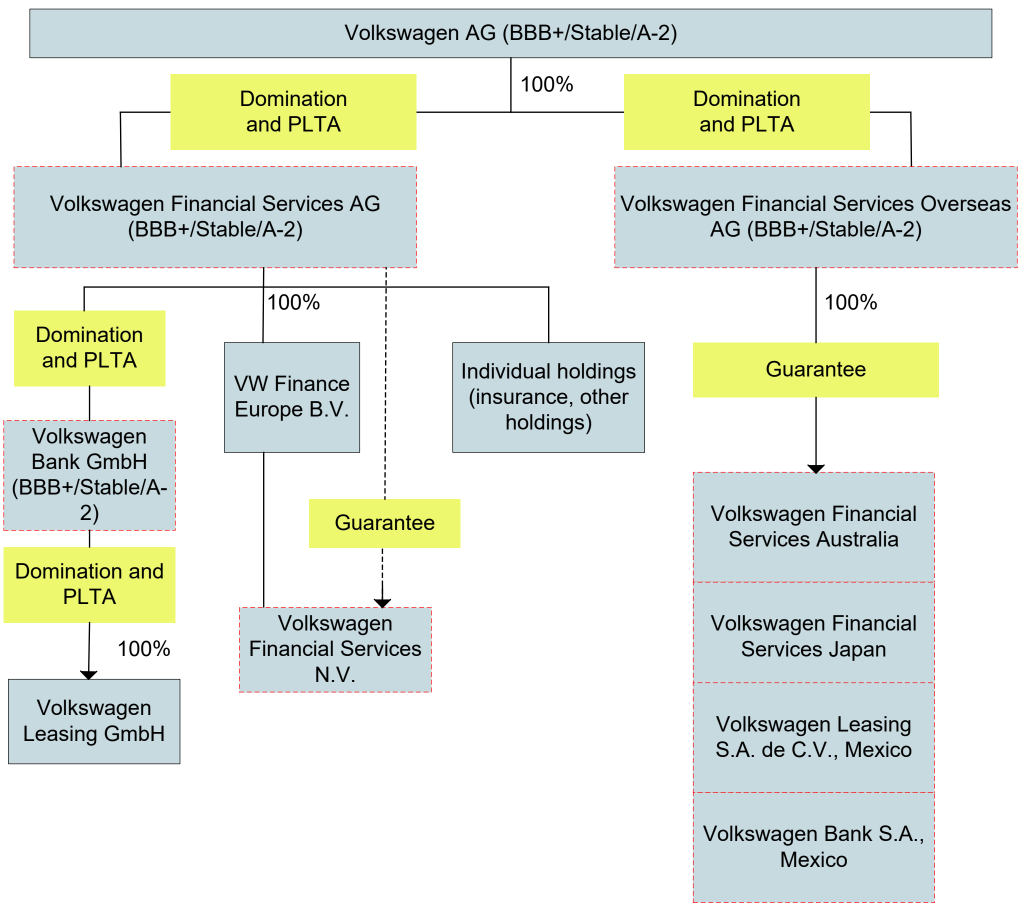
Credit Highlights

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 45% in Germany.	Business and earnings concentration on car financing, leasing, and related mobility services.
Sound financial risk profile with stable earnings 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) mirror the ratings on VW AG (VW). We expect VW, one of the world's largest auto manufacturers, would support its fully owned VWFS Europe and VWFS Overseas under any foreseeable circumstances, if needed, considering their core strategic importance. VW completed the reorganization of its captive finance entities on July 1, 2024, streamlining its newly created VWFS Europe with its core subsidiary, VW Bank GmbH, for its European regulated captive finance business. VW re-named its international non-European businesses VWFS Overseas (known as Volkswagen Financial Services AG before July 1, 2024). Existing profit-and-loss transfer agreements and guarantees affecting the various entities in VW's captive finance business were grandfathered and legally adjusted to VW's organizational setup since mid-2024 and are ultimately directed toward VW as the most-senior parent company.

VW's reorganized captive finance entities



PLTA--Profit and loss transfer agreement. Source: S&P Global Ratings.

Under their "MOBILITY2030" captive finance strategy, we anticipate VWFS Europe, its core subsidiary VW Bank, and VWFS Overseas to further strengthen their key role as mobility service provider within the long-term "Volkswagen New Auto Strategy." We consider VWFS Europe and its financial services affiliates integral to VW group's refreshed strategy, which is to further develop a comprehensive platform for optimized VW AG 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 to generate 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. To promote sales of battery electric vehicles (BEV), which are essential for the auto maker (26% European market share mid-year 2025, up from about 20% in 2024), further increases in the importance of the captive finance business and new business growth in the leasing business funded by VW Bank's customer deposits are needed. We anticipate increasing earnings contributions from other mobility services, including car sharing, parking, refueling, and charging, over time.

VWFS Europe benefits from its broad geographical business and earnings diversification and VW Bank's leading captive finance bank position in European markets. VWFS Europe's operating subsidiaries offer car financing, leasing, dealer financing, insurance, 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 €196 billion total assets and employing slightly above 10,000 staff at mid-year 2025. VW Bank is by far VWFS Europe's largest operating entity active in 10 countries. VW Bank's consolidated assets almost doubled in 2024 to €148 billion at mid-year 2024. The bank has 4,667 staff, after its consolidation with VW Leasing on July 1, 2024. VW Overseas is active in 12 non-European heterogeneous markets consolidating €30 billion assets and almost 3,000 staff at mid-year 2024. VWFS Europe also hosts VW Finance Europe B.V. (about €70 billion assets), domiciled in Netherlands, and a tax optimized holding of VWFS Europe's other equity participations, including VWFS local U.K. subsidiary, the Swedish Volkswagen Finans Sverige AB (about €13 billion assets), VW's insurance subsidiaries, and Volkswagen Financial Services N.V. (about €9 billion assets) acting as a foreign currency issuer for the wider VWFS group.

Considering VWFS Europe's sound franchises and European geographical diversification, we anticipate generally stable and sound earnings contribution to VW through the automotive cycles. However, VWFS Europe's income, credit risk, and residual values will remain structurally highly dependent on VW's reputation, creditworthiness, and auto sales, which are currently lackluster (see "Global Carmaker Volkswagen AG 'BBB+' Rating Affirmed As Strategic Actions Offset Short-Term Financial Pressure," published March 27, 2025). Moreover, we note the reduced cyclical interest rate support and high geopolitical uncertainties, potentially directly or indirectly pressuring economic conditions particularly from intensifying trade tensions and policy uncertainties (see "Industry Credit Outlook Update Europe: Autos," published July 16, 2025).

VWFS Europe reported solid net €1.2 billion IFRS pretax profit, 41% cost-to-income ratio, and 7.9% return on equity at year-end 2024. We forecast 80%-90% higher annual pretax profit for full-year 2025, after VWFS Europe reported significantly increased €1.4 billion IFRS pretax profit mid-year 2025, excluding the consolidation effects and full-year recognition of VW Leasing under VW Bank. Similarly, VWFS Europe's fully consolidated VW Bank subsidiary contributed net €1.1 billion IFRS pretax profit, 42% cost-to-income ratio, and 5.3% return on equity, with €140.6 billion total assets by year-end 2024, and we forecast about €1.6 billion IFRS pretax profit for full-year 2025, after reporting significantly increased €1.0 billion IFRS pretax profit mid-year 2025. This compares with its VWFS Overseas net €0.9 billion IFRS pretax profit, 52% cost-to-income ratio, and 9.2% return on equity by year-end 2024, and €0.2 billion IFRS pretax profit mid-year 2025.

VWFS Europe and VW Bank are expected to maintain very high capitalization and benefit from strengthened regulatory supervision and oversight. Both are supervised by the European Central Bank (ECB) and are subject to consolidated regulatory capital requirements. In line with our expectations, VW AG uses its strong financial flexibility and remains highly committed to prudently manage its sufficiently strong capital cushions within its captive finance group entities, including buffer for planned above-average leasing growth. As a result, we expect VWFS Europe and VW Bank to maintain their very strong capitalization, as indicated by their S&P Global Ratings' risk-adjusted capitalization (RAC) ratio (before diversification) at sustainable 17.2% for VWFS Europe and 20.2% for VW Bank, at year-end 2024, which compares favorably to European banks' median 12.6% RAC ratio. Similarly, VWFS Europe and VW Bank reported high regulatory common equity Tier 1 (CET 1) ratios of 18.1% and 16.2%, respectively, at mid-year 2025, both well above minimum regulatory total capital requirements. We also anticipate that VWFS Europe and VW Bank will build a sizable capital buffer to cover increasing residual value risk from the concerted move toward leasing. We believe VW will support VWFS Europe, if it needs additional capital. VWFS Europe, in turn, could downstream sufficient capital to VW Bank and other affiliates to support business growth in its groupwide capital allocation. We also understand VW Bank, VWFS Europe, and the Single Resolution Board continue to be in discussions regarding the group's resolution strategy and perimeter, including the level of minimum requirement for both entities' own funds and eligible liabilities.

We anticipate VWFS Europe and VW Bank to maintain robust asset quality and prudent risk management balancing their auto sector concentration. In our view, risks from the bank's domestic and European auto loans, dealer financings, and enlarged residual value risk from leasing business are well managed and adequately captured in our RAC ratio. Generally, in our view, the risks that VWFS Europe and VW Bank assume show low complexity. We expect VWFS Europe's asset quality will remain stable, considering that VWFS Europe and VW Bank's granular auto loans and leasing business are well managed, highly collateralized, and VWFS Europe and VW Bank loss experience is about in line with peers' benefitting also from its efficient European-wide standardized price and remarketing platform of vehicles. Accordingly, VWFS Europe posted 0.2% risk cost and VW Bank 0.3% at year-end 2024--about in line with European banks' 0.2% median risk cost. VW Europe's gross nonperforming loans over customer loans (NPA) ratio was 2.2% and VW Bank's 1.8% as of year-end 2024, compared with European banks' median NPA ratio at 2.0%. In an unlikely event of unexpectedly high credit costs and materially lower revenues, these financial risks are sheltered by VWFS Europe's dominance and profit-and-loss transfer agreement with VW. That essentially transfers VWFS Europe's results under German generally accepted accounting principles to VW. Although this is not comparable with a full and timely guarantee, it underlines VW's commitment to VWFS Europe because VW would absorb VWFS Europe's losses, if necessary.

VWFS Europe has a higher share in price- and market-sensitive wholesale funding compared 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 indicated by its customer deposits accounting for only 54% of its funding base or customer loans over customer deposits representing a high 146% at year-end 2024. Customer deposits are exclusively generated via 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 outlooks on VWFS Europe and VWFS Overseas mirror the stable outlook on their parent VW. If we took a 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

Although unlikely, we could lower our ratings on these 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 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.

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	2025*	2024	2023	2022	2021
Adjusted assets	195,830	192,134	--	--	--
Customer loans (gross)	122,039	121,404	--	--	--
Adjusted common equity	30,761	30,202	--	--	--
Operating revenues	2,987	2,523	--	--	--
Noninterest expenses	1,248	1,027	--	--	--
Core earnings	967	829	--	--	--

*2025 data is for the nine months to end-June. EUR--euro. VWFS was set up in 2024 as part of the reorganization.

Volkswagen Financial Services AG--Business position

(%)	2025*	2024	2023	2022	2021
Loan market share in country of domicile	-	-	-	-	-
Deposit market share in country of domicile	-	-	-	-	-
Total revenues from business line (currency in millions)	2,987	2,523	-	-	-
Commercial & retail banking/total revenues from business line	-	-	-	-	-
Trading and sales income/total revenues from business line	-	-	-	-	-
Corporate finance/total revenues from business line	-	-	-	-	-
Brokerage/total revenues from business line	-	-	-	-	-
Insurance activities/total revenues from business line	1.6	1.6	-	-	-
Agency services/total revenues from business line	-	-	-	-	-
Payments and settlements/total revenues from business line	-	-	-	-	-
Asset management/total revenues from business line	-	-	-	-	-
Other revenues/total revenues from business line	98.4	98.4	-	-	-
Investment banking/total revenues from business line	-	-	-	-	-

Volkswagen Financial Services AG--Business position

(%)	2025*	2024	2023	2022	2021
Return on average common equity	6.1	N/A	-	-	-

*2025 data is for the 9 months to end-June.

Volkswagen Financial Services AG--Capital and earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	--	18.2	--	--	--
S&P Global Ratings' RAC ratio before diversification	N/A	17.2	--	--	--
S&P Global Ratings' RAC ratio after diversification	N/A	17.9	--	--	--
Adjusted common equity/total adjusted capital	100.0	100.0	--	--	--
Double leverage	N.M.	N.M.	--	--	--
Net interest income/operating revenues	84.8	87.3	--	--	--
Fee income/operating revenues	5.0	7.3	--	--	--
Market-sensitive income/operating revenues	(2.9)	(6.0)	--	--	--
Cost to income ratio	41.8	40.7	--	--	--
Preprovision operating income/average assets	1.8	N/A	--	--	--
Core earnings/average managed assets	1.0	N/A	--	--	--

*2025 data is for the 9 months to end-June. N.M.--Not meaningful.

Volkswagen Financial Services AG--Risk position

(%)	2025*	2024	2023	2022	2021
Growth in customer loans	1.1	N.M.	--	--	--
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(3.7)	--	--	--
Total managed assets/adjusted common equity (x)	6.4	6.4	--	--	--
New loan loss provisions/average customer loans	0.5	N/A	--	--	--
Net charge-offs/average customer loans	N.M.	N/A	--	--	--
Gross nonperforming assets/customer loans + other real estate owned	N/A	2.2	--	--	--
Loan loss reserves/gross nonperforming assets	N/A	34.0	--	--	--

*2025 data is for the 9 months to end-June. N.M.--Not meaningful.

Volkswagen Financial Services AG--Funding and liquidity

(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	56.9	54.0	--	--	--
Customer loans (net)/customer deposits	137.2	145.8	--	--	--
Long-term funding ratio	91.0	90.5	--	--	--
Stable funding ratio	91.5	94.3	--	--	--
Short-term wholesale funding/funding base	10.8	11.5	--	--	--
Regulatory net stable funding ratio	--	117.7	--	--	--
Broad liquid assets/short-term wholesale funding (x)	0.5	0.9	--	--	--
Broad liquid assets/total assets	4.2	7.9	--	--	--
Broad liquid assets/customer deposits	9.2	18.4	--	--	--
Net broad liquid assets/short-term customer deposits	(11.6)	(3.4)	--	--	--
Regulatory liquidity coverage ratio (LCR) (x)	--	263.1	--	--	--

Volkswagen Financial Services AG--Funding and liquidity

Short-term wholesale funding/total wholesale funding	25.0	25.0	--	--	--
Narrow liquid assets/3-month wholesale funding (x)	1.1	2.0	--	--	--
*2025 data is for the 9 months to end-June.					

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- ARCHIVE | General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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 Industry Country Risk Assessment: Germany; Sept.19, 2025
- Volkswagen AG, Sept. 1, 2025
- Banking Industry Country Risk Assessment Update: August 2025, Aug. 27, 2025
- Industry Credit Outlook Update Europe: Autos, July 16, 2025
- Global Banks Midyear Outlook 2025: Tariffs And Geopolitics Could Bite, July 10, 2025
- Stress Test Highlights European Banks' Resilience To Potential Trade Escalations, June 24, 2025
- Four Ratings On Volkswagen Captive Finance Entities Debt Withdrawn At Issuer's Request, April 25, 2025

Ratings Detail (as of October 16, 2025)*

Volkswagen Financial Services AG	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Short-Term Debt	A-2

Ratings Detail (as of October 16, 2025)*	
Issuer Credit Ratings History	
01-Jul-2024	BBB+/Stable/A-2
Sovereign Rating	
Germany	AAA/Stable/A-1+
Related Entities	
Scania AB (publ.)	
Issuer Credit Rating	BBB/Stable/A-2
Nordic Regional Scale	--/--/K-2
South Africa National Scale	zaAAA/--/zaA-1+
Skofin s.r.o.	
Commercial Paper	
Local Currency	A-2
TRATON Finance Luxembourg S.A.	
Senior Unsecured	BBB
TRATON SE	
Issuer Credit Rating	BBB/Stable/A-2
South Africa National Scale	zaAAA/--/zaA-1+
Volkswagen AG	
Issuer Credit Rating	BBB+/Stable/A-2
Volkswagen Bank GmbH	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Subordinated	BBB
Volkswagen Finance Overseas B.V.	
Commercial Paper	
Local Currency	A-2
Volkswagen Financial Services N.V.	
Commercial Paper	
Local Currency	A-2
Volkswagen Financial Services Overseas AG	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Volkswagen Financial Services Polska SP. Z O.O.	
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.	

Ratings Detail (as of October 16, 2025)*

Issuer Credit Rating	BBB+/Stable/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.